



# NEW MEXICO FINANCE AUTHORITY

TO: Members of the NMFA Governing Board  
FROM: Robert Brannon, Controller  
DATE: May 23, 2013  
SUBJECT: NMFA FY14 Budget

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**Item:**

Presentation of the FY14 Budget Proposal for your review and approval.

**Synopsis:**

Due to the extraordinary costs of the fraudulent audit and subsequent investigations, the FY13 actuals are projected to exceed its budget by approximately 3.4%. The costs of the audit including investigations, legal costs, and related operating expenses totaled \$1,634,317.92 or 18.4% of the 2013 projected operating expenses. Backing out these costs would result in a budget to actual of only 84%. Another result of the fraudulent audit is the decrease in loan activity as a result of the inability to access the bond market and the subsequent need for the PPRF protocol limiting loan size. As the Authority is activity driven and the projected number of loans closing for PPRF FY13 dropped to 65 from an average of 85 the last several years, legal costs for the PPRF and operational costs across the Authority have also fallen. In summation the Authority's FY13 operating expenses were reduced by a lack of activity but also dramatically increased by the cost of the fraudulent audit.

**FY14 Budget Summary:**

In response to the challenges the Authority has faced in FY13 and the suggestions of the numerous investigational reports, the Authority will look to reorganize resources to areas of compliance and process improvement. One of the previously budgeted attorney positions will be utilized for a Compliance Specialist to help organize and ensure the Authority's numerous stakeholder monitoring and reporting responsibilities. The Authority will also look to hire an Internal Auditor and an IT Systems Analyst to further strengthen these areas bringing the number of budgeted positions to 46. As a result of these changes the Authority will look for a budget expansion for the two aforementioned new positions.

At the suggestion of the Executive Committee the Authority's budget will be flat from 2013. This will be achieved through the recognition of vacancy savings of the six outstanding positions the Authority currently has not filled several of which were expansions approved in the FY13 budget as well as the aforementioned to be approved positions. At mid-year if these

savings are not projected to be realized the Authority will present a request to this committee for a budget adjustment.

**Recommendation:**

Staff recommends that the NMFA Governing Board accept the FY2014 budget as presented and approve its adoption.

**NEW MEXICO FINANCE AUTHORITY**  
**BUDGET FOR FISCAL YEARS 2011 thru 2014**

**GRAND TOTAL**

	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Budget	FY 2013 Projected	Percentage Change FY 2014 Budget over FY 2013 Budget	FY 2014 Budget	Percentage Change FY 2014 Budget over FY 2013 Projected
<b>REVENUES</b>							
Appropriation revenue	\$ 34,842,554	\$ 43,146,845	\$ 40,462,000	\$ 33,213,000		\$ 42,511,924	
Interest income from loans	55,572,510	54,459,612	54,427,750	40,660,850		54,580,750	
Interest income from investments	805,923	436,384	917,000	46,571		418,000	
Administration fee revenue	6,808,876	7,352,753	4,831,000	3,513,130		5,206,709	
Grant revenue	42,924,828	41,883,216	41,900,000	48,236,851		51,117,000	
<b>Total Revenues</b>	<b>\$ 140,954,691</b>	<b>\$ 147,278,810</b>	<b>\$ 142,537,750</b>	<b>\$ 125,670,402</b>	<b>7.9%</b>	<b>\$ 153,834,383</b>	<b>22.4%</b>
<b>EXPENDITURES</b>							
<b>Operating Expenses</b>							
Personnel services	\$ 4,184,572	\$ 3,976,586	\$ 4,889,213	\$ 4,042,426		\$ 4,750,000	
Professional services	2,212,384	2,520,763	2,435,013	3,795,266		2,489,475	
Operating costs	1,476,455	1,551,350	1,244,219	1,022,353		1,328,970	
<b>Total - Operating Expenses</b>	<b>\$ 7,873,411</b>	<b>\$ 8,048,699</b>	<b>\$ 8,568,445</b>	<b>\$ 8,860,045</b>	<b>0.0%</b>	<b>\$ 8,568,445</b>	<b>-3.3%</b>
<b>Non-Operating Expenses</b>							
Bond/Loan interest Expense	\$ 59,521,640	\$ 53,964,438	\$ 55,901,500	\$ 55,901,809		\$ 56,046,500	
Bond Issuance Expense	697,665	1,272,046	1,500,000	250,000		1,500,000	
Grant Expense	53,887,305	42,063,551	34,445,000	39,191,384		40,787,000	
<b>Total non-operating expenses</b>	<b>\$ 114,106,610</b>	<b>\$ 97,300,035</b>	<b>\$ 91,846,500</b>	<b>\$ 95,343,193</b>	<b>7.1%</b>	<b>\$ 98,333,500</b>	<b>3.1%</b>
<b>Total fiscal year expenses</b>	<b>\$ 121,980,021</b>	<b>\$ 105,348,734</b>	<b>\$ 100,414,945</b>	<b>\$ 104,203,238</b>	<b>6.5%</b>	<b>\$ 106,901,945</b>	<b>2.6%</b>
<b>Excess (deficit) revenues over expenses</b>	<b>\$ 18,974,670</b>	<b>\$ 41,930,076</b>	<b>\$ 42,122,805</b>	<b>\$ 21,467,164</b>		<b>\$ 46,932,438</b>	
<b>Transfer to other agencies</b>	<b>24,481,147</b>	<b>8,725,047</b>	<b>8,905,000</b>	<b>9,305,000</b>		<b>9,535,000</b>	
<b>Excess (deficit) revenues over expenses</b>	<b>\$ (5,506,477)</b>	<b>\$ 33,205,029</b>	<b>\$ 33,217,805</b>	<b>\$ 12,162,164</b>		<b>\$ 37,397,438</b>	

*The Budget and certain other portions of this report contain forward-looking statements that are based on management expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual future results, therefore, may differ materially from the forecasts contained in the forward-looking statements.*

**BUDGET DETAIL BY PROGRAM -  
FISCAL YEAR 2014**

	<b>Grand Total</b>	<b>PPRF</b>	<b>GRIP (Inc GRIP II and Local Road Fund)</b>	<b>Drinking Water Revolving Loan Fund</b>	<b>Water Trust Board</b>	<b>Colonias Infrastructure Fund</b>	<b>Local Government Planning Fund</b>	<b>New Markets Tax Credits</b>	<b>State Small Business Credit Initiative</b>	<b>Economic Development</b>	<b>Behavioral Health Capital Fund</b>	<b>Primary Care Capital Fund</b>	<b>Child Care Revolving Loan Fund</b>	<b>Intergovernmental Receivables</b>
<b>REVENUES</b>														
Appropriation revenues	\$ 42,511,924	\$ 27,800,130	\$ -	\$ -	\$ -	\$ -	2,000,000	\$ -	8,822,794	\$ -	\$ 1,089,000	\$ -	\$ -	\$ 2,800,000
Interest income on loans	54,580,750	52,500,000	-	1,050,000	-	-	-	-	50,000	30,000	20,000	126,000	750	804,000
Interest income on investments	418,000	225,000	25,000	100,000	51,000	-	-	-	10,000	2,000	-	-	-	5,000
Administration fee revenue	5,206,709	3,036,000	414,317	175,000	60,000	-	-	1,105,870	414,522	-	1,000	-	-	-
Grant revenue	51,117,000	-	-	10,900,000	36,717,000	3,500,000	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 153,834,383</b>	<b>\$ 83,561,130</b>	<b>\$ 439,317</b>	<b>\$ 12,225,000</b>	<b>\$ 36,828,000</b>	<b>\$ 3,500,000</b>	<b>\$ 2,000,000</b>	<b>\$ 1,105,870</b>	<b>\$ 9,297,316</b>	<b>\$ 32,000</b>	<b>\$ 1,110,000</b>	<b>\$ 126,000</b>	<b>\$ 750</b>	<b>\$ 3,609,000</b>
<b>EXPENDITURES</b>														
<b>Operating Expenses</b>														
Personal services and benefits	4,750,000	2,346,002	181,290	606,866	440,697	195,490	178,232	354,367	297,080	107,086	13,027	19,928	9,936	-
Contractual costs														
Legal	1,042,500	640,425	73,950	-	227,500	26,775	8,925	37,425	11,000	16,500	-	-	-	-
MOU's	212,500	-	-	-	187,500	-	25,000	-	-	-	-	-	-	-
Audit	140,000	75,600	8,400	14,000	12,600	5,600	5,600	11,200	5,600	1,400	-	-	-	-
Trustee/Bank Fees	245,000	132,300	14,700	24,500	22,050	9,800	9,800	19,600	9,800	2,450	-	-	-	-
Other	849,475	520,847	59,283	55,710	59,650	64,303	12,455	51,810	19,555	4,864	250	650	100	-
Contractual costs	2,489,475	1,369,172	156,333	94,210	509,300	106,478	61,780	120,035	45,955	25,214	250	650	100	-
Other Costs	1,328,970	688,731	66,558	126,826	134,550	50,194	47,377	124,568	68,734	19,296	819	1,069	249	-
<b>Total - Operating Expenses</b>	<b>\$ 8,568,445</b>	<b>\$ 4,403,904</b>	<b>\$ 404,181</b>	<b>\$ 827,901</b>	<b>\$ 1,084,547</b>	<b>\$ 352,162</b>	<b>\$ 287,388</b>	<b>\$ 598,969</b>	<b>\$ 411,768</b>	<b>\$ 151,596</b>	<b>\$ 14,096</b>	<b>\$ 21,646</b>	<b>\$ 10,285</b>	<b>\$ -</b>
<b>Non-Operating Expenses</b>														
Bond interest expense	\$ 55,901,500	\$ 55,001,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,500	\$ -	\$ -	\$ 804,000
Bond issuance expense	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-
Grant expense	40,787,000	-	5,000,000	2,300,000	29,387,000	3,500,000	600,000	-	-	-	-	-	-	-
Contract for service expense	145,000	-	-	-	-	-	-	-	-	-	10,000	135,000	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ 98,333,500</b>	<b>\$ 56,501,000</b>	<b>\$ 5,000,000</b>	<b>\$ 2,300,000</b>	<b>\$ 29,387,000</b>	<b>\$ 3,500,000</b>	<b>\$ 600,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 106,500</b>	<b>\$ 135,000</b>	<b>\$ -</b>	<b>\$ 804,000</b>
<b>Total Expenses</b>	<b>\$ 106,901,945</b>	<b>\$ 60,904,904</b>	<b>\$ 5,404,181</b>	<b>\$ 3,127,901</b>	<b>\$ 30,471,547</b>	<b>\$ 3,852,162</b>	<b>\$ 887,388</b>	<b>\$ 598,969</b>	<b>\$ 411,768</b>	<b>\$ 151,596</b>	<b>\$ 120,596</b>	<b>\$ 156,646</b>	<b>\$ 10,285</b>	<b>\$ 804,000</b>
Excess (Deficit) revenues over expenses	\$ 46,932,438	\$ 22,656,226	\$ (4,964,864)	\$ 9,097,099	\$ 6,356,453	\$ (352,162)	\$ 1,112,612	\$ 506,901	\$ 8,885,548	\$ (119,596)	\$ 989,404	\$ (30,646)	\$ (9,535)	\$ 2,805,000
Transfer to other agencies	9,535,000	500,000	-	2,500,000	3,730,000	-	-	-	-	-	-	-	-	2,805,000
Excess (Deficit) revenues over expenses	\$ 37,397,438	\$ 22,156,226	\$ (4,964,864)	\$ 6,597,099	\$ 2,626,453	\$ (352,162)	\$ 1,112,612	\$ 506,901	\$ 8,885,548	\$ (119,596)	\$ 989,404	\$ (30,646)	\$ (9,535)	\$ -
<b>Activity - New Financings</b>														
Number of Projects	219	85		12	25	40	40	3	12	1	1			
\$ amount of financings	355,899,000	225,000,000		30,000,000	33,195,000	25,000,000	1,750,000	31,654,000	7,900,000	800,000	600,000			
<b>Activity - Loans Outstanding</b>														
Number of Loans	1,232	770	3	54	182	86	70	13	18	6	4	18	1	7
\$ amount of loans outstanding	2,123,383,000	1,568,000,000	2,200,000	98,768,000	203,075,000	43,488,000	3,150,000	156,000,000	13,496,000	5,405,000	1,276,000	3,500,000	25,000	25,000,000

**PROJECTED ACTUALS DETAIL BY PROGRAM - FISCAL YEAR 2013**

	<b>Grand Total</b>	<b>PPRF</b>	<b>GRIP (Inc GRIP II and Local Road Fund)</b>	<b>Drinking Water Revolving Loan Fund</b>	<b>Water Trust Board</b>	<b>Colonias Infrastructure Fund</b>	<b>Local Government Planning Fund</b>	<b>New Markets Tax Credits</b>	<b>State Small Business Credit Initiative</b>	<b>Economic Development</b>	<b>Behavioral Health Capital Fund</b>	<b>Primary Care Capital Fund</b>	<b>Child Care Revolving Loan Fund</b>	<b>Intergovernmental Receivables</b>
<b>REVENUES</b>														
Appropriation revenues	\$ 33,213,000	\$ 27,300,000	\$ -	\$ -	\$ -	\$ -	2,000,000	\$ -	-	\$ -	\$ 1,113,000	\$ -	\$ -	\$ 2,800,000
Interest income on loans	40,660,850	38,500,000	-	1,000,000	-	-	-	-	30,000	30,000	20,000	130,000	850	950,000
Interest income on investments	46,571	25,068	2,785	11,141	5,682	-	-	-	1,114	224	-	-	-	557
Administration fee revenue	3,513,130	1,215,622	450,000	110,000	60,000	-	-	1,322,100	354,408	-	1,000	-	-	-
Grant revenue	48,236,851	-	-	5,500,000	41,736,851	1,000,000	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 125,670,402</b>	<b>\$ 67,040,690</b>	<b>\$ 452,785</b>	<b>\$ 6,621,141</b>	<b>\$ 41,802,533</b>	<b>\$ 1,000,000</b>	<b>\$ 2,000,000</b>	<b>\$ 1,322,100</b>	<b>\$ 385,522</b>	<b>\$ 30,224</b>	<b>\$ 1,134,000</b>	<b>\$ 130,000</b>	<b>\$ 850</b>	<b>\$ 3,750,557</b>
<b>EXPENDITURES</b>														
<b>Operating Expenses</b>														
Personal services and benefits	4,042,426	2,101,295	242,500	404,250	456,281	122,000	147,700	323,400	161,700	40,425	13,025	19,900	9,950	
Contractual costs	3,795,266	1,891,345	227,673	379,534	509,857	114,541	138,669	303,627	151,813	37,953	12,229	18,683	9,342	
Other Costs	1,022,353	524,943	61,330	102,237	121,883	30,855	37,354	81,790	40,895	10,224	3,294	5,033	2,515	
<b>Total - Operating Expenses</b>	<b>\$ 8,860,045</b>	<b>\$ 4,517,583</b>	<b>\$ 531,503</b>	<b>\$ 886,021</b>	<b>\$ 1,088,021</b>	<b>\$ 267,396</b>	<b>\$ 323,723</b>	<b>\$ 708,817</b>	<b>\$ 354,408</b>	<b>\$ 88,602</b>	<b>\$ 28,548</b>	<b>\$ 43,616</b>	<b>\$ 21,807</b>	<b>\$ -</b>
<b>Non-Operating Expenses</b>														
Bond interest expense	\$ 55,901,809	\$ 55,001,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,500	\$ -	\$ -	\$ 804,000
Bond issuance expense	250,000	250,000	-	-	-	-	-	-	-	-	-	-	-	-
Grant expense	39,046,384	-	3,500,000	2,300,000	31,646,384	1,000,000	600,000	-	-	-	-	-	-	-
Contract for service expense	145,000	-	-	-	-	-	-	-	-	-	10,000	135,000	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ 95,343,193</b>	<b>\$ 55,251,309</b>	<b>\$ 3,500,000</b>	<b>\$ 2,300,000</b>	<b>\$ 31,646,384</b>	<b>\$ 1,000,000</b>	<b>\$ 600,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 106,500</b>	<b>\$ 135,000</b>	<b>\$ -</b>	<b>\$ 804,000</b>
<b>Total Expenses</b>	<b>\$ 104,203,238</b>	<b>\$ 59,768,892</b>	<b>\$ 4,031,503</b>	<b>\$ 3,186,021</b>	<b>\$ 32,734,405</b>	<b>\$ 1,267,396</b>	<b>\$ 923,723</b>	<b>\$ 708,817</b>	<b>\$ 354,408</b>	<b>\$ 88,602</b>	<b>\$ 135,048</b>	<b>\$ 178,616</b>	<b>\$ 21,807</b>	<b>\$ 804,000</b>
Excess (Deficit) revenues over expenses	\$ 21,467,164	\$ 7,271,798	\$ (3,578,718)	\$ 3,435,120	\$ 9,068,128	\$ (267,396)	\$ 1,076,277	\$ 613,283	\$ 31,114	\$ (58,378)	\$ 998,952	\$ (48,616)	\$ (20,957)	\$ 2,946,557
Transfer to other agencies	9,305,000	500,000	-	2,500,000	3,500,000	-	-	-	-	-	-	-	-	2,805,000
Excess (Deficit) revenues over expenses	\$ 12,162,164	\$ 6,771,798	\$ (3,578,718)	\$ 935,120	\$ 5,568,128	\$ (267,396)	\$ 1,076,277	\$ 613,283	\$ 31,114	\$ (58,378)	\$ 998,952	\$ (48,616)	\$ (20,957)	\$ 141,557
<b>Activity - New Financings</b>														
Number of Projects	170	65		17	25	45	12	1	4	1				
\$ amount of financings	153,674,701	64,164,185		26,626,002	32,074,968	13,207,976	525,000	15,000,000	757,000	1,319,570				
<b>Activity - Loans Outstanding</b>														
Number of Loans	1,013	685	3	42	157	46	30	10	6	5	3	18	1	7
\$ amount of loans outstanding	1,767,484,000	1,343,000,000	2,200,000	68,768,000	169,880,000	18,488,000	1,400,000	124,346,000	5,596,000	4,605,000	676,000	3,500,000	25,000	25,000,000

**New Mexico Finance Authority  
Program Activity Summary - NMFA  
Fiscal Years - 2001 thru 2014**

Fiscal Year	Projects Financed		Loans Outstanding				Operating Budget			
	Nbr	Total Amount Financed	Nbr	Principal Outstanding		Percentage Increase over FY 2001	Expenses	Percentage Increase over FY 2001	EE's	Percentage Increase over FY 2001
2014 *	218	355,899,000	1232	2,123,383,000	@	1128.7%	8,568,445	275.9%	46	142.1%
2013 *	170	153,674,701	1013	1,767,484,000	@	922.8%	8,568,445	275.9%	44	131.6%
2012 *	144	382,121,384	838	1,575,489,747		811.7%	8,013,600	251.5%	37	94.7%
2011**	130	216,724,602	797	1,431,476,530		728.3%	7,571,412	232.1%	41	115.8%
2010**	167	304,867,117	746	1,454,595,601		741.7%	7,620,841	234.3%	39	105.3%
2009**	170	210,188,667	681	1,321,669,531		664.8%	7,692,644	237.4%	39	105.3%
2008**	210	524,674,064	615	1,220,446,517		606.2%	6,988,802	206.6%	36	89.5%
2007**	126	235,579,074	531	839,337,364		385.7%	6,649,026	191.7%	31	63.2%
2006**	99	198,635,738	465	674,787,930		290.5%	6,179,829	171.1%	31	63.2%
2005**	116	277,305,163	416	538,874,031		211.8%	5,043,580	121.2%	27	42.1%
2004**	146	149,096,637	383	328,102,444		89.9%	3,693,765	62.0%	25	31.6%
2003**	115	96,859,816	317	279,243,608		61.6%	3,717,476	63.1%	22	15.8%
2002**	72	43,434,416	262	217,320,187		25.8%	3,467,384	52.1%	22	15.8%
2001**	73	52,752,245	241	172,816,013			2,279,653		19	

Totals **1956** **3,201,812,624**

*Increase from FY 2009 to FY 2013*

**60.7%**

**11.4%**

**17.9%**

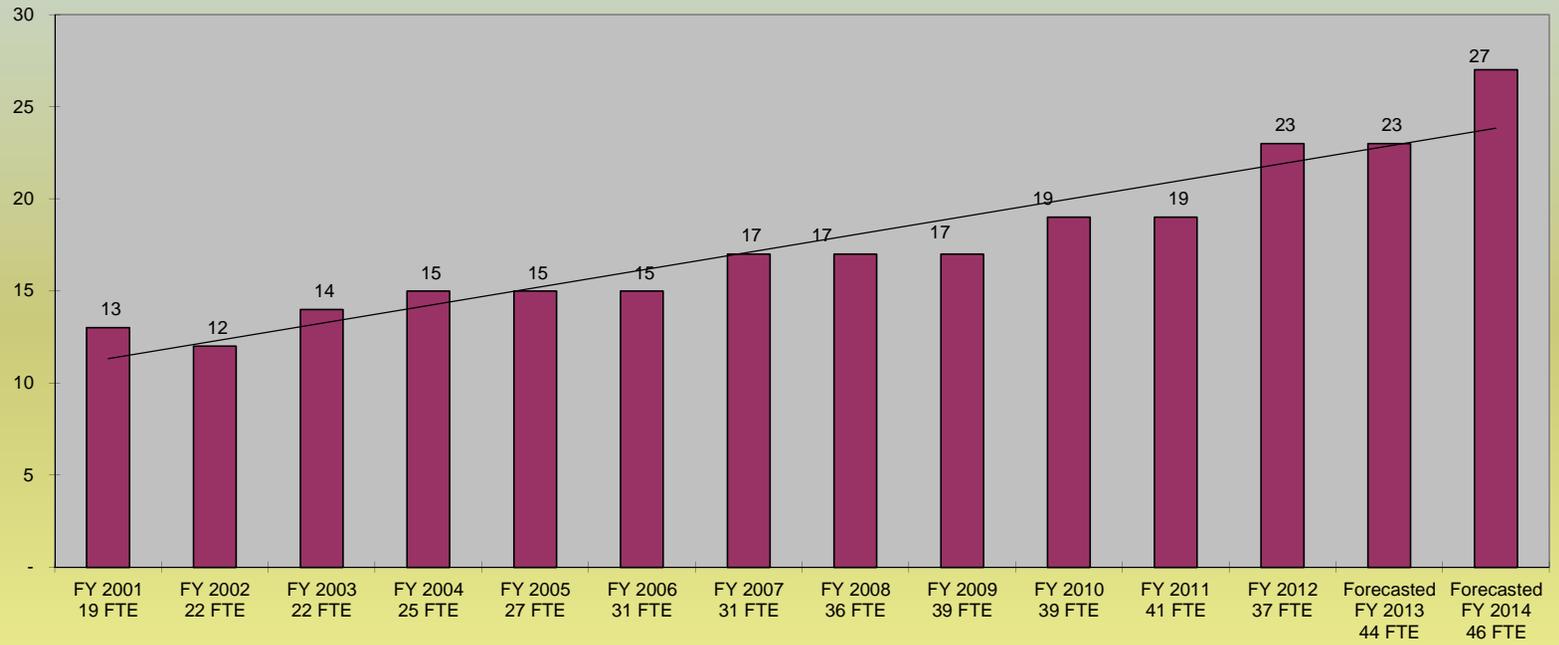
*\* Fiscal Years 2012 figures are projected for Financings, Employees, and Operating Expenses*

*\*\* For FY 2001-2005 Operating Expenses reflect actual expenses*

@ Includes Loan Principal and Grant Subsidy

### Number of Loans Managed per Employee

■ Number of Loans Managed per Employee — Linear (Number of Loans Managed per Employee)



Number of Loans Managed per Million Dollars of Budget

