



**NEW MEXICO
FINANCE AUTHORITY**

**Presentation to
NMFA Oversight
Committee**



Overview of the New Mexico Finance Authority and the Public Project Revolving Fund

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- ◆ 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:
 - ❑ operates programs created under ten statutes
 - ❑ is authorized to operate 20 programs, 13 of the programs are currently active
 - ❑ is partnered with six agencies in operating programs
- ◆ Governed by an 11-member Board of Directors
- ◆ Overseen by a 39-member Legislative Oversight Committee

- ❑ **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



Staff Structure

- ◆ Staff structure was reorganized in January 2020 to align business processes around function rather than programs
 - ❑ New alignment is focused on lending, monitoring and compliance
 - ❑ Created Client Services Dept - primary client contact for closing, funding requisitions, activity statement questions, pay-offs, etc.
 - ❑ Blended legal and compliance departments to ensure a more forward-looking compliance and ethics program
- ◆ The Recovery and Stimulus programs as well as growth in established programs prompted additional modifications to the organization chart
 - ❑ Created Stimulus and Recovery Application Team
 - ❑ Blended public and private lending groups; created separate Credit Administration Team (analysis support, monitoring, asset management)
 - ❑ Elevated IT to a department, Chief Technology Officer reports to CEO
 - ❑ Increased staffing from 44 positions to 59 positions



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



- ◆ 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 (new) NMFA Board
- ◆ The plan identifies the following strategic framework:
 - ❑ Operational Excellence
 - ❑ Collaborative Financing
 - ❑ Integrated Project Planning
 - ❑ Capacity Building
- ◆ Vision: New Mexico's partner in building economic prosperity and stronger communities
- ◆ Mission: Advancing New Mexico by financing impactful, well-planned projects



◆ Technology improvements:

- ❑ Completed integration of new loan servicing software which tracks projects from client application to booking into the general ledger system
- ❑ Implemented enhanced fraud technology for stimulus and recovery programs; three levels of technology to mitigate fraud
- ❑ All major systems are cloud based (general ledger, loan servicing software and stimulus programs applications)

◆ Reporting improvements:

- ❑ Received *GFOA Certificate of Achievement for Excellence in Financial Reporting* for FY2019 CAFR, NMFA's first CAFR
- ❑ Improved activity statements for clients
- ❑ NMFA and Investor websites: www.nmfinance.com, www.nmbondfinance.com and www.nmdotbonds.com



◆ FY2021 Results:

- ❑ Debt service payments from borrowers received as expected
- ❑ NMFA is seeing a decline in client draws in its Water Programs
- ❑ Work-from-home began March 16, 2020; NMFA stayed remote for all of FY2021. Impact was net reduction in operating costs

◆ FY2022 Assumptions:

- ❑ Re-establishing staffing capacity for anticipated activity
- ❑ Increased workload: increased new loan volume from new stimulus and recovery programs and HB 200
 - SBRLF and LEDA grants staffed through a combination of new employees and temporary employees
 - HB 200 increases Water Trust Board staffing without new revenues
- ❑ Continued enhancement of technology and compliance program
- ❑ Reinstatement of travel after 15-month travel moratorium

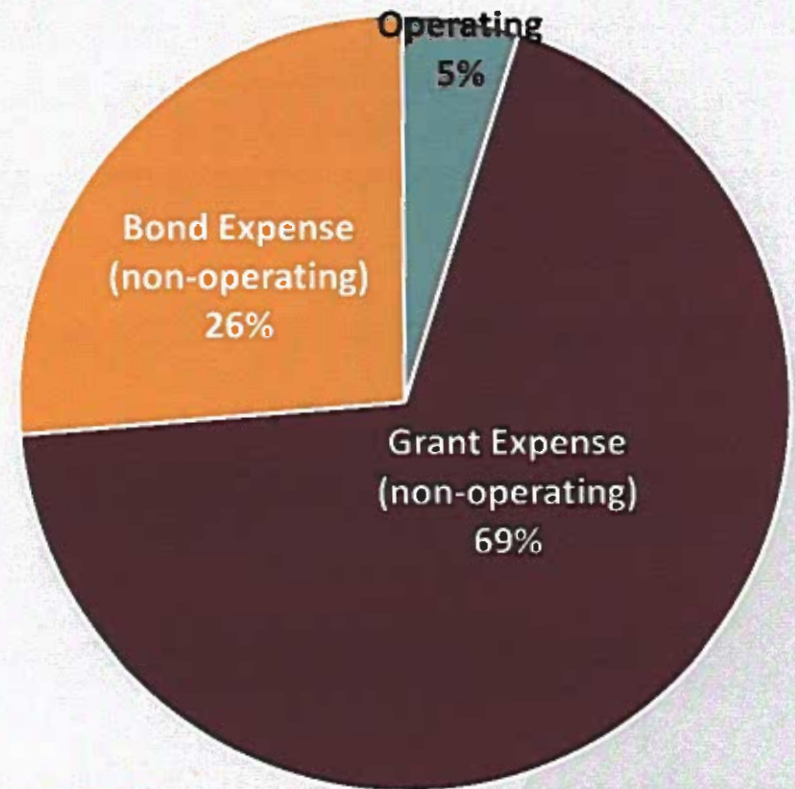


Operational Excellence

◆ Budgetary Framework:

- ❑ Revenues \$319,721,389
 - Interest Income
 - Appropriation Revenue
 - Grant Revenue
 - Investment Income
 - Administrative Fees
- ❑ Operating Budget \$14,362,187
 - Personnel
 - Contractual - *K review (20 years)*
 - Other
- ❑ Bond \$78,337,712
 - Interest Expense
 - Bond Issuance Costs
 - Loan Financing Pass-Through
 - Letter of Credit Interest
- ❑ Grant Expense \$204,441,177
- ❑ Capital Expenditures \$229,200

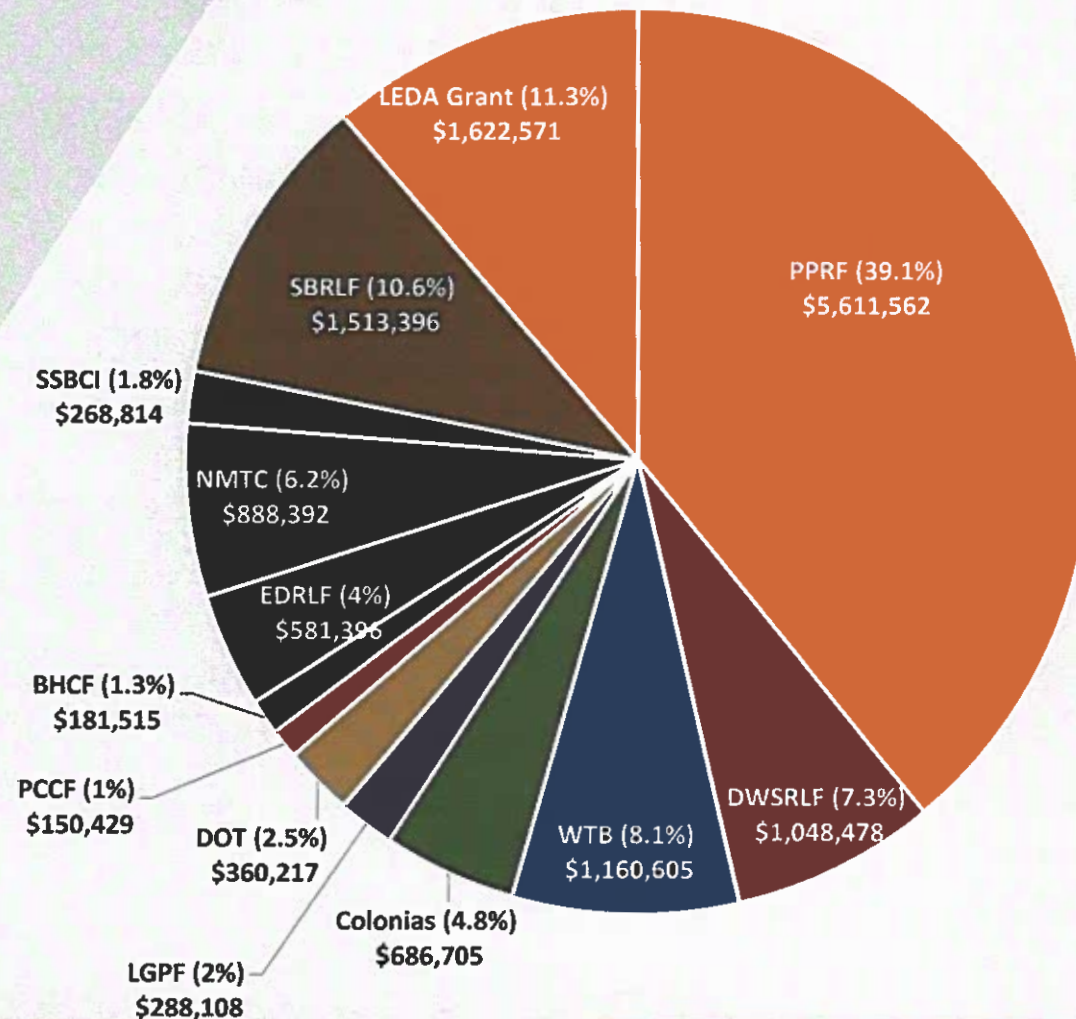
FY 2022 Operating and Non-Operating Expense Budget: \$297.37 million



Operating Budget by Program

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FY22 Operating Budget: \$14,362,188



- PPRF
- Drinking Water
- Water Trust Board
- Colonias
- Planning Grants
- DOT
- Primary Care
- Behavioral Health
- Economic Development
- New Markets Tax Credits
- SSBCI
- SBRL
- LEDA

- ◆ Public Project Revolving Fund makes low-cost loans to local governments to finance public infrastructure and equipment
 - Borrowers receive the PPRF's *AAA interest rates* regardless of the borrower's credit or size
 - No applications fee, administrative fees, closing costs
- ◆ GGRT, of which the PPRF receives a 75% share, is the primary credit enhancement for the PPRF program and provides critical liquidity
- ◆ PPRF loans are made from cash in the Fund which is replenished through periodic issuances of municipal reimbursement bonds
 - PPRF senior and subordinate liens each have an indentured reserve fund that provides additional credit enhancement to bondholders
- ◆ PPRF has \$100 million Wells Fargo LOC to fund loans between bonds. LOC is secured by loans and repaid from bond proceeds



- ◆ In addition to low 'AAA' interest rates, clients with Median Household Incomes ("MHI") below the State's MHI may receive Disadvantaged Entity Funding:
 - ❑ A fixed 2% interest rate may be provided when the client's MHI is between 80% -100% of the State's MHI
 - ❑ A fixed 0% interest rate may be provided when client's MHI is less than 80% of the State's MHI
 - ❑ 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 receiving no more than \$500,000 per FY
 - ❑ Disadvantaging funding will not be provided for loans in excess of \$5 million or for refunding loans



- ☐ Police and Fire Safety
- ☐ Public Schools/Higher Education
- ☐ Water and Wastewater Systems
- ☐ Solid Waste Infrastructure
- ☐ Roads
- ☐ Industrial Parks
- ☐ Convention Centers
- ☐ Hospitals/Healthcare
- ☐ Energy Efficiency Projects

- ☐ Electric and Broadband Utility
- ☐ Property Development/
Special Assessment Districts
- ☐ Fairgrounds/Rodeos
- ☐ Museums
- ☐ Community Centers
- ☐ Golf Courses
- ☐ Housing
(Teacherages/Workforce)
- ☐ Quality of Life Projects
- ☐ Refunding



Pledged Revenues

- ◆ Gross Receipts Tax
- ◆ State Gross Receipts Tax
 - State Building Bonds
 - Energy Efficiency Bonds
- ◆ Fire Protection & Law Enforcement Protection Funds
- ◆ General Obligation
 - Ad Valorem Property Tax
 - Tribal General Obligation
- ◆ Appropriation Revenue
 - State Agency/AOC Lease Revenue
 - Charter Schools
- ◆ Enterprise System Revenue
 - Water/Wastewater/Solid Waste/Joint Utility System Revenues
 - Hospital System Revenues
 - Higher Education System Revenues
 - Airport System Revenues
- ◆ Local Special Tax
 - Gas Tax
 - Cigarette Tax
 - Lodger's Tax
 - Hospitality Tax
 - Tribal Taxes



PPRF Supports State & Special Programs

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◆ **UNM HSC Cig Tax Bonding**

- 7.52% Dedicated Cig Tax
- UNM Cancer Center

◆ **DOH Cig Tax Bonding**

- 3.07% Dedicated Cig Tax
- Various Statewide DOH Facilities

◆ **Rural County Cancer Treatment Bonding**

- 0.53% Dedicated Cig Tax
- Gila Regional Medical Center and Nor-Lea Hospital Cancer Centers

◆ **Appropriation Bonds**

- DOH Ft. Bayard Medical Facility
- AOC Facilities

◆ **State Building Bond Act**

- Fixed State Gross Receipts Tax
- UNM Cancer Center

◆ **Bernalillo County Metro Court Bonds**

- Court Facility Fee Revenue
- Metro Court Facility

◆ **Energy Efficiency and Renewable Energy Bond Act**

- Fixed State Gross Receipts Tax
- Energy efficiency and renewable energy measures in various public school district and State facilities

2021 Bond Issues

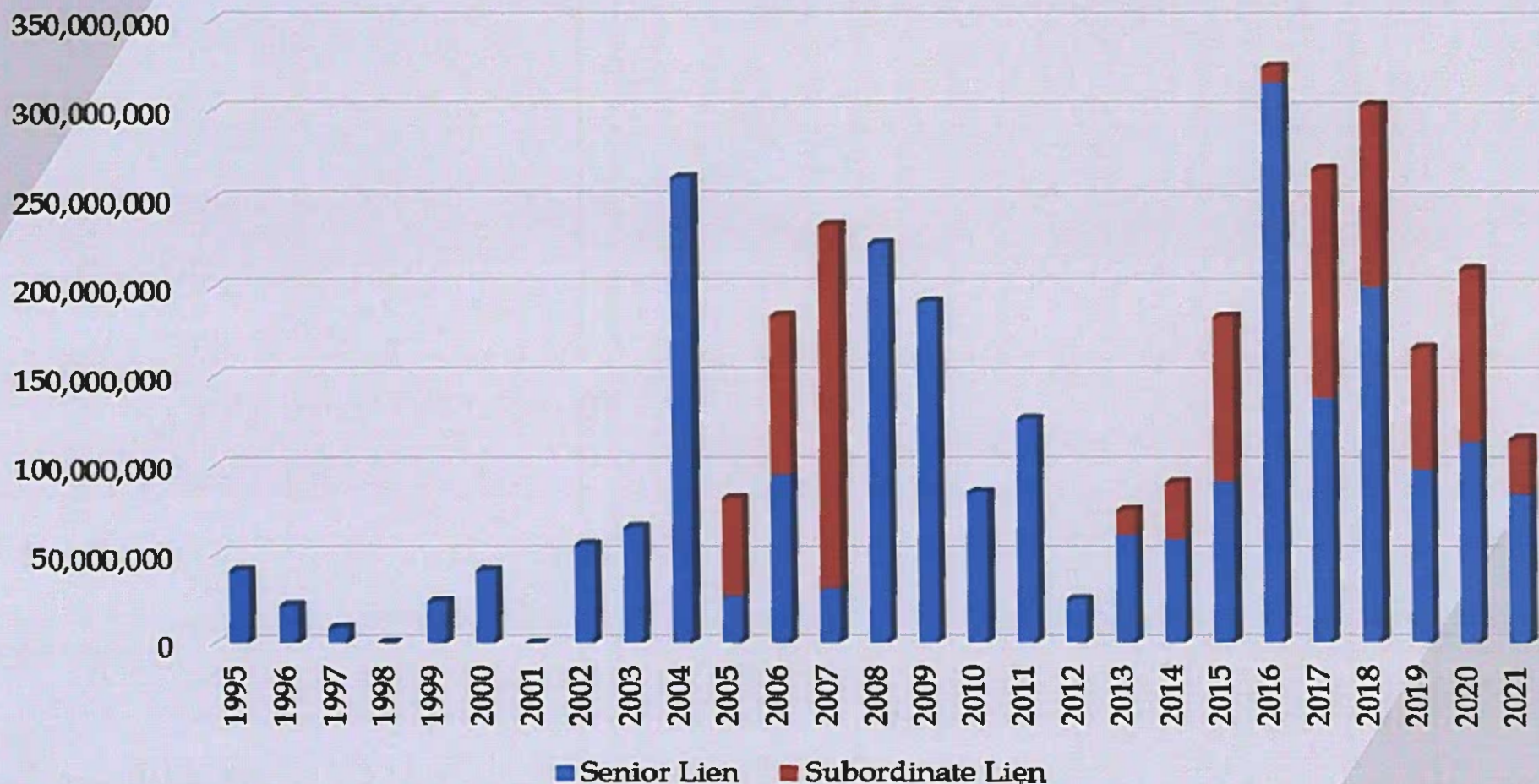
- ◆ Series 2021 A (Sold February 18, 2021; closed March 4, 2021)
 - ❑ Senior Managed by JP Morgan; Co-Managers Bank of America and RBC
 - ❑ 22 year bond; 3%, 4% and 5% coupons; **True Interest Cost of 1.5%**

Par Amount of Bond	\$39,535,000
Plus: Premium	9,010,736
Less: Underwriters' Discount	<u>(122,158)</u>
Total Proceeds	48,423,578
- ◆ Series 2021 B (Sold June 9, 2021; closed June 30, 2021)
 - ❑ Senior Manager Morgan Stanley; Co-Managers Stifel and Wells Fargo
 - ❑ 11 year bond; 4% and 5% coupons; **True Interest Cost of .85%**

Par Amount of Bond	\$31,305,000
Plus: Premium	7,982,150
Less: Underwriters' Discount	<u>(100,811)</u>
Total	39,186,338
- ◆ Series 2021 C (Sale Expected August 18, expected closing August 31st)
 - ❑ Approximately \$44 million

Bond Issuance History

**Par Amount of PPRF Bonds Issued by Year
(Includes 2021C Bonds)**





◆ PPRF is a top-rated issuer:

□ Senior Lien:

- S&P: AAA (April 2011)
- Moody's: Aa1

□ Subordinate Lien:

- S&P: AAA (July 2017)
- Moody's: Aa2

◆ High Ratings due to:

- Strong management and conservative underwriting
- Diverse borrowing base and revenue pledges
- Governmental Gross Receipts Tax
- High coverage in both senior and subordinate liens



- ◆ Long standing, Board-approved policies guide underwriting and structuring
- ◆ Projects are subject to internal evaluation prior to presentation to Board Committees.
 - Initial project review includes staff underwriting the project to ensure it falls within policy requirements, is suitable for financing, and properly structured. This includes ensuring all necessary Program Partner approvals are received.
 - Manager reviews the project and provides the loan officer with suggested changes.
 - Internal committee reviews and provides suggestions, recommends presentation to the appropriate Board Committee.
- ◆ All recommended projects are presented to the full Board for approval

Diverse Borrowing Base

Senior Lien Borrowers

- ◆ ~72% of Senior Lien revenues are subject to state intercept
- ◆ Top 15 borrowers equal ~50% of Senior Lien FY22 debt service
 - ❑ City of Santa Fe (GRT) 6.9%
 - ❑ City of Las Cruces (GRT) 4.9%
 - ❑ NM GSD (State GRT) 4.7%
 - ❑ City of Rio Rancho (NSR) 4.6%
 - ❑ Taos County (GRT) 3.9%
 - ❑ Gadsden ISD 16 (GO) 3.9%
 - ❑ UNM Health Sciences Center (Cig Tax) 3.3%

Subordinate Lien Borrowers

- ◆ ~48% of Sub Lien revenues are subject to state intercept
- ◆ Top 15 borrowers equal ~50% of Sub Lien FY22 debt service
 - ❑ NM GSD (Appropriation) 6.2%
 - ❑ Bernalillo Metro Court (NSR) 6.1%
 - ❑ Jicarilla Apache Nation (NSR) 4.8%
 - ❑ Santa Ana Pueblo (NSR) 4.8%
 - ❑ Loving MSD (GO) 4.5%
 - ❑ City of Santa Fe (Local Tax) 4.0%
 - ❑ Farmington MSD (GO) 3.8%



Senior Lien Borrower Concentration

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Gross Receipts Tax Borrower (GRT)

2022	48,471,781
Santa Fe, City of	6.9% 9,086,854
Las Cruces, City of	4.9% 6,430,239
Taos County	3.9% 5,184,027
New Mexico Spaceport Authority	3.3% 4,313,431
Farmington, City of	2.6% 3,381,535
Rio Rancho, City of	2.2% 2,837,335
Clovis, City of	1.4% 1,796,199
San Miguel County	1.1% 1,466,942
Alamogordo City of	1.1% 1,425,197
San Juan County	1.0% 1,351,520

System Revenue Borrower (NSR)

2022	23,178,071
Rio Rancho, City of	4.6% 6,065,328
New Mexico Highlands University	1.7% 2,300,879
Las Cruces, City of	1.6% 2,046,307
Eastern New Mexico University Board of R	1.3% 1,670,853
Jicarilla Apache Nation	1.3% 1,669,500
Sierra Vista Hospital	1.1% 1,441,864
Western New Mexico University	0.9% 1,180,641
Los Alamos County	0.5% 722,675
Alamogordo City of	0.5% 676,202
New Mexico Military Institute	0.4% 588,763

General Obligation Borrower (GO)

2022	39,129,535
Gadsden Independent School District 16	3.9% 5,144,804
Farmington Municipal School District 5	2.7% 3,607,185
Las Cruces School District 2	1.9% 2,542,269
Lincoln County	1.4% 1,828,103
Las Vegas City Public School District 2	1.3% 1,684,691
Gallup McKinley County School District 1	1.3% 1,678,775
Central Consolidated School District 22	1.0% 1,331,244
Portales Municipal School District 1	1.0% 1,267,330
Valencia County	0.8% 1,107,948
Lovington Municipal School District 1	0.8% 1,014,798

Local Special Tax Borrower

2022	7,932,370
University of New Mexico Health Sciences	3.3% 4,371,130
Isleta Pueblo	0.8% 992,300
New Mexico Department of Health	0.5% 669,930
Roswell, City of	0.4% 548,635
Santo Domingo Pueblo	0.3% 432,150
Angel Fire Village of	0.2% 242,576
Tesuque Pueblo	0.2% 215,391
Santa Rosa, City of	0.1% 137,391
Mescalero Apache Housing Authority	0.1% 97,011
Taos County	0.1% 90,371



Subordinate Lien Borrower Concentration

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Gross Receipts Tax Borrower (GRT)	2022	9,929,264
Alamogordo City of	13.0%	1,295,725
San Juan County	10.0%	993,059
Espanola, City of	8.3%	825,771
Gallup, City of	6.1%	605,927
Santa Fe, City of	5.8%	572,050
Farmington, City of	4.8%	473,632
North Central Regional Transit District	4.7%	461,926
Las Vegas, City of	4.6%	459,095
Clovis, City of	3.7%	366,559
Northwest New Mexico Regional Solid Waste Auth	3.6%	360,588

General Obligation Borrower (GO)	2022	20,291,311
Loving Municipal School District	14.3%	2,906,405
Farmington Municipal School District 5	12.0%	2,436,750
Gallup McKinley County School District 1	11.0%	2,231,636
Cobre Consolidated School District 2	6.8%	1,383,565
Eastern New Mexico University Board of Regents	4.4%	884,326
Corrales, Village of	4.0%	806,228
Belen Consolidated School District 2	3.7%	754,798
Truth or Consequences Municipal School District 6	3.2%	643,519
Gadsden Independent School District 16	3.1%	638,360
Moriarty Edgewood School District	3.1%	637,037

System Revenue Borrower (NSR)	2022	18,629,163
Bernalillo County Metropolitan Court	21.1%	3,932,500
Jicarilla Apache Nation	16.5%	3,077,000
Santa Ana Pueblo	16.3%	3,042,110
Eastern New Mexico University Board of Regents	7.6%	1,420,919
Los Alamos County	6.7%	1,253,863
Roswell, City of	4.4%	812,754
San Felipe Pueblo	4.1%	765,412
Santa Ana Hospitality Corporation	3.8%	706,078
Alamogordo City of	3.6%	673,137
Acoma Pueblo	2.8%	519,740

Local Special Tax Borrower	2022	5,748,329
Santa Fe, City of	44.2%	2,538,444
Santa Clara Pueblo	10.2%	587,223
Isleta Pueblo	8.7%	501,171
Las Cruces, City of	6.9%	398,031
New Mexico Department of Health	6.7%	384,679
Ohkay Owingeh	5.7%	327,609
Gila Regional Medical Center	5.0%	288,536
Luna County	3.9%	224,449
Taos, Town of	3.2%	182,320
Ruidoso, Village of	2.0%	115,041

- ◆ GGRT is a 5% tax levied on governmental sales (primarily water)
- ◆ Pursuant to statute, 75% of the GGRT is dedicated to the PPRF
- ◆ GGRT is paid monthly and held by the Bond Trustee until all bond payments, indentured reserves and expenses are satisfied
- ◆ GGRT totaled \$33.75 million in FY2020 and \$33.0 million in FY2021
 - On a normalized basis, FY2021 was the second highest GGRT year ever
- ◆ **While GGRT has not been used to cover shortfalls in debt service, GGRT remains one of the strongest enhancements in the PPRF**
- ◆ Pursuant to statute, 35% of the GGRT dedicated to the PPRF may be appropriated to identified funds annually by legislative action
- ◆ The remainder of GGRT stays in PPRF and is used to make Disadvantaged Funding loans and for to retire bonds



High Coverage Levels

- ◆ PPRF bonds are all issued as fixed rate bonds
- ◆ Bond issues are structured within the cash flow constraints of reimbursed loans
 - PPRF bond issue reimbursement funds and debt service do not exceed:
 - The outstanding loan amount to be reimbursed; or,
 - The maximum loan revenues available from loans reimbursed
- ◆ The strategic bond redemption program has expanded the PPRF's capacity with senior lien coverage well above the 1.30x standard at no less than 1.40x. Subordinate lien coverage starts at 1.88x.



High Levels of Coverage

PPRF Loans Outstanding	PPRF Bonds Outstanding	Difference
974	38	
\$1,615,714,094	\$1,286,350,000	\$329,364,094

Paid By Borrowers Semi Annually (Mostly Monthly)	Paid to Bondholders Semi Annually	
\$195,126,108	\$176,890,312	\$18,235,796

Owed by Borrowers 2022-2052	Owed to Bondholders 2022-2052	
\$2,008,327,066	\$1,713,656,876	\$294,670,190

As of 8/31/2021

