



NEW MEXICO
FINANCE AUTHORITY

NMFA FY 2019 Highlights



**PRESENTATION TO THE
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**KATHERINE ULIBARRI, CHAIR
JOHN GASPARICH, INTERIM CEO**

June 13, 2019

NMFA Board of Directors

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Katherine Ulibarri - Chair
K. Ulibarri Consulting, LLC

William Fulginiti – Vice Chair
Executive Director
New Mexico Municipal League

Steve Kopelman
Executive Director
New Mexico Association of Counties

Blake Curtis
CEO
Curtis & Curtis, Inc.

Olivia Padilla-Jackson
Cabinet Secretary
Department of Finance & Administration

James Kenney
Cabinet Secretary
New Mexico Environment Department

Sarah Cottrell Propst
Cabinet Secretary
Energy, Minerals & Natural Resources Department

Alicia Keyes
Cabinet Secretary
New Mexico Economic Development Department

CFO of Institution of Higher Education
(vacant position)

Members of the Public
(2 vacant positions)

Strategic Plan

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Our Vision:

“New Mexico’s partner in building economic prosperity and stronger communities”

Our Mission:

“Advancing New Mexico by financing impactful well-planned projects”

Our Strategic Framework

- ❖ **Integrated Project Planning:** The Finance Authority will work with clients and related agencies to achieve effective project planning and the efficient deployment of resources.
- ❖ **Capacity Building:** The Finance Authority will cultivate a fertile environment for the growth and diversification of the New Mexico economy by increasing the capacity for financing, project execution and completion.
- ❖ **Collaborative Financing:** The Finance Authority will collaborate with partners to evolve administration of project financing while providing support and technical assistance to stakeholders.
- ❖ **Operational excellence:** The Finance Authority will set the standard for the best organizational work practices, financial management, management of information and technology, and an engaged team of professionals

Revamped Committee Structure

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Previous Structure

- ❖ Executive
- ❖ Disclosure
- ❖ Finance & Loan
- ❖ Audit
- ❖ Economic Development
- ❖ Investment
- ❖ Contracts

Current Structure

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

Advantages:

More equitable workload distribution

Fewer Meetings

More efficient use of board members' time

Formal charters outlining each committee's responsibilities

Succession Plan

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- ◆ Planning for eventual turnover of essential management and staff positions.
- ◆ Developing protocols to address vacancies in both the short and long term.
- ◆ Enabling a smooth transition of responsibilities and duties as key staff members retire or move on.
- ◆ Investing in employee retention:
 - ◆ Professional Development
 - ◆ Tuition support
 - ◆ Developing career paths

Public Project Revolving Fund

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Significant PPRF Growth:

Total New PPRF Loans By Fiscal Year	
Fiscal Year	Dollars in Millions
FY 2013	61.1
FY 2014	103.6
FY 2015	149.2
FY 2016	237.4
FY 2017	307.0
FY 2018	241.0
FY 2019	280.0
	1,379.3

Statewide PPRF Impact :

Total New PPRF Loans FY 2013 - FY 2019 By COG			
Councils of Government (GOGs)	Dollars in Millions	% Of Total Loans	2010 Population Distribution
1. Eastern Plains	91.8	6.7%	4.3%
2. Mid-Region	266.8	19.3%	43.1%
3. North Central	376.0	27.3%	13.8%
4. Northwest	163.0	11.8%	11.1%
5. South Central	174.1	12.6%	11.8%
6. Southeastern	120.2	8.7%	13.0%
7. Southwest	32.8	2.4%	2.9%
State Agencies	154.5	11.2%	
Total	1,379.2	100.0%	100.0%

COGs:

1. Curry, De Baca, Guadalupe, Harding, Quay, Roosevelt, Union
2. Bernalillo, Valencia, Torrance, Sandoval
3. Colfax, Los Alamos, Mora, Rio Arriba, San Miguel, Santa Fe, Taos

4. San Juan, McKinley, Cibola
5. Socorro, Sierra, Dona Ana
6. Chaves, Eddy, Lea, Lincoln, Otero
7. Catron, Grant, Hidalgo, Luna

Drinking Water State Revolving Loan Fund

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- ◆ Low-cost financing for construction and improvements to drinking water facilities.
- ◆ The State has received \$208.9 million in federal awards and provided \$38.8 million in state match (from the PPRF) which fund NMED activities in addition to the Loan Fund.
- ◆ Funds are delivered as low-cost loans and grant-like subsidy. NMFA is adopting program changes that will increase the number of systems eligible to receive the grant-like subsidy, lower the interest rate on the loans and increase loan maturities.
- ◆ NMFA and New Mexico Environment Department (NMED) jointly administer the program. NMED publishes three times per year a Fundable Priority List, and NMFA accepts applications from the list in the order in which they are prioritized.
- ◆ 141 loans totaling approximately \$217 million have been funded and an additional 13 loans have been approved and are meeting their award conditions prior to closing.
- ◆ SB 43, Drinking Water System Financing, sponsored by Sen. Martinez was endorsed by the NMFA Oversight Committee and appropriates \$2.5 million from PPRF to provide the 20% state match for the FFY 2019 capitalization grant. Approximately \$6 million will be available for subsidy in FY 2020.

Water Project Fund

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- ◆ Water Project Fund is jointly administered by NMFA and a 16-member Water Trust Board.
- ◆ Funded from an annual \$4 million distribution from the Water Trust Fund and 9% of Senior Severance Tax Bonds (STB). 10% of the funds appropriated to the Water Project Fund are further appropriated to the Office of the State Engineer for adjudication.
- ◆ NMFA makes low-cost loans and grants for five types of water projects authorized by the legislature and recommended by the Water Trust Board.
- ◆ SB 326, Water Project Fund Projects, sponsored by Sen. Cervantes and Rep. Salazar, provided authorization for NMFA to make grants and loans for 30 projects.
- ◆ HB 2 provided a special \$6 million general fund appropriation earmarked specifically for mutual domestic water consumers associations for award in FY2019.
- ◆ In May, the Water Trust Board recommended that 17 projects be funded from the \$19.12 million in regular 2019 funding and 10 projects from the \$5.4 million special appropriation, which includes three projects that were authorized, but not funded in 2017 and 2018. The NMFA Board of Directors approved these projects at its May Board Meeting and the projects are working towards closing.

Primary Care Capital Fund

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- ◆ NMFA and Department of Health jointly administer the program.
- ◆ These are 3% interest rate loans with 10 year terms for equipment and 20 years for Land and Buildings.
- ◆ Up to 20% of annual principal and interest is forgiven in exchange for services rendered to indigent patients.
- ◆ Initially capitalized by a \$5 million General Fund appropriation. To date, NMFA has made 19 loans totaling more than \$11.5 million.
- ◆ Funds are directed to non-profit primary care clinics in rural and medically underserved communities.
- ◆ NMFA Oversight Committee endorsed SB 126, sponsored by Sen. Papen, that broadens the use of this program to clinics owned by public entities. The bill passed both chambers unanimously and was signed into law by Gov. Lujan Grisham.
- ◆ NMFA will work with the Dept. of Health to promulgate new rules and policies as a result of the new law.

Behavioral Health Capital Fund

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- ◆ Program jointly operated by NMFA and Human Services Department.
- ◆ Similar to Primary Care Capital Fund: provides fixed rate loans for building, land and equipment with provisions for up to 20% of the annual principal and interest annually being forgiven in exchange for services rendered to medically indigent patients.
- ◆ Program capitalized from \$2.5 million from Cigarette Tax Revenue Bonds. Four loans totaling \$2.8 million have been made to date.
- ◆ Funds are directed to small non-profit behavioral health clinics in rural and medically underserved communities.
- ◆ NMFA Oversight Committee endorsed SB 128 sponsored by Sen. Papen which broadened the program to eliminate the asset size of the non-profits eligible to participate and by allowing clinics owned by public bodies to qualify for financing. SB 128 unanimously passed both chambers and was signed by Gov. Lujan Grisham.
- ◆ NMFA will work with HSD to promulgate new rules and policies as a result of the new law.

Statewide Economic Development Finance Act

- ◆ Statewide Economic Development Finance Act (“SWEDFA”) was established in 2003 to help stimulate the economy by creating economic development financing tools. The Economic Development Revolving Fund (“EDRF”) is the Fund created under SWEDFA from NMFA operates loan participation programs:
 - ◆ *Smart Money*. NMFA partners with community banks to provide long-term, low cost financing to businesses located predominantly in rural New Mexico. In Smart Money, NMFA shares equally in the collateral available to a bank. Capitalized with \$5.1 million in net State General Fund Appropriations.
 - ◆ *Collateral Support Participation*. A federally funded program that NMFA operated from 2011-2018 through an MOU with NMEDD. Approximately 20 businesses were funded using \$8.2 million State Small Business Credit Initiative funding. The State completed its reporting in March 2017 and the funds are returned to NMEDD, as loans are repaid, for use in the Department’s Credit Enhancement Program.
- ◆ SWEDFA requires legislative authorization for projects prior to funding. This provision was temporarily suspended in 2011. The NMFA Oversight Committee endorsed SB 37 sponsored by Sen. Padilla and Rep. Roybal Caballero which extended the sunset to 2023.

New Markets Tax Credits

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- ◆ New Markets Tax Credits (NMTC) is a federal program that provides a 39% federal tax credit for investors that invest in low-income communities. The tax credits are awarded by US Dept. of Treasury to Community Development Entities (CDEs) on a competitive basis.
- ◆ In 2006, SWEDFA was amended to explicitly allow NMFA to participate in NMTCs by HB 277 (Rep. Lundstrom). NMFA partnered with NM Community Capital to form Finance New Mexico, LLC, a certified Community Development Entity.
- ◆ The program uses an Advisory Board composed of community leaders from across the state to ensure investments benefit low income persons.
- ◆ Investments may only occur in federally designated low-income census tracts.
- * ◆ Finance New Mexico was just awarded \$40 million in NMTC allocation, bringing the total five allocations of federal NMTCs totaling \$286 million.
- ◆ Finance New Mexico expects to invest at least \$8 million of new allocation in small loan pool, which will bring the benefits of NMTCs to projects of less than \$1 million.



Bond Banking and Loan Management System Project

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Previous System - MITAS

- ◆ LACK OF ALIGNMENT WITH CURRENT NMFA BUSINESS PRACTICES
- ◆ LACK OF COMPREHENSIVE REPORTING AND MONITORING
- ◆ CURRENT VERSION NO LONGER SUPPORTED BY VENDOR
- ◆ OUTDATED TECHNOLOGY

New System - EnABLE

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- ◆ TECHNOLOGY PARTNERSHIP GROUP (TECHPG) BASED IN INDIANAPOLIS, IN WAS THE VENDOR SELECTED – 4TH QUARTER 2015
- ◆ THE ENABLE SYSTEM IS WEB-BASED, AND HOSTED BY THE VENDOR (I.E. “CLOUD BASED”)
- ◆ MODULES COVERING THE FULL LIFECYCLE OF BOND, LOAN, AND GRANT MANAGEMENT
- ◆ ROBUST REPORTING
- ◆ FLEXIBLE CONFIGURATION FOR INDIVIDUAL PROGRAMS (PPRF, WATER, PRIVATE LENDING)
- ◆ ON-LINE, SECURE, CLIENT PORTAL (APPLICATIONS, LOAN BALANCES, STATEMENTS)
- ◆ WORKFLOW ENGINE WITH STAFF NOTIFICATIONS AND APPROVAL TRACKING