

## ***July and August Highlights for NMFA***

### ***Loan Activity***

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- **21 Loans Closed during July and August 2014**
  - 12 Loans were funded through the Public Projects Revolving Loan Fund (PPRF),
  - 4 Loans were funded through the Water Trust Board Projects,
  - 3 Loans were funded with Drinking Water funds, and
  - 2 Loans were Colonias funded.

Of the loans that closed the following were over \$3.0 million:

- 2 PPRF loans to the Los Alamos County for \$10.845 million, tax-exempt; and \$10.845 million, taxable;
- 1 PPRF loan to the City of Santa Fe for \$3.5 million;
- 1 DW loan to the Village of Ruidoso for \$3.03 million; and
- 1 PPRF loan to Truth or Consequences MSD for \$3.0 million

### ***Loan Funding***

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- Series 2014B Bonds closed on August 13, 2014 in the amount of \$58.235 million.
- Repayment on the \$12 million outstanding balance of NMFA's Line of Credit occurred through the transfer of bond proceeds of the 2014B bond issue.

### ***Other Activities***

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- NMFA's External Auditor Entrance Conference for fiscal year 2014 external audit was held on September 3, 2014
- Presentations for the Internal Audit contract are scheduled for September 15, 2014.

# Financial Highlights

- Overall last year NMFA saw a decrease in loan volume, this year NMFA is experiencing an increase in loan volume and expenses.
- The decreased loan volume is reflected as a decrease in assets on the balance and interest income.
- Corresponding bond defeasances which have occurred are represented by a decrease in liabilities under Bond Payable.
- Borrowers have increased the spend down of their loan proceeds which is reflected in the “Funds Held for Others” line item.
- The increase in loan volume is represented in the increase in “Fee Revenue” and “Professional Services.”
- Increased expenditures in Personnel Services signify the filling of vacant positions.
- NMFA expenditures are on track with the budget for the current year.

**New Mexico Finance Authority  
Financial Information  
July 31, 2014**

| <b>Statement of Net Position</b>         |                         |                      |                 |
|--|-------------------------|----------------------|-----------------|
| <b>Assets</b>                            | <b>July 31, 2014</b>    | <b>July 31, 2013</b> | <b>% change</b> |
| Cash and equivalents                     | \$ 325,681,715          | 337,698,435          | -3.6%           |
| Receivables                              | 1,305,563,883           | 1,343,030,256        | -2.8%           |
| Funds held in escrow                     | 9,427,747               | 63,280,500           | -85.1%          |
| Deferred issue costs                     | 10,372,341              | 10,165,479           | 2.0%            |
| Other assets                             | 2,557,062               | 2,536,025            | 0.8%            |
| <b>Total assets</b>                      | <b>1,653,602,748</b>    | <b>1,756,710,695</b> | <b>-5.9%</b>    |
| <br>                                     |                         |                      |                 |
| <b>Liabilities</b>                       |                         |                      |                 |
| Accounts payable and accrued liabilities | 2,758,509               | 2,568,886            | 7.4%            |
| Accrued payroll expense                  | 368,253                 | 371,668              | -0.9%           |
| Debt service amounts payable             | 82,350,218              | 77,964,749           | 5.6%            |
| Funds held for others                    | 29,029,734              | 45,276,876           | -35.9%          |
| Line of credit                           | 12,006,298              | -                    | 0.0%            |
| Bonds payable                            | 1,053,376,135           | 1,183,157,391        | -11.0%          |
| <b>Total liabilities</b>                 | <b>1,179,889,147</b>    | <b>1,309,339,570</b> | <b>-9.9%</b>    |
| <br>                                     |                         |                      |                 |
| <b>Net Assets</b>                        | <b>473,713,601</b>      | <b>447,371,125</b>   | <b>5.9%</b>     |
| <br>                                     |                         |                      |                 |
| <b>Total Liabilities and net assets</b>  | <b>\$ 1,653,602,748</b> | <b>1,756,710,695</b> | <b>-5.9%</b>    |

**New Mexico Finance Authority  
Financial Information**

**Statement of Revenues and Expenditures for the month ending:**

| <b>Revenues</b>                 | <b>July 31, 2014</b>   | <b>July 31, 2013</b>    |               |
|---------------------------------|------------------------|-------------------------|---------------|
| Appropriation revenues          | \$ 5,296,470           | 8,704,018               | -39.1%        |
| Interest income - loans         | 867,003                | 952,815                 | -9.0%         |
| Investment revenue              | 43,597                 | 35,809                  | 21.7%         |
| Fees revenue                    | 138,046                | 39,230                  | 251.9%        |
| Grant revenue                   | 1,904,974              | 4,285,554               | -55.5%        |
|                                 | <b>8,250,090</b>       | <b>14,017,426</b>       | <b>-41.1%</b> |
| <br>                            |                        |                         |               |
| <b>Operating Expenses</b>       |                        |                         |               |
| Personnel services and benefits | 399,627                | 343,024                 | 16.5%         |
| Professional services           | 89,274                 | 10,759                  | 729.8%        |
| Operating costs                 | 154,219                | 66,553                  | 131.7%        |
| Bond issue and issuance expense | 152,537                | 64,080                  | 138.0%        |
| Grant expense                   | 1,827,512              | 3,134,382               | -41.7%        |
|                                 | <b>2,623,169</b>       | <b>3,618,798</b>        | <b>-27.5%</b> |
|                                 | -                      | -                       |               |
| Income (loss)                   | <b>\$ 5,626,921.00</b> | <b>\$ 10,398,628.00</b> | <b>-45.9%</b> |

**Operating Budget analysis**

| <b>Category</b>       | <b>FY 2014<br/>Budget</b> | <b>Actual<br/>Expenses thru<br/>July 31, 2014</b> | <b>% Utilized</b> |
|-----------------------|---------------------------|---|-------------------|
| Personal services     | \$ 4,650,000              | 399,627   | 8.6%              |
| Travel costs          | 203,343                   | 10,564  | 5.2%              |
| Professional services | 2,700,000                 | 310,219   | 11.5%             |
| Operating costs       | 1,096,657                 | 78,710  | 7.2%              |
| <b>Totals</b>         | <b>\$ 8,650,000</b>       | <b>\$ 799,120</b>                                 | <b>9.2%</b>       |

### Loans By Type

| Loan Type                          | Fiscal year 2014 |                 | Fiscal year 2013 |                 |
|------------------------------------|------------------|-----------------|------------------|-----------------|
|                                    | Number           | Volume          | Number           | Volume          |
| Public Project Revolving Loan Fund | 656              | \$1,077,766,197 | 781              | \$1,248,555,507 |
| Water Trust Board                  | 196              | \$21,089,681    | 157              | \$18,336,546    |
| Drinking Water                     | 70               | \$65,948,042    | 64               | \$63,339,822    |
| Colonias                           | 68               | \$10,251,325    | 16               | \$202,731       |
| Primary Care                       | 17               | \$4,865,109     | 17               | \$4,216,376     |
| Behavioral Health                  | 4                | \$1,165,126     | 3                | \$639,783       |
| Child Care                         | 1                | \$18,288        | 1                | \$27,873        |
| SSBCI                              | 8                | \$3,312,527     | 5                | \$2,461,746     |
| Smart Money                        | 5                | \$4,681,764     | 4                | \$4,161,710     |
| New Market Tax Credits             | 13               | \$132,979,335   | 10               | \$106,789,335   |

### Year To Date Bond Issues

| Lien           | Closing date | Status     | S&P | Moody's | Amount       |
|----------------|--------------|------------|-----|---------|--------------|
| Sublien 2014 A | 6/10/2014    | Taxable    | AA+ | Aa2     | \$16,805,000 |
| Sublien 2014 A | 6/10/2014    | Tax Exempt | AA+ | Aa2     | \$15,135,000 |
| Senior 2014B   | 8/13/2014    | Tax Exempt | AAA | Aa1     | \$58,235,000 |

### Top Five Largest Loans By Quarter

| Quarter | Fund | Borrower                                   | Amount       |
|---------|------|--|--------------|
| FY14 Q1 | NMTC | TMS Hilton Garden Inn-Gallup               | \$8,000,000  |
|         | NMTC | 4 Points Laguna III                        | \$8,000,000  |
|         | PPRF | Gila Regional Medical Center               | \$3,788,263  |
|         | PPRF | Albuquerque PSD NO. 12                     | \$2,743,494  |
|         | DW   | City of Deming                             | \$2,412,284  |
| FY14 Q2 | NMTC | Presbyterian Medical Services              | \$11,000,000 |
|         | PPRF | Sandoval County                            | \$7,040,000  |
|         | PPRF | Lordsburg Municipal School District        | \$2,000,000  |
|         | DW   | City of Alamogordo                         | \$1,515,000  |
|         | PPRF | Socorro CSD No. 1                          | \$1,195,000  |
| FY14 Q3 | PPRF | Pojoaque Valley Public School District     | \$4,000,000  |
|         | WTB  | Dona Ana MDWCA                             | \$4,000,000  |
|         | PPRF | Reserve Independent School District No. 1  | \$2,400,000  |
|         | PPRF | City of Anthony                            | \$1,780,826  |
|         | WTB  | Southern Sandoval County AFCA              | \$1,759,535  |
| FY14 Q4 | PPRF | Santa Ana Pueblo                           | \$30,970,000 |
|         | PPRF | Farmington Municipal School District No. 5 | \$6,500,000  |
|         | WTB  | Camino Real Regional Utility Authority     | \$5,300,000  |
|         | PPRF | City of Clovis                             | \$4,888,665  |
|         | WTB  | Eastern NM WUA                             | \$4,000,000  |
| FY15 Q1 | PPRF | Los Alamos County - Taxable                | \$10,845,000 |
|         | PPRF | Los Alamos County - Tax Exempt             | \$10,845,000 |
|         | PPRF | City of Santa Fe                           | \$3,500,000  |
|         | DW   | Village of Ruidoso                         | \$3,030,000  |
|         | PPRF | Truth or Consequences MSD                  | \$3,000,000  |

## **Audit Findings Status Matrix**

| <b>BOARD GOVERNANCE</b>   | <b>Status</b>    |
|---|------------------|
| <i>Senate Bill 12</i>   |                  |
| <b>Certified Public Accountant on Board of Directors</b>          | <b>Completed</b> |
| <b>Entrance/Exit Conference attended by Audit Committee</b>       | <b>Completed</b> |
| <b>Audit Committee meets regularly with auditors during audit</b> | <b>Completed</b> |
| <b>Deposits should be made in New Mexico banks</b>                | <b>Completed</b> |
| <b>Minutes and Records approved and maintained</b>                | <b>Completed</b> |

| <b>EXTERNAL AUDIT</b>                       | <b>Status</b>    |
|---|------------------|
| <i>Noted by: PWC HEK RLD/SD REDW</i>        |                  |
| <b>Timeliness of External Audit*</b>        | <b>Completed</b> |
| <b>Compliance with Federal Requirements</b> | <b>Completed</b> |
| <b>Compliance with Bond Covenants</b>       | <b>Completed</b> |

| <b>INTERNAL AUDIT</b>                | <b>Status</b>             |
|--------------------------------------|---------------------------|
| <i>Noted by: PWC HEK RLD/SD REDW</i> |                           |
| <b>Internal Audit position**</b>     | <b><i>In Progress</i></b> |

\* Entrance conference completed September 3, 2014.

\*\*Presentations for RFP finalists scheduled for September 15, 2014.

| <b>STATE COMPLIANCE</b>                                    | <b>Status</b>    |
|--|------------------|
| <i>Noted by: REDW</i>                                      |                  |
| <b>Payment of funds without an approved audit contract</b> | <b>Completed</b> |
| <b>Timely Cash Receipts Deposit</b>                        | <b>Completed</b> |
| <b>Travel and Per Diem</b>                                 | <b>Completed</b> |
| <b>Equipment</b>   | <b>Completed</b> |

| <b>ACCOUNTING PRACTICES</b>                      | <b>Status</b>    |
|--|------------------|
| <i>Noted by: PWC HEK RLD/SD REDW</i>             |                  |
| <b>Bank Reconciliations timeliness - cutoffs</b> | <b>Completed</b> |
| <b>Invoice documentation/Credit Card usage</b>   | <b>Completed</b> |
| <b>Journal Entry support</b>                     | <b>Completed</b> |
| <b>Treatment for extraordinary items</b>         | <b>Completed</b> |
| <b>Fringe Benefits reporting to IRS</b>          | <b>Completed</b> |
| <b>Lack of up-to-date Procedures</b>             | <b>Completed</b> |

| <b>LOAN SERVICING</b>   | <b>Status</b>             |
|---|---------------------------|
| <i>Noted by: PWC HEK RLD/SD REDW</i>                                    |                           |
| <b>System Implementation for Loan Origination (SILO) Implementation</b> | <b><i>In Progress</i></b> |

## **Initiatives for FY 2015**

### **Automation (i.e. System Implementation)**

Automation is the essential main initiative this year at NMFA.

- The NMFA has, for too long, relied on spreadsheets and manual tracking devices to track and provide information. This initiative will require time and energy, but they will represent the foundation from which NMFA will base its future. They are as follows:
  - procedures manuals and data flow diagrams for the entire organization; (~40% of the procedures portion is complete.)
  - Completing a fit/gap analysis along with a needs analysis of current systems to determine what systems are needed; and, ultimately
  - Implementing a system that will include loan origination, administration, compliance monitoring, servicing, closing, and reporting.

## ***NMFA Board Members***

### **John E. McDermott – Chair**

McDermott Advisory Service

#### **Ryan Flynn**

Cabinet Secretary  
New Mexico Environment Department

#### **Blake Curtis**

CEO  
Curtis & Curtis, Inc.

#### **William Fulginiti - Vice-Chair**

Executive Director  
New Mexico Municipal League

#### **Jerry L. Jones**

CEO  
Stolar Research, Inc.

#### **Katherine Ulibarri – Treasurer**

VP, Finance & Operations  
Central NM Community College

#### **Steve Kopelman**

Executive Director  
New Mexico Association of Counties

#### **Jon Barela**

Cabinet Secretary  
New Mexico Economic Development Department

#### **David Martin – Secretary**

Cabinet Secretary  
New Mexico Energy, Minerals & Natural Resources

#### **Tom Clifford**

Cabinet Secretary  
Department of Finance & Administration

#### **Terry White**

CEO  
Sunwest Trust, Inc.

The NMFA's Board is composed of eleven members. The Secretary of the Department of Finance and Administration; the Secretary of Economic Development; the Secretary of Energy, Minerals and Natural Resources; the Secretary of the Environment Department; the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the NMFA with voting privileges. The Governor, with the advice and consent of the Senate, appoints five members to the NMFA Board including the Chief Financial Officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the Governor and are appointed to four year terms.

