



NEW MEXICO  
FINANCE **AUTHORITY**

# NMFA Report on Active Financing and Funding Programs



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

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# Mission Based Financing

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NMFA meets its mission of helping New Mexico's communities by providing access to capital through mission-based funding in three primary areas:

## **Infrastructure and Capital Equipment Projects**

- ❖ Public Project Revolving Fund
- ❖ Local Government Planning Fund
- ❖ Colonias Infrastructure Project Fund

## **Water**

- ❖ Drinking Water State Revolving Loan Fund
- ❖ Water Project Fund
- ❖ Acequia Project Fund

## **Community Facilities and Economic Development**

- ❖ Primary Care Capital Fund
- ❖ Behavioral Health Capital Fund
- ❖ New Markets Tax Credit Program
- ❖ Smart Money Loan Participation Program
- ❖ Collateral Support Participation Program (SSBCI)

# Public Project Revolving Fund

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- ◆ NMFA's "flagship" program
- ◆ Established in 1992 through the New Mexico Finance Authority Act 6-21-6.0 by Sen. Eddie Lopez (SB 172)
- ◆ Low-cost financial assistance for capital equipment, building and infrastructure projects
  - ◆ Standard Rate – Tax-exempt market interest rates (based upon the PPRF's 'AAA'/Aa1 bond ratings)
  - ◆ Since 1999, NMFA has provided below market interest rates – now at 0% and 2% - to entities whose Median Household Incomes are less than the State's MHI. Currently, NMFA provides each qualifying borrower with up to \$500,000 of "disadvantaged entity" funding annually

# Public Project Revolving Fund

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## ◆ **Qualified entities include:**

- ❖ Local Governments
- ❖ State Agencies
- ❖ Public School
- ❖ Volunteer Fire Districts
- ❖ Tribal Governments
- ❖ Higher Education Institutions
- ❖ Special Districts

## ◆ **NMFA staff works with local officials in the following areas:**

- ❖ Credit and debt capacity analyses
- ❖ Loan structuring assistance
- ❖ Evaluation of refinancing opportunities

# Public Project Revolving Fund

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- ◆ **PPRF's high bond ratings are more important now than ever before:**
  - ❖ Municipal bond market changed profoundly over past several years
  - ❖ Ability to improve ratings with bond insurance is very limited
  - ❖ Unprecedented level of scrutiny and oversight by federal regulators
  - ❖ Enforcement actions by the SEC and IRS are likely to increase
  - ❖ Smallest of systems will likely be hit the hardest
  
- ◆ **The Contingent Liquidity Account is a key component to the PPRF**
  - ❖ It serves as a rating credit enhancement of the PPRF
  - ❖ It ensures the availability of funds for the most economically disadvantaged New Mexico communities during periods of market disruption (i.e. 2008 and 2012)

# Local Government Planning Fund

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- ◆ Created in 2002 as New Mexico Finance Authority Act 6-21-6.4 by Sen. Campos (SB 40)
- ◆ Provide upfront capital necessary to allow for proper planning of vital water and wastewater projects (Preliminary Engineering Reports)
- ◆ Initially, statute required that entity repay “grant” if funding for project was received; this provision was eliminated in 2012
- ◆ Broadened twice by the Legislature:
  - ◆ In 2005, to include master plans, conservation plans & economic development plans
  - ◆ In 2012, to allow infrastructure plans, including Asset Management Plans and Metropolitan Redevelopment Plans

# Colonias Infrastructure Program (CIF)

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- ◆ Created in 2010 through the establishment of the Colonias Infrastructure Finance Act 6-30-1.0 by Sen. Papen (SB 279)
- ◆ Provide capital to infrastructure projects in designated Colonia communities
- ◆ Funded from 5% of the Senior Severance Tax Bonds annually
- ◆ Overseen by the Colonias Infrastructure Board, administered by the NMFA
- ◆ To date, the Colonias Infrastructure Board has awarded five rounds of funds, all as grant/loans

**Funds Delivered as 90% Grant and 10% Loan**

# Drinking Water State Revolving Loan Fund

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- ◆ Established in 1998 through the Drinking Water State Revolving Loan Fund Act 6-21A-4 by Rep. Gary King (HB 592)
- ◆ Low-cost financial assistance for construction and improvements to drinking water facilities
  - ◆ Standard Rate – 2%
  - ◆ Disadvantaged Rate – 0%
- ◆ To date, federal funds have capitalized revolving loan fund:
  - ◆ \$125.3 million in federal awards
  - ◆ \$33.3 million in state match
  - ◆ \$54.9 million in loan repayments and interest earnings
- ◆ \$173.6 million closed to date – nearly 30% of these loans are to systems with fewer than 10,000 in population
- ◆ \$4.2 million in commitments to four projects awaiting closure

# Water Project Fund

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- ◆ Established in 2002 through the Water Project Finance Act & 2-4A-9 by Rep. Joe Stell (HB534)
- ◆ Funded from an annual distribution from the Water Trust Fund and 10% of Senior Severance Tax Bonds
- ◆ NMFA makes grants and loans recommended by 16-member Water Trust Board and authorized by the Legislature
  - ◆ Awardees for entities backed by a rate-paying constituency must undertake at least a 10% loan and not more than 40% loan, dependent on the borrowing capacity of the
  - ◆ Tribal entities and those not backed by rate-paying constituencies, are awarded funds as 100% grants

# Acequia Project Fund

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- ◆ Created in 2004 by amending the Water Project Finance Act 72-4A-9.1 by Sen. Cisneros (SB 87)
- ◆ Funded to date from a total of \$200,000 in donations from a New Mexico Foundation interested in water projects
- ◆ NMFA makes grants recommended by 16-member Water Trust Board and authorized by Legislature
- ◆ Under current program guidelines, Acequia Project Fund grants may fund only planning projects recommended by the Interstate Stream Commission and authorized by the Legislature

# Primary Care Capital Fund

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- ◆ Established in 1994 through the Primary Care Capital Funding Act 24-1C-4 by Rep. Olguin (HB 702)
- ◆ NMFA and Department of Health jointly administer program
- ◆ Funds directed to non-profit primary care clinics with assets of less than \$20 million in rural and medically underserved communities
- ◆ 3% interest, with terms of 10 years for equipment and 15 years for land & building
- ◆ Up to 20% of annual principal and interest is forgiven in exchange for services rendered to indigent patients
- ◆ 2005 Legislature expanded eligibility to include school based health centers and tele-health sites

# Behavioral Health Capital Fund

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- ◆ Established in 1994 through the Behavioral Health Capital Funding Act 6-26-4 by Sen. Papen (SB 284)
- ◆ Similar to Primary Care Capital Fund
- ◆ Jointly operated with Human Services Department
- ◆ Finance capital needs of small behavioral health clinics
- ◆ Non-Profit clinics with assets of \$10 million or less
- ◆ Funds directed to clinics in rural and medically underserved communities
- ◆ SB 52 from 2005 Legislature authorized NMFA to capitalize fund with \$2.5 million from Cigarette Tax Revenue Bonds

# New Markets

## Tax Credits

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- ◆ Operated under the Statewide Economic Development Finance Act which was amended in 2006 to explicitly allow NMFA to participate in NMTCs by Rep. Lundstrom (HB 277)
- ◆ NMFA partnered with NM Community Capital to form Finance New Mexico, LLC, which was certified by the US Dept. of Treasury as a Community Development Entity in 2006
- ◆ Finance New Mexico has received two allocations of federal NMTCs totaling \$156 million; virtually all has been invested
- ◆ The program is operated using an Advisory Board made up of community leaders across the state. The Advisory Board is required by the federal program and its purpose is to ensure that investments are benefiting low income persons as intended
- ◆ Financings may only occur in federally designated low income communities

# Smart Money Loan Participations

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- ◆ Allows NMFA to purchase interests in loans made by banks to private for-profit and not-for-profit entities
- ◆ NMFA may purchase up to 49% interest in any one loan as long as the borrower agrees to create at least 1 job per \$50,000 of Smart Money borrowed
- ◆ NMFA shares equally with the bank in collateral used to secure the loan
- ◆ Loan funds are used most often in instances in which the bank cannot extend additional funds due to bank lending policies or

# Collateral Support Participation Program

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- ◆ Through an MOU with NM Economic Development Department, NMFA administers \$8.2 million in Federal funding made available through the Federal Small Business Jobs Act of 2010. The program is overseen by the US Dept. of Treasury
- ◆ NMFA uses the funds to buy interests in loans made by local banks. As a result of NMFA's participation, more funds are able to be advanced to the business
- ◆ Under current market conditions, there is a very strong appetite for subordinated participations whereby the bank is able to gain a senior interest in the collateral. Due to Anti-Donation concerns, NMFA can only fund these participations using Federal SSBCI funds

# Program Activity in FY 2016

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Year Created	Program Name	Total Projects Funded in FY 2016	
1992	Public Project Revolving Fund	\$ 212,313,231	68
1997	Drinking Water State Revolving Loan Fund	\$ 16,436,843	10
2001	Water Project Fund	\$ 44,619,505	36
2002	Local Government Planning Fund	\$ 1,305,516	32
2006	New Markets Tax Credit	\$ 7,750,000	1
2010	Colonias Infrastructure Project Fund	\$ 18,020,574	37
2011	Collateral Support Participation Program (SSBCI)	<u>\$ 1,321,668</u>	<u>2</u>
	<b>Total Projects Funded</b>	<b>\$ 301,767,337</b>	<b>186</b>