GRIP Bond Refinancing

Replacing Variable Rate Bonds With Fixed Rate Bonds

William C. Sisneros, CEO
New Mexico Finance Authority Oversight Committee
June 15, 2010

- Market conditions currently provide an opportunity to replace GRIP variable rate with fixed rate debt at no increase in debt service

- The market conditions at the time of the sale will determine if savings or breakeven can be achieved

- If savings are not available, the sale will not be made

New Mexico FINANCE AUTHORITY

New Mexico DEPARTMENT OF TRANSPORTATION
MOBILITY FOR EVERYONE

- Significantly reduce risk at no increase to total all-in debt cost

- Reduce future debt service cliff

Risk Comparison: ✓

Risks to NMDOT	Current	Proposed
Short Term Market	✓	None
Swap Counterparty	✓	None
Credit Enhancement	✓	None
Collateral Posting	✓	None
NMDOT Rating	✓	None
LOC Renewal	✓	None
Knock Out Put	✓	None
Tax, Basis, Credit Spread	✓	None

Debt Cost Comparison: ✓

Amount	Current	Proposed
Bonds	$420M – Floating	$420M – Fixed
Termination Cost	_______	75M – Swaps
Resulting Bonds	$420M	$495M

While the principal amount of bonds outstanding increases to absorb the ~$75M of swap termination costs, <u>total all-in costs over 17 years</u> are <u>reduced</u> by fixing the debt. The <u>all-in cost</u> range for floating debt is projected to be $787 - $816M while the <u>all-in cost</u> for fixed debt is fixed at $784M.

Restructuring Benefit Comparison:

DOT Annual Debt Service	Current	Proposed ✓
NMDOT $162M Debt Service Share:		
Years 2010 – 2024	$ 40M	$40M
Years 2025 – 2026	$113M	$40M

- Adopt authorizing resolutions
  - New Mexico Department of Transportation
  - New Mexico Finance Authority Board
- Obtain agreement of Federal Highway Administration
- Monitor market to maximize savings
- Obtain rating agency review
- Market Bonds