



# NMFA Purpose, Mission, Structure & Programs



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

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# NMFA Purpose

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In 1992, the New Mexico State Legislature created the New Mexico Finance Authority to coordinate the planning and financing of public projects.

The purpose of the NMFA Act was to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

Over the years, the purpose was expanded to include financing of economic development and other community development projects.

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# NMFA Mission

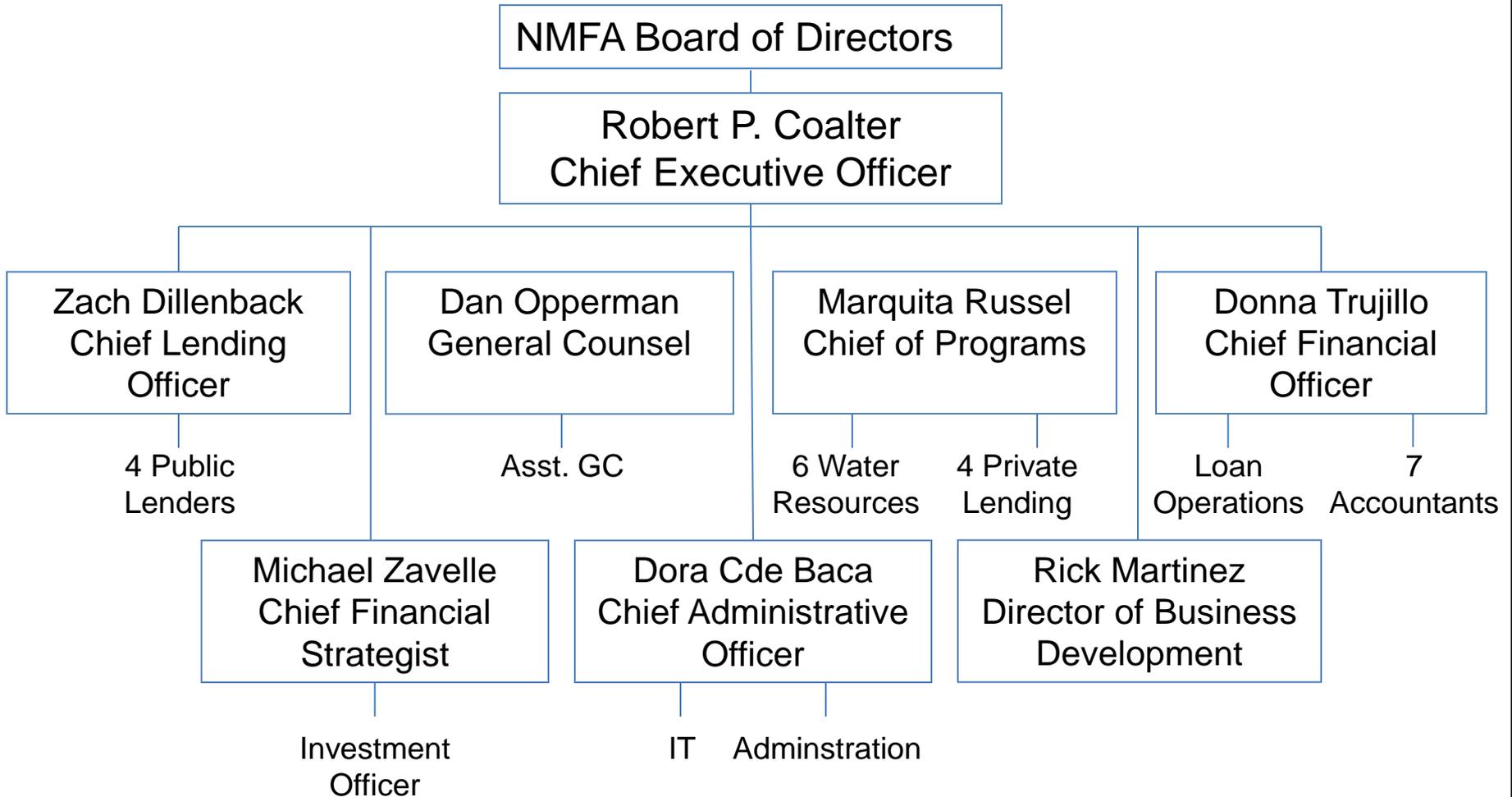
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*We are dedicated to improving the lives of New Mexicans, by planning and financing infrastructure, strengthening the economy through public/private partnerships and setting the standard for superior, diverse, innovative and solution-driven financing.*

--NMFA Staff

# NMFA Staff Structure

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# Mission Based Financing

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

**Infrastructure and Capital Equipment Projects**—The NMFA currently operates three active programs for infrastructure and capital equipment projects: the Public Project Revolving Fund, the Local Government Planning Fund and the Colonias Infrastructure Project Fund

**Water** —The NMFA currently operates three active programs for water: Drinking Water State Revolving Loan Fund, the Water Project Fund and the Acequia Project Fund

**Community Facilities and Economic Development** —The NMFA currently operates five active programs for community facilities and Economic Development: Primary Care Capital Fund, Behavioral Health Capital Fund, the New Markets Tax Credit Program, Smart Money Loan Participation Program and the federally funded Collateral Support Participation Program (SSBCI)

- ◆ 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)
  - ◆ Disadvantaged Rate – 0% or 3% based upon Median Household Income, for projects up to \$200,000
- ◆ The NMFA annually presents to the Legislature a project authorization list which allows NMFA to meet the project timing needs of New Mexico's communities

- ◆ 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
- ◆ Initially, statute required that entity repay “grant” if funding for project was received; this provision was eliminated in 2012
- ◆ Broadened twice
  - ◆ In 2005, to include master plans, conservation plans & economic development plans
  - ◆ In 2012, to allow infrastructure plans

# Colonias Infrastructure Program

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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
- ◆ Two funding cycles have occurred, the Colonias Infrastructure Board is poised to make its 2014 funding awards shortly

# 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%
- ◆ With these new grants, federally capitalized revolving loan fund:
  - ◆ \$163.6 million in federal awards
  - ◆ \$29.7 million in state match
- ◆ \$150.8 million closed to date – nearly 30% of these loans are to systems with fewer than 10,000 in population
- ◆ \$7.3 million in additional approved, but unclosed loans (binding loan commitments) to ten projects

- ◆ DWSRLF Act partners NMFA with the New Mexico Environment Department in the administration of the program. NMED quarterly publishes a Fundable Priority List and NMFA accepts applications from the list in the order in which they are listed
- ◆ Step 1: Project interest sheet to Drinking Water Bureau
- ◆ Step 2: Ranked on Comprehensive Priority List (NMED)
- ◆ Step 3: Ranked on Fundable Priority List (NMFA)
- ◆ Step 4: NMFA Lending Officer makes contact
- ◆ Step 5: Project taken to NMFA Board for approval

- ◆ 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
- ◆ Provides grants and low-cost loans for five types of water projects:
  1. Water conservation, treatment, recycling, and reuse projects;
  2. Flood prevention projects;
  3. Endangered species act (ESA) collaborative projects;
  4. Water storage, conveyance and delivery projects;
  5. Watershed restoration and management projects
- ◆ NMFA makes grants and loans recommended by 16-member Water Trust Board and authorized by Legislature

- ◆ Created in 2004 by amending the Water Project Finance Act 72-4A-9.1 by Sen. Cisneros (SB 87)
- ◆ Funded to date from 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 policy, Acequia Project Fund grants are used for planning projects only

# 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

- ◆ 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

- ◆ Established in 2003 through the Statewide Economic Development Finance Act 6-25-1 by Sen. Aragon (SB 934)
- ◆ Allows NMFA to purchase interests in loans made by banks to private for-profit and not-for-profit entities; borrowers must agree to hire a specific number of employees in exchange for the financing
- ◆ 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
- ◆ Under amendments made in 2005, NMFA may only make loans to projects determined eligible by the New Mexico Economic Development Department and authorized for funding from the Legislature. Legislation passed in 2011 temporarily halted (until June 30, 2016) the authorization requirement

# Collateral Support Participation Program

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- ◆ Program operated by the same rules and statute as Smart Money
- ◆ In June 2011, the NMFA signed an MOU with the NM Economic Development Department to administer the \$13.2 million in funding made available through the Federal Small Business Jobs Act of 2010. The program is overseen by the US Dept. of Treasury
- ◆ The funds are intended to help mitigate bank risk and increase the flow of capital to small businesses
- ◆ New Mexico uses the funds to help provide funding where Smart Money has been unable to help
- ◆ The State is required to leverage 10 private dollars for each Federal dollar by December 31, 2016

# Why Loan Participations

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- ◆ A loan participation allows NMFA to participate in a business loan by buying a portion of a loan made by a local bank
- ◆ With NMFA's participation programs, the bank applies to the NMFA on behalf of a business by submitting the information the bank used to reach its lending decision
- ◆ Participations allow NMFA to fill the financing gap and lower costs for New Mexico businesses
- ◆ The bank originates and services the loan as it otherwise would. The NMFA pays a small servicing fee to the bank for the additional work

# NMFA Authorized Programs and Historic Activity

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<u>FY Year Created in Law</u>	<u>Program Name</u>	<u>Total Project Funding Provided (12/31/2013)</u>	<u>Total Projects Funded (12/31/2013)</u>
1992	Public Project Revolving Fund	\$ 2,333,860,030	1,209
1994	Primary Care Capital Fund	10,924,659	18
1997	Drinking Water State Revolving Loan Fund	126,766,325	60
1999	Water and Wastewater Grant Fund	60,072,102	159
2001	Water Project Fund	255,859,812	244
2002	Local Government Planning Fund	3,096,578	102
2003	Economic Development Revolving Fund (Smart Money)	5,669,162	5
2003	Child Care Revolving Loan Fund	50,000	1
2004	Acequia Project Fund	100,000	6
2004	Behavioral Health Capital Fund	580,000	2
2005	Energy Efficiency & Renewable Energy Bonding Act	1,152,354	3
2005	Local Transportation Infrastructure Fund	4,700,000	21
2006	New Markets Tax Credit	154,286,000	13
2007	Local Government Transportation Fund	2,835,538	96
2009	DWRLF (American Recovery & Reinvestment Act)	16,697,182	17
2010	Colonias Infrastructure Project Fund	12,597,439	37
2011	Collateral Support Participation Program (State Small Business Credit Initiative)	<u>4,945,996</u>	<u>11</u>
<b>Total Projects Funded</b>		<b>\$ 2,994,193,178</b>	<b>2,004</b>

# FY 2014 Financings Budget vs. Actual (to date)

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<u>Financing Program</u>	Forecasted Projects Financed <u>FY 2014</u>	Actual Financings (to date) <u>FY 2014</u>
Public Project Revolving Fund	85	80
Drinking Water State Revolving Loan Fund	12	12
Water Project Fund	25	37
Acequia Project Fund	0	9
Colonias Infrastructure Fund	40	42
Local Government Planning Fund	40	13
Behavioral Health Capital Fund	1	1
New Markets Tax Credit	3	3
Smart Money	1	1
State Small Business Credit Initiative	12	7
<b>Total Financings &amp; Operating Expenses</b>	<b>219</b>	<b>205</b>