



NEW MEXICO
FINANCE AUTHORITY

**Presentation to
NMFA Oversight
Committee**



**Update on NMFA,
2021 Legislative Session,
and Recovery Programs**

Marquita D. Russel, CEO

June 2, 2021

- ◆ Created in 1992 as a governmental instrumentality to improve the planning and financing of state and local government public projects
- ◆ Broad-based finance agency that finances public infrastructure and community and economic development projects. NMFA is
 - ❑ operates programs created under ten statutes
 - ❑ authorized to operate 20 programs, 13 of the programs are currently active
 - ❑ partnered with six agencies in operating programs
- ◆ Governed by an 11-member Board of Directors
- ◆ Overseen by a 39-member Legislative Oversight Committee

Funding Programs

Active?	FY	Program Name	Enabling Act	Statute
✓	1992	Public Project Revolving Fund	New Mexico Finance Authority Act	6-21-6.0
✓	1994	Primary Care Capital Fund	Primary Care Capital Funding Act	24-1C-4
✓	1997	Drinking Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund Act	6-21A-4
	1999	Water and Wastewater Grant Fund	New Mexico Finance Authority Act	6-21-6.3
✓	2001	Water Project Fund	Water Project Finance Act	72-4A-9
✓	2002	Local Government Planning Fund	New Mexico Finance Authority Act	6-21-6.4
✓	2003	Economic Development Revolving Fund (Smart Money)	Statewide Economic Development Finance Act	6-25-6.1
	2003	Child Care Revolving Loan Fund	Child Care Facility Loan Act	24-24-4.0
	2004	Acequia Project Fund	Water Project Finance Act	72-4A-9.1
✓	2004	Behavioral Health Capital Fund	Behavioral Health Capital Funding Act	6-26-4
	2005	Energy Efficiency & Renewable Energy Bonding Act	New Mexico Finance Authority Act	6-21D-5
	2005	Local Transportation Infrastructure Fund	New Mexico Finance Authority Act	6-21-6.8
✓	2006	New Markets Tax Credit	Statewide Economic Development Finance Act	6-25-6.1
	2007	Local Government Transportation Fund	New Mexico Finance Authority Act	6-21-6.12
✓	2010	Colonias Infrastructure Project Fund	Colonias Infrastructure Finance Act	6-30-1.0
	2011	Collateral Support Participation Program	Statewide Economic Development Finance Act	6-25-13
✓	2021	Essential Services Working Capital Program	Statewide Economic Development Finance Act	6-25-13
✓	2021	New Markets Tax Credit Small Loan Pool	Statewide Economic Development Finance Act	6-21-6.12
✓	2021	Small Business Recovery Loan Fund	Small Business Recovery and Stimulus Act	6-32-1
✓	2021	New Mexico LEDA Recovery Grants	Local Economic Development Act	5-10-16

- **Katherine Miller, *Chair***
Santa Fe County
- **Steve Kopelman, *Vice Chair***
New Mexico Counties
- **Leslie Nathanson Juris, *Secretary***
- **Andrew Burke**
New Mexico State University
- **Sarah Cottrell Propst**
Energy, Minerals and Natural Resources
- **AJ Forte**
New Mexico Municipal League
- **James Kenney**
NM Environment Department
- **Alicia Keyes**
NM Economic Development Department
- **Debbie Romero**
NM Department of Finance & Administration
- **Martin Suazo**

◆ Independent Board of Directors

- Establishes annual budget
- Approves grants, loans and bond issuances
- Approves rules and policies

◆ Active Committee process provides high level of oversight of NMFA's diverse and complex operations:

- Executive Committee
- Finance & Disclosure Committee
- Audit Committee
- Public Lending Committee
- Economic Development Committee

- ◆ In September 2018, the NMFA Board adopted a strategic plan to guide the agency through the administration transition. The plan was reaffirmed in January 2020 by the (then-new) NMFA Board
- ◆ Vision: New Mexico's partner in building economic prosperity and stronger communities
- ◆ Mission: Advancing New Mexico by financing impactful, well-planned projects
- ◆ The plan identifies the following strategic framework:
 - Operational Excellence
 - Collaborative Financing
 - Integrated Project Planning
 - Capacity Building

◆ Technology improvements:

- Recently completed the first and largest phase of business improvement and technology project: EnABLE Loan Servicing
 - Loan servicing system is the official sub-ledger of record for NMFA's programmatic activity and feeds NMFA's general ledger software all loan and grant information
 - EnABLE system is more client-focused and provides improved reporting and loan invoices for clients
 - EnABLE and MIP, NMFA's general ledger, are cloud-based which ensures business continuity
- Implemented robust fraud mitigation tools in Recovery grant and loan programs, much of which can be used in other NMFA programs
- NMFA website (www.nmfinance.com) and Investor websites (www.nmbondfinance.com and www.nmdotbonds.com) continue to be updated and improved

- ◆ Pandemic impact not as significant as feared:
 - Debt service payments from borrowers received as expected
 - NMFA has begun to see declines in client draws as construction slows due to disruption in construction materials supply chain
 - NMFA began work-from-home on March 16th, prior to high travel season. Impact was net reduction in operating costs

- ◆ Staffing
 - Office reopening to public on July 1st
 - FY21 budget amended in July 2020 to accommodate the increased staffing needs resulting from Recovery program
 - FY 22 budget contains 4 new positions
 - to enhance compliance and monitoring on existing programs
 - to meet demand on NMFA's other mature programs

2021 Legislative Recap

NO.	DESCRIPTION	SPONSORS	STATUS
SB 3/ec	Small Business Recovery Act	Sen. Candelaria & Rep. Matthews	SFC Sub Passed, Signed March 3 (Ch. 5)
SB 3 extended and substantially expanded the Small Business Recovery Loan Fund			
SB 137/ec (NMFAOC Endorsed)	NMFA Water Projects	Sens. Cervantes & Pope & Rep. Dow	Passed; Signed April 5 (Ch. 48)
SB 137 authorizes NMFA to makes grants and loans for 38 water projects recommended by the Water Trust Board			
SB 121/ec	State Transportation Project Bonds for Projects	Sen. Gonzales	Passed; Signed April 5 (Ch. 43)
Authorizes NMFA to issue \$234,600,000 in transportation bonds for prior authorized projects			
SB 88/a/ec (NMFAOC Endorsed)	Public Project Revolving Fund Projects	Sen. Candelaria & Rep. Hochman-Vigil	Passed; Signed April 5 (Ch. 35)
As amended, authorizes 160 entities to apply for PPRF funding for a variety of projects			
SB 70 (NMFAOC Endorsed)	Public Project Revolving Fund Appropriations	Sen. Padilla & Rep. Figueroa	Passed; Signed April 5 (Ch. 30)
Appropriates \$11.3 million from the PPRF to four separate funds administered by NMFA, NM Environment Dept. and Dept. of Cultural Affairs			

2021 Legislative Recap

NO.	DESCRIPTION	SPONSORS	STATUS
HB 200	Water Trust Board Projects & NM Unit Fund	Reps. McQueen & Small & Sens. Stewart & Correa Hemphill	Passed, Signed April 5 (Ch. 64)
Transfers the recommendation of projects to be funded the NM Unit Fund from the NM CAP Entity to the Water Trust Board			
HB 11/ec	GRT & Permanent Fund for LEDA Projects	Reps. Chandler & Egolf	Passed; Signed February 26 (Ch. 3)
Temporarily amends LEDA to allow NMEDD and NMFA to make up to \$200 million in grants to small businesses that create jobs			
SB 143 (LFC Endorsed)	Public-Private Partnership Act	Sen. Campos	Did not pass
Created an NMFA-administered "P3" board and loan fund that promulgates guidance for P3 projects and finances certain P3 transportation projects			
HB 236/SB 313	Public Banking Act	Rep. Roybal Caballero & Sen. Steinborn	Did not pass
Created a public bank and named NMFA CEO as a member			

NO.	DESCRIPTION	SPONSORS	STATUS
HB 241	Water Trust Fund Mutual Domestic Set-Aside	Reps. Herrera & Garratt	Did not pass
Provided that up to 10% of the severance tax bonds earmarked for the Water Trust Board be set aside for grants to small MDWCAs			
SB 321	County Courthouse Bonding Act	Sens. Griggs & Burt	Did not pass
Created a County Courthouse grant fund within NMFA and authorized NMFA to issue \$50 million in bonds to capitalize the fund			
SB 438	Transportation Project Fund Technical Correction	Sen. Munoz	Did not pass
Eliminated the inactive and unfunded Local Transportation Infrastructure Fund administered by NMFA			
SB 440	Statewide Economic Development Finance Act	Sen. Shendo	Did not pass
Amended SWEDFA to allow NMFA to propose to the NMFAOC rules to establish and operate a Capital Access Program from the Economic Development Revolving Fund. Initiative by NMFA to put in place tools to potentially use a portion of the \$56,234,176 in federal State Small Business Credit Initiatives expected to be received by state			

The **Small Business Recovery Loan Fund** (“SBRLF”) was created in June 2020 during the 1st Special Session of the 2020 Legislature and significantly expanded during the 2021 Regular Session through Senate Bill 3. The SBRLF provides very low-cost loans of up to \$150,000 to New Mexico businesses that were significantly impacted by the pandemic and the related Emergency Health Orders. The **\$500 million loan** program is funded from the State Severance Tax Permanent Fund.

House Bill 11 made temporary changes to LEDA to create the **LEDA Recovery Grants** program, a **\$200 million grant program** to provide grants of up to **\$100,000** for rent, lease, or mortgage payments to businesses that experienced a decline in revenue during the pandemic and are now reinstating jobs lost. NMFA is the administrator of the grant program and the New Mexico Economic Development Department (“NMEDD”) is charged with policy oversight of the grant funds.

- ◆ SBRLF application is open until **May 31, 2022** and applications are processed on a first-come, first-served basis.
- ◆ LEDA Grant application is open until **June 15, 2021**. **Following the closing of the application period**, applications will be prioritized based upon the percentage of revenue decline from 2019 to 2020.
- ◆ Businesses apply through an **online application** accessed at NMFA's website: www.nmfinance.com. Account registration is required.
- ◆ All activity happens through the on-line application system:
 - The process for both applications involves different touch points throughout the process. Applicants may check the status of their applications and ask questions regarding their applications by logging into their accounts.
 - Applicants will be notified of any needed clarifications or corrections and will be provided an opportunity to correct applications while the applications period is open.



Terms	SBRLF 1.0	SBRLF 2.0
Determination of Loan Amount	Equal to Two times Average Adjusted Monthly Business Expenses (Total expenses for 2019, excluding 179 deductions and depreciation, less CARES funding DIVIDED by 12) NOT TO EXCEED \$75,000	Up to Three times the Average Monthly Business Expense (Expenses for 2019 or 2020 less depreciation divided by the number of months in operation during the respective tax year) NOT TO EXCEED \$150,000
Qualifying Small Business		
Revenue Cap	<u>Gross</u> revenues of less than \$5 million in 2019	<u>Net</u> revenues of less than \$5 million in 2019
Decline Measure	30% in each of April & May 2020 (over same in 2019) as reported by business to TRD monthly 30% decline in non-profit's monthly revenue as determined by financials certified by officer	Substantial Disruption (one of the following): <ul style="list-style-type: none"> ✓ Closed for 14 cumulative days ✓ Reduced Operations for at least 30 days ✓ 20% Reduction in workforce or layoff ✓ 20% increase in cost of goods sold <p style="text-align: center;">OR</p> Substantial Decline in Gross Revenues <ul style="list-style-type: none"> ✓ 20% decline in Gross Receipts as reported to TRD ✓ For businesses exempt from GRT, 20% decline in revenues evidenced from 2019 and 2020 tax returns

Terms	SBRLF 1.0	SBRLF 2.0
Eligible Businesses	Sole Proprietor, Corp, partnership, joint venture, llc, limited partnership or other business entity, with at least <u>80% control & equity with NM residents</u>	Sole Proprietor, Corp, partnership, joint venture, limited partnership or other business entity, with <u>least 51% ownership by NM residents</u> , or Business physically located in New Mexico with least 10 full-time employees at any point during 2019
NM Resident - definition unchanged	Evidenced by personal tax returns	Evidenced by copies of Driver's Licenses or other government ID
Eligible Nonprofits	501(c)3 and 501(c) 6	501(c)3, 501(c)6, 501(c)8, 501(c)19, and 501(c)23
Credit Standards	Law: NMFA "shall evaluate the creditworthiness of an applicant based on information received from the applicant, which may include an independent credit reporting agency when available" By rule: no collections or charge-offs in 2019 from telecommunications, utility or rent/mortgage creditors	Meet Credit and Identification Standards: ✓ Credit Standards for loans < \$75K = SBRLF 1.0 Creditworthiness Standard ✓ Credit Standards for loans > \$75K = above plus no additional collections or charge offs, if so, the collateral is required on loan amounts exceeding \$75k
Loan Fund		
SIC Commitment for Fund	\$400 million	\$500 million
NMFA Administrative Fee	Up to 1% of Fund Balance	Up to 2% of Fund Commitment
Application Date	submitted by December 31, 2020	submitted by May 31, 2022

Loan Terms	SBRLF 1.0	SBRLF 2.0
Loan Amount	Not to exceed \$75,000	Not to exceed \$150,000
Eligible items	Proceeds to be used for ordinary and necessary business expenses, including capital expenses	<ul style="list-style-type: none"> ✓ Proceeds to be used for ordinary and necessary business expenses, including capital expenses ✓ Technology and facility upgrades to accommodate covid-safe operations, including e-commerce
Ineligible items	Limited use for equity owner salaries	Increased use for non-employer business owner compensation from not more than 20% to not more than 50%
Refinancing	n/a	SBRLF 1.0 loans may be refinanced with SBRLF 2.0 loans. Any accrued but unpaid interest will be added to the interest due on the refinanced loan and paid at the second anniversary of the refinanced loan.
Guarantees	None	None up to \$75,000, thereafter personal guarantees
Collateral	None	None unless borrower has blemished credit history, then on amounts greater than \$75k
Maturity	Three years, with option to extend an additional three years (see Repayment Terms below)	Ten years
Interest rate	1/2 of the WSJ Prime Rate	Unchanged – 1/2 of WSJ Prime
Repayment Terms	<ul style="list-style-type: none"> ✓ Interest only (paid annually) for three years. ✓ Principal due at maturity <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> ✓ If requested by borrower, monthly P & I for three years after 3-year interest only period 	<ul style="list-style-type: none"> ✓ No interest during first year ✓ Interest-only for next two years (paid annually) ✓ 7 years of monthly P & I payments thereafter ✓ Borrowers <u>without</u> credit blemishes may request quarterly, semi-annual or annual payments
Prepayment Penalties	None	None
Receipts of payments	Not specified	Electronic loan payments required



What is the Local Economic Development Act or LEDA?

In November 1994, New Mexico voters approved a change to the “anti-donation” clause of the NM constitution to allow public funds to be used for private benefit in limited instances and when authorized by the state or a local government. LEDA is the law that implements the 1994 change and guides the determination of whether public funds may be used for private benefit.

The 2021 Legislature passed, and Governor Lujan Grisham signed into law, House Bill 11 which made temporary changes to LEDA to allow for NMEDD and NMFA to operate a \$200 million grant program to provide rent, lease and mortgage assistance to businesses that experienced hardship due to the pandemic and are now reinstating jobs lost during the pandemic.



- ◆ Businesses apply on-line at www.nmfinance.com. Registration is required. Applications may be completed over several sessions.
- ◆ The application is open from May 11th to **June 15th**.
- ◆ **At least \$150 million** in grant funds will be made available as part of this application cycle. Depending on demand, an additional \$30 million may be added to the application cycle.
 - **At least \$100 million** in awards will be made to businesses located in the cities of Albuquerque, Las Cruces, Rio Rancho and Santa Fe as well as those areas immediately adjoining them (“Urban” Set Aside)
 - **At least \$50 million** in awards will be made to businesses located in those areas outside of the urban areas. (“Rural” Set Aside)



- ❑ Projection of new FTEs to be added by business. Total number of jobs (existing plus new) cannot exceed the highest number of employees from January 1, 2019 to September 30, 2020.
- ❑ 2019 or 2020 business tax return (extensions not allowed)
- ❑ Evidence of revenue decline. Any of the following:
 - Copies of CRS reports filed with the NM Taxation and Revenue Dept. for any quarter in 2019 and the corresponding quarter in 2020. Businesses that file monthly will need to submit three monthly reports (for each of 2019 and 2020) that make up the quarter they choose. **OR**
 - Copies of the 2019 and 2020 federal business tax returns **OR**
 - For businesses that do not file CRS reports and do not have tax returns submitted for 2020, copies of bank statements and business billing statements may be accepted.



Terms	LEDA Grant										
Determination of Grant Amount	<ul style="list-style-type: none"> ✓ <u>Sliding Scale</u> established by NMEDD, takes into consideration the number of jobs be created, the relative revenue decline of the business and the wages to be paid ✓ <u>Grant Amount = (Base Grant Amount + Wage Bonus) x (# of new FTEs)</u> ✓ NOT TO EXCEED \$100,000 PER BUSINESS LOCATION 										
Base Grant per Net New FTE	<table border="0"> <tr> <td>\$5,000</td> <td>Revenue decline of less than 20%</td> </tr> <tr> <td>\$7,000</td> <td>Revenue decline of at least 20%, but less than 40%</td> </tr> <tr> <td>\$9,000</td> <td>Revenue decline of at least 40%, but less than 60%</td> </tr> <tr> <td>\$11,000</td> <td>Revenue decline of at least 60%, but less than 80%</td> </tr> <tr> <td>\$13,000</td> <td>Revenue decline of 80% or more</td> </tr> </table>	\$5,000	Revenue decline of less than 20%	\$7,000	Revenue decline of at least 20%, but less than 40%	\$9,000	Revenue decline of at least 40%, but less than 60%	\$11,000	Revenue decline of at least 60%, but less than 80%	\$13,000	Revenue decline of 80% or more
\$5,000	Revenue decline of less than 20%										
\$7,000	Revenue decline of at least 20%, but less than 40%										
\$9,000	Revenue decline of at least 40%, but less than 60%										
\$11,000	Revenue decline of at least 60%, but less than 80%										
\$13,000	Revenue decline of 80% or more										
Wage Bonus per Net New FTE	<p>Average wage of new FTE more than \$13 per hour: \$1,000 bonus per FTE Average wage of new FTE more than \$17 per hour: \$2,000 bonus per FTE</p>										
Baseline Employees	The lower of FTEs on either December 31, 2020 or March 31, 2021										
Important Definitions	<p>"Full-Time Equivalent Employee or FTE" is an employee who works an average of 40 hours or more per week "Qualifying Date of Hire" is on or after April 1, 2021</p>										
Decline Measure	<p>Percentage decline of revenues over one or more quarters in 2020 over the same quarter(s) in 2019:</p> <ul style="list-style-type: none"> ✓ CRS reports ✓ Tax Returns ✓ Financial Statements 										
Eligible Businesses	Corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is a business operating in New Mexico with one or more employees but fewer than 75 per NM location.										

Terms	LEDA Recovery Grants
NM Resident	New Mexico ownership not required.
Business Cap	75 employees per location
Credit Standards	Must meet Credit and Identification Standards
Application Period:	May 11, 2021 - June 15, 2021 . Awards made after application period ends. Awards based upon percentage of lost revenue.
Eligible items	<ul style="list-style-type: none"> ✓ Reimbursement of Past-due, Current or Pre-paid rent, lease or mortgage payments ✓ Lease payments to affiliated landlords is permitted as long as affiliate can demonstrate the commercial premise is subject to a mortgage or commercial loan agreement
Ineligible items	No equipment leases permitted pursuant to LEDA
Term	Grant Agreement not to exceed 2 years
Disbursals	<ul style="list-style-type: none"> ✓ <u>Initial disbursement</u> equal to 25% of the grant paid following the execution of the grant agreement ✓ <u>Each draw thereafter: post-performance</u>. Grantees may request grant disbursals every quarter based upon net new jobs created as evidenced on DWS form 903 not to exceed 25% per disbursal.
Draw Requirements	Evidence of: <ul style="list-style-type: none"> ✓ Good standing & current on state obligations ✓ Any prior funds were used in accordance with Grant Agreements ✓ Quarterly DWS Wage Report (Form 903) ✓ Compliance certificate regarding wages and hours
Receipts of payments	Grant disbursements will be made via Automated Clearinghouse
IPRA Protections	Yes

- ❑ Copy of the rental, lease or mortgage agreement that evidences past, current and future payments due.
- ❑ Copy of the NM DWS Form ES903A for the quarter ended December 31, 2020 or March 31, 2021 to evidence Baseline Jobs.
- ❑ Copy of the NM DWS Form ES903A for any quarter from March 31, 2019 to September 30, 2020 to evidence highest number of employees.
- ❑ Supplemental employment or payroll record to accompany each NM DWS Form ES903A submitted that includes total hours for all employees and that corresponds to the respective NM DWS Form ES903A submitted.
- ❑ Front and back of Driver's License (or Government-Issued Photo ID) for Authorized Officer.



Questions on program specifics ***before*** you apply?

- ❑ Visit www.NMFinance.com for program information
- ❑ For SBRLF email: recovery@nmfa.net
- ❑ For LEDA Grant before you apply? Email: LEDA@nmfa.net

Questions on application status or glitches ***as or after*** you apply?

- ❑ Submit your questions at the Contact Us button in the application.
- ❑ Visit our Recovery Page on our website www.nmfinance.com for Frequently Asked Questions, application tips and tutorials
- ❑ Call us at **505-992-9696** or 866-ASK-NMFA
- ◆ **Stay up-to-date!** Join our Recovery and Stimulus Programs Mailing List by submitting a form at nmfinance.com