NEW MEXICO FINANCE AUTHORITY

Report to the New Mexico Finance Authority Oversight Committee

Public Project Revolving Fund Overview and Securities Delegation Report

Marquita Russel, CEO

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PPRF Overview

- **The Public Project Revolving Fund (“PPRF”) was created in 1992 to assist state and local governments plan and finance capital projects**
- PPRF makes low-cost loans to State, local and Tribal governments to finance public infrastructure and equipment.
- Borrowers are given access to the PPRF’s ‘AAA’ interest rates regardless of their underlying credits.
  - Loans are approved at current interest rates plus 75 bps to assure required coverage at closing. The 75 bps serves as a no-cost interest rate cap for the borrower
  - Loans close at the lower of current interest rates or the cap
- In addition to low ‘AAA’ interest rates, clients with Median Household Incomes (“MHI”) below the State’s MHI may receive subsidized Disadvantaged Entity Funding.
  - Clients with an MHI between 80% - 100% of the State MHI may receive 2% interest rate and Clients with an MHI that is less than 80% of the State MHI may receive 0% interest rate
    - Equipment loans may receive up to $150,000 in disadvantaged funds
    - Infrastructure and building loans may receive 10% of the PPRF loan in disadvantaged funding, up to $500,000
    - Clients are limited to $500,000 of disadvantaged funds per fiscal year

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Stand Alone Bond Issuance Requires Reliable Staffing and Reporting

- There are high costs involved in issuing bonds, for lawyers, advisors, underwriters, and ratings, and tax-exempt issues are more complicated and incur greater expenses, however, the expenses associated with issuing tax-exempt bonds do not end at the bond closing.
- Post-closing tax and disclosure compliance and adherence to other IRS regulations requires adequate staffing by the Issuer and frequently contractors to ensure that all regulations have been met.
- Because most tax-exempt bonds will remain outstanding for many years, it is important to have reliable staffing, record keeping and reporting systems to produce accurate and timely data.
- As a result, costs associated with bond issuances can be prohibitive for smaller governmental Issuers, particularly because smaller issuers have a harder time receiving good bond ratings and therefore getting the best interest rate.
- As a frequent issuer, the NMFA has market knowledge and expertise in issuing bonds that infrequent issuers lack.
- Borrowers of all sizes can benefit from the PPRF's low interest and avoid time-consuming and costly disclosure requirements after the loan is made.

Other NMFA Bonding Roles

- NMFA serves as a conduit Issuer for the Department of Transportation Bond and for eligible entities under the Statewide Economic Development Finance Act ("SWEDFA").
- Bonds issued on behalf of NMDOT or on behalf of a conduit borrowers issued through SWEDFA are **NOT** secured by revenues pledged to the Public Project Revolving Fund nor from any assets of the NMFA.
- New Mexico Department of Transportation:
  - At the direction of the State Transportation Commission, and as authorized by law, the NMFA serves as the conduit issuer of DOT's bonds.
  - DOT debt is secured by the collection of gasoline taxes, special fuels taxes, vehicle transaction taxes or fees, driver's license fees, other fees and taxes and federal aid revenues.
- Since the enactment of SWEDFA in 2003, the NMFA has been authorized to implement and administer a conduit project revenue bond program.
  - SWEDFA empowers the NMFA to issue project revenue bonds on behalf of an eligible entity (as defined by the Act), payable from the revenue of a project and other revenues authorized as security for the bonds, to finance a project on behalf of an eligible entity.
  - NMFA issued its first conduit bond under SWEDFA in 2024 – a limited offering of a $56.7 million Environmental Improvement Bond for the Enchantment Water, LLC Project and has issued two others which were purchased into the PPRF.

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Public Securities Issuances Involving Delegation of Authority

- **2025 C Subordinate Lien Bonds sold September 30, 2025; Closed October 15, 2025**
  - BofA Securities, Lead Manager / JP Morgan and Ramirez as Co-Managers
  - **Par amount of $216,180,000 –** largest single PPRF bond sale in 30-year NMFA history
    - Average Life of 8.214 years
    - True Interest Cost of 3.552%
  - Simultaneous pricing for 3 borrowers (ABCWUA, Quay County, Espanola School District)
  - Reimbursed the PPRF for10 previously made loans.
  - Principal payments in December, rather than traditional June payments to accommodate the ABCWUA financing needs

- **2026 A Senior Lien Bond and 2026 B Junior Lien Bonds sold March 31, 2026; Closed April 14, 2026**
  - Stifel Nicolaus, Lead Manager / Morgan Stanley and Wells Fargo as Co-Managers
  - **2026 A Par amount of $32,920,000**
    - Average Life of 7.736 years
    - True Interest Cost of 3.745%
    - Sold to reimburse the PPRF for 10 previously issued loans.
    - S & P rating of AAA with stable outlook; Moody's rating of Aa1 with positive outlook

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Public Securities Issuances Involving Delegation of Authority

- **2026 B Junior Lien Bonds sold March 31, 2026; Closed April 14, 2026**
  - Stifel Nicolaus, Lead Manager / Morgan Stanley and Wells Fargo as Co-Managers
  - **2026 A Par amount of $39,075,000**
    - Average Life of 7.736 years
    - True Interest Cost of 3.745%
    - Sold to reimburse the PPRF for 13 previously issued loan, including the University of New Mexico Foundation and Homewise, Inc.
    - First Junior Lien Bond.
    - S & P rating of AA and Moody's of Aa2; both with stable outlooks

- **2026 A Subordinate Lien State Transportation Revenue Bonds sold June 9, 2026; Closed June 30, 2026**
  - RBC Capital Markets, Lead Manager / B of A Securities and Jeffries as Co-Managers
  - **Par amount of $195,240,000**
    - Average Life of 10.216 years
    - True Interest Cost of 3.485%
  - The 2026A bonds were sold to fund the acquisition of rights of way, planning, design, and construction of State Transportation Projects
  - Kroll, Moody's and S & P assigned ratings on the bonds of AAA, Aa1, and AA respectively