



NEW MEXICO
FINANCE AUTHORITY

1

Presentation to the
New Mexico Finance Authority Oversight Committee

Overview of the Public Project Revolving Fund and Public Securities Report for FY 2024

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August 12, 2024

NMFA Governance



2

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 - **Mark Roper**
Acting Secretary, NM Economic Development Dept
- ◆ Broad-based finance agency created in 1992 as a government instrumentality
 - ◆ Governed by an 11-member independent Board
 - Approves rules, policies, and projects
 - Oversees operations and approves budget
 - Active Committee process provides high level of oversight of NMFA's diverse and complex operations
 - ◆ Expansive programming and service to New Mexico
 - Authorized to operate 25 programs through 13 Acts
 - New Mexico Finance Authority Act (NMSA § 6-21-2):
 - Purpose: "...to coordinate the planning and financing of state and local public projects ... and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects."
 - Statewide Economic Development Finance Act (NMSA § 6-25-6):
 - Purpose: "assist eligible entities in financing projects" and to promote "achievement of economic development goals..."
 - ◆ Administrator of four other Boards and their respective committees and one Executive Task Force
 - ◆ Overseen by 29-Member NMFA Oversight Committee

Statutory Authority

May 2024

3

Active?	Funded	FY	Program Name	Enabling Act	Statute	Policy Partner
✓	✓	1992	Public Project Revolving Fund	New Mexico Finance Authority Act	6-21-6.0	Legislature
✓		1994	Primary Care Capital Fund	Primary Care Capital Funding Act	24-1C-4	DOH
✓	annually	1997	Drinking Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund Act	6-21A-4	NMED
		1999	Water and Wastewater Grant Fund	New Mexico Finance Authority Act	6-21-6.3	Legislature
✓	annually	2001	Water Project Fund	Water Project FinanceAct	72-4A-9	WTB/Leg
✓	✓	2002	Local Government Planning Fund	New Mexico Finance Authority Act	6-21-6.4	Various
✓		2003	Economic Development Revolving Fund (Smart Money)	Statewide Economic Development Finance Act	6-25-6.1	NMEDD
·	✓	2003	Child Care Revolving Loan Fund	Child Care Facility Loan Act	24-24-4.0	ECECD
·		2004	Acequia Project Fund	Water Project FinanceAct	72-4A-9.1	WTB/ISC/Leg
✓	·	2004	Behavioral Health Capital Fund	Behavioral Health Capital Funding Act	6-26-4	HCA
·		2005	Energy Efficiency & Renewable Energy Bonding Act	New Mexico Finance Authority Act	6-21D-5	EMNRD
		2005	Local Transportation Infrastructure Fund	New Mexico Finance Authority Act	6-21-6.8	DOT
✓	✓	2006	New Markets Tax Credit	Statewide Economic Development Finance Act	6-25-6.1	FNM/NMEDD
		2007	Local Government Transportation Fund	New Mexico Finance Authority Act	6-21-6.12	DOT
✓	annually	2010	Colonias Infrastructure Project Fund	Colonias Infrastructure Finance Act	6-30-1.0	CIB
·	✓	2011	Collateral Support Participation Program	Statewide Economic Development Finance Act	6-25-13	NMEDD
✓		2021	Essential Services Working Capital Program	Statewide Economic Development Finance Act	6-25-13	NMEDD
✓	·	2021	New Markets Tax Credit Small Loan Pool	Statewide Economic Development Finance Act	6-21-6.12	FNM/NMEDD
✓		2021	Small Business Recovery Loan Fund	Small Business Recovery Act of 2020	6-32-1	Legislature
		2021	New Mexico LEDA Recovery Grants	Local Economic Development Act	5-10-16	NMEDD/Leg
✓		2022	Cannabis Microbusiness Program	Statewide Economic Development Finance Act	6-25-6	RLD/NMEDD
✓	✓	2022	Venture Capital Fund	Venture Capital Program Act	6-33-3	(NMEDD)
✓	✓	2022	Charter School Facility Revolving Fund	Charter School Facility Improvement Act	6-21-6.16	(PSCOC)
✓	✓	2022	Opportunity Enterprise Revolving Fund	Opportunity Enterprise and Housing Development Act	6-34-12	OE&HDRB
✓	✓	2024	SSBCI Capital Access Program	Statewide Economic Development Finance Act	6-25-6	NMEDD
✓	✓	2024	Housing Development Revolving Fund	Opportunity Enterprise and Housing Development Act	6-34-1	OE&HDRB

Despite recent growth, PPRF continues to be NMFA's flagship program

- ◆ PPRF makes low-cost loans to State, local and Tribal governments to finance public infrastructure and equipment. Borrowers receive the PPRF's 'AAA' interest rates regardless of the borrower's credit or size.
 - NMFA's approval includes a 90-day interest rate cap at no cost to the borrower
 - No fees since January 2020; NMFA absorbs underwriting, rating and other issuance costs, and produces the Official Statements, resulting in savings of time, effort, and costs to the borrower
 - Applications accepted monthly; applicants seeking to borrow more than \$1 million must first receive authorization by the legislature
 - As a result of 2024's SB 216 (Sen. Rodriguez / Rep. Cates), housing is now an eligible project type and non-profit housing developers are now eligible to borrow from the PPRF
- ◆ 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
 - Disadvantaged entity funding is not provided for loans greater than \$5 million or for refunding loans

GGRT and the PPRF Bond Program

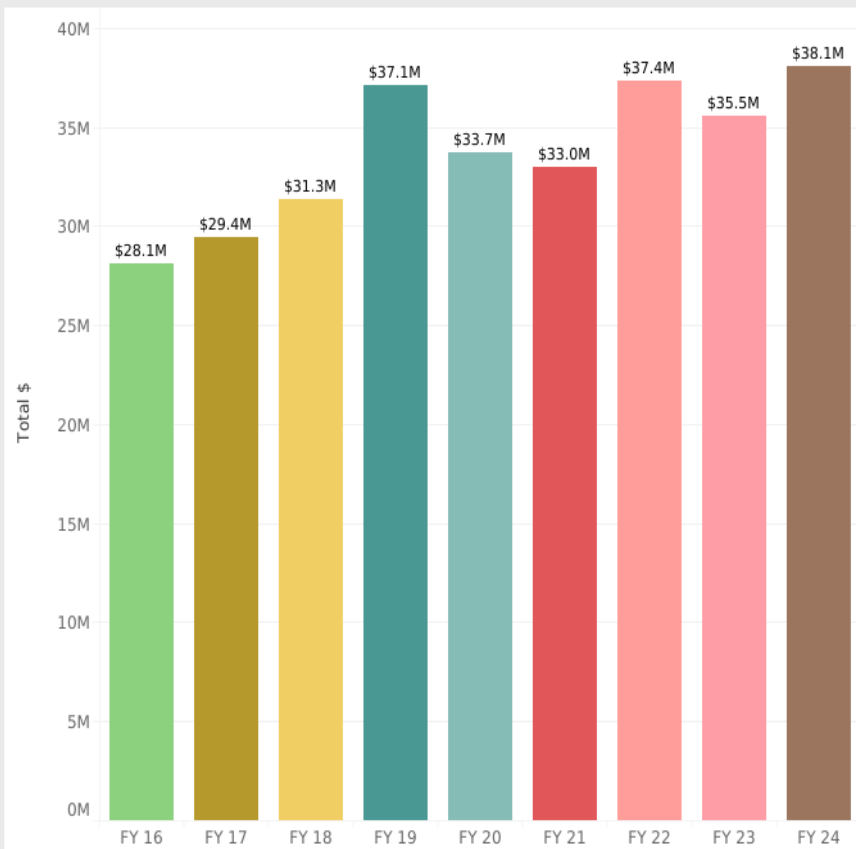


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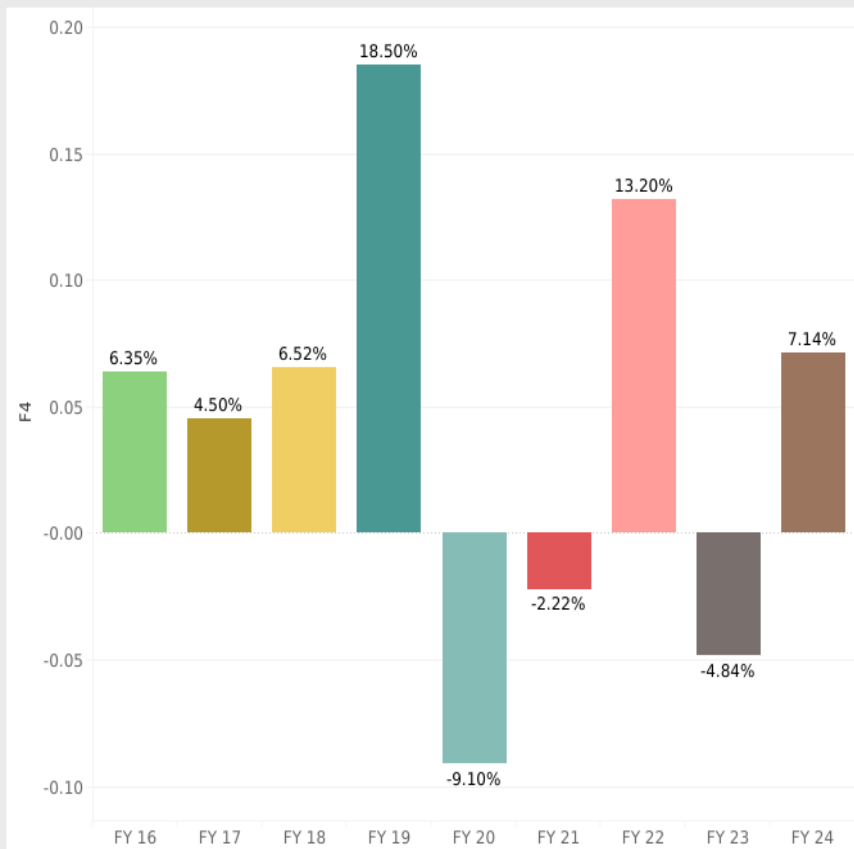
- ◆ Strength of PPRF Bond program comes from diverse revenue pledges, borrower type and location, and conservative underwriting practices:
 - PPRF lends to 33 counties, 104 municipalities, to the State, Tribes, Schools Districts, Higher Ed, Hospitals and various types of Utilities
 - Portfolio is comprised of loans with 11 different revenue pledges
- ◆ Ratings are significantly enhanced by dedication of Governmental Gross Receipts Tax (“GGRT”).
 - GGRT is a 5% tax on services provided by New Mexico Governments. GGRT tax revenue comes predominately from water related services
 - About 25% of all GGRT is generated by the Albuquerque Bernalillo County Water Utility Authority
 - By statute, and incorporated into the bond indentures, 75% of GGRT tax revenues flow to the PPRF and are held by PPRF’s Trustee until released to NMFA in June for PPRF purposes. For FY24, the PPRF received approximately \$38 million in GGRT
 - Of this 75%, ~35% is appropriated for other programs – netting the PPRF ~50% of annual state GGRT tax revenues
- ◆ Despite no payment defaults in the PPRF, the importance of GGRT to the PPRF Program cannot be overstated

GGRT and the PPRF Bond Program

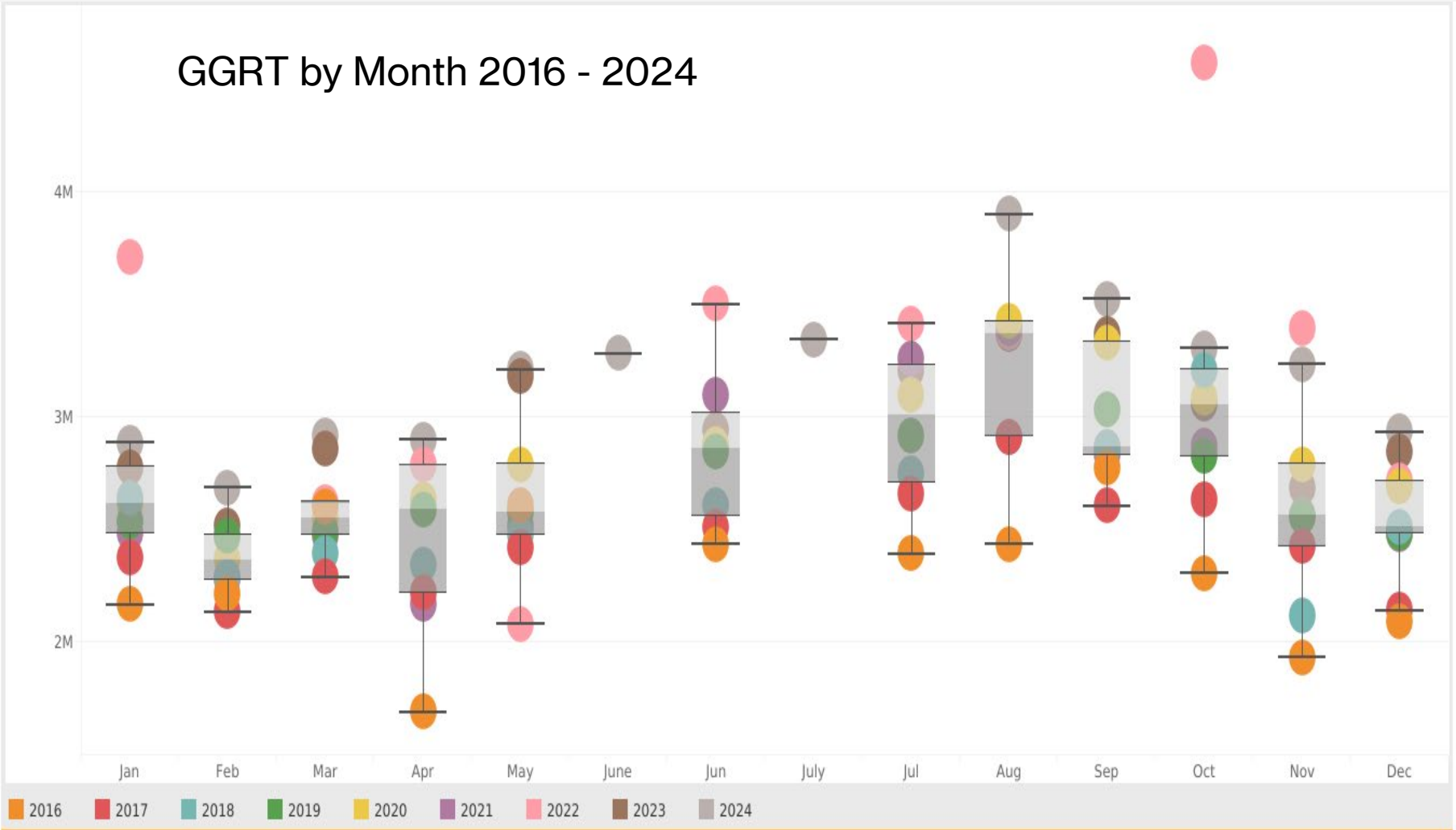
GGRT Distributions to PPRF by Fiscal Year



GGRT Distributions to PPRF by Fiscal Year



GGRT by Month 2016 - 2024



- ◆ The PPRF is a conservatively structured and managed bond program that is a highly rated -- both the Senior and Subordinate Liens carry a 'AAA' by S & P Global and 'AA1' by Moody's Investor Services.
- ◆ NMFA has 44 bonds outstanding totaling \$1.423 billion and 1,132 outstanding loans totaling \$1.79 billion.
- ◆ For FY 25, PPRF Loan revenue (\$236.4 million in scheduled debt service from borrowers) will equal 111% of the scheduled debt service on bonds (\$212.4 million). With GGRT, coverage increases to 144%.
- ◆ Bonds are all issued on fixed rate basis – typically with 10-year calls. Bonds are regularly retired with excess PPRF cash while underlying loans remain outstanding to provide greater coverage and program capacity.
- ◆ Credit enhancement features for the PPRF bond program:
 - Equity loans – about 10% of revenues – provide added coverage
 - Both bond liens have debt service reserve funds – the Common Debt Service Reserve Fund and the Supplemental Credit Reserve Fund – each funded at approximately \$40 million
- ◆ The PPRF has a \$100 million line-of-credit with Wells Fargo.

Diverse Client Base Across All NM Counties



<u>New Mexico Counties</u>	<u>Number of Loans</u>	<u>Total Amount Outstanding Loans</u>	<u>Average Loan</u>	<u>New Mexico Counties</u>	<u>Number of Loans</u>	<u>Total Amount Outstanding Loans</u>	<u>Average Loan</u>
Bernalillo County	14	188,568,124	13,469,152	McKinley County	23	84,917,892	3,692,082
Catron County	19	2,645,916	139,259	Mora County	15	6,343,298	422,887
Chaves County	43	30,741,965	714,929	Otero County	66	34,378,220	520,882
Cibola County	29	36,145,117	1,246,383	Quay County	39	10,828,265	277,648
Colfax County	77	52,651,959	683,792	Rio Arriba County	45	107,836,979	2,396,377
Curry County	36	33,206,297	922,397	Roosevelt County	40	73,034,033	1,825,851
De Baca County	10	4,539,672	453,967	San Juan County	27	139,893,350	5,181,235
Dona Ana County	78	184,132,254	2,360,670	San Miguel County	33	45,612,329	1,382,192
Eddy County	10	10,853,247	1,085,325	Sandoval County	77	128,679,209	1,671,159
Grant County	36	33,687,377	935,760	Santa Fe County	39	205,549,770	5,270,507
Guadalupe County	22	3,714,655	168,848	Sierra County	38	43,632,748	1,148,230
Harding County	14	2,520,935	180,067	Socorro County	68	33,036,270	485,828
Hidalgo County	16	8,247,865	515,492	Taos County	36	44,396,906	1,233,247
Lea County	12	41,787,783	3,482,315	Torrance County	38	32,555,089	856,713
Lincoln County	42	41,570,150	989,765	Union County	31	12,238,995	394,806
Los Alamos County	4	19,100,210	4,775,053	Valencia County	42	80,453,219	1,915,553
Luna County	13	12,621,997	970,923	TOTAL LOANS	1,132	1,790,122,096	1,581,380

*Table reflects senior and subordinate lien loans

Diversity is the Key to Success in PPRF



10

<u>Client Type</u>	<u>Loan Count</u>	<u>% of Total Count</u>	<u>Total Outstanding</u>
School District	409	36.1%	461,058,490
Municipality	369	32.6%	526,613,206
County	241	21.3%	186,611,642
Higher Education	19	1.7%	146,413,743
Tribal	16	1.4%	89,938,534
<u>Other (5 revenue pledges)</u>	<u>78</u>	<u>6.9%</u>	<u>385,486,481</u>
Total	1,132	100.0%	1,790,112,096

<u>2024 Loan Revenue by Pledge Type</u>	<u>Relative to all Loans</u>	<u>Amount</u>
Appropriation Loans	3.6%	8,457,161
General Obligation	39.8%	94,130,977
Gross Receipts Tax	22.4%	53,044,480
Law Enforcement Protection Funds	0.2%	421,463
Local Special Tax	5.2%	12,277,527
Mill Levy	0.1%	351,553
Net System Revenue	21.8%	51,489,759
Special Assessment	1.0%	2,426,153
State Fire Protection Fund	2.3%	5,507,488
<u>State Gross Receipts Tax</u>	<u>3.5%</u>	<u>8,261,123</u>
Total 2024 Loan Revenue	100.0%	236,367,685

PPRF Loan Portfolio

Diversity in Borrower & Pledge



Largest Borrowers by Revenue Pledge

	FY2025 Principal	% of Total	
Albuquerque Bernalillo County Water Utility Authority – Net System Revenue	113,425,000	6.34%	
New Mexico General Services Department - State GRT	76,415,000	4.27%	
Rio Rancho, City of – Net System Revenue	58,517,041	3.27%	
Las Cruces, City of – GRT	44,494,538	2.49%	
Jicarilla Apache Nation – Net System Revenue	44,105,000	2.46%	
Farmington, City of – GRT	42,262,800	2.36%	Top 5
New Mexico General Services Department - Appropriation Revenue	39,530,000	2.21%	
Farmington, City of – Net System Revenue	39,120,000	2.19%	
Gadsden Independent School District 16 – General Obligation	33,745,000	1.89%	
Eastern New Mexico University Board of Regents – Net System Revenue	33,398,743	1.87%	Top 10
	<u>525,013,122</u>	29.33%	

Largest Borrowers by Entity

New Mexico General Services Department	115,945,000	6.48%	
Albuquerque Bernalillo County Water Utility Authority	113,425,000	6.34%	
Farmington, City of	81,382,800	4.55%	
Rio Rancho, City of	75,417,663	4.21%	
Las Cruces, City of	65,948,538	3.68%	Top 5
Gallup McKinley County School District 1	56,540,000	3.16%	
Santa Fe, City of	51,330,817	2.87%	
Jicarilla Apache Nation	44,105,000	2.46%	
Rio Arriba County	35,575,736	1.99%	
Eastern New Mexico University Board of Regents	34,018,743	1.90%	Top 10
	<u>673,689,297</u>	37.63%	

FY2024 Bond Delegation Report



12

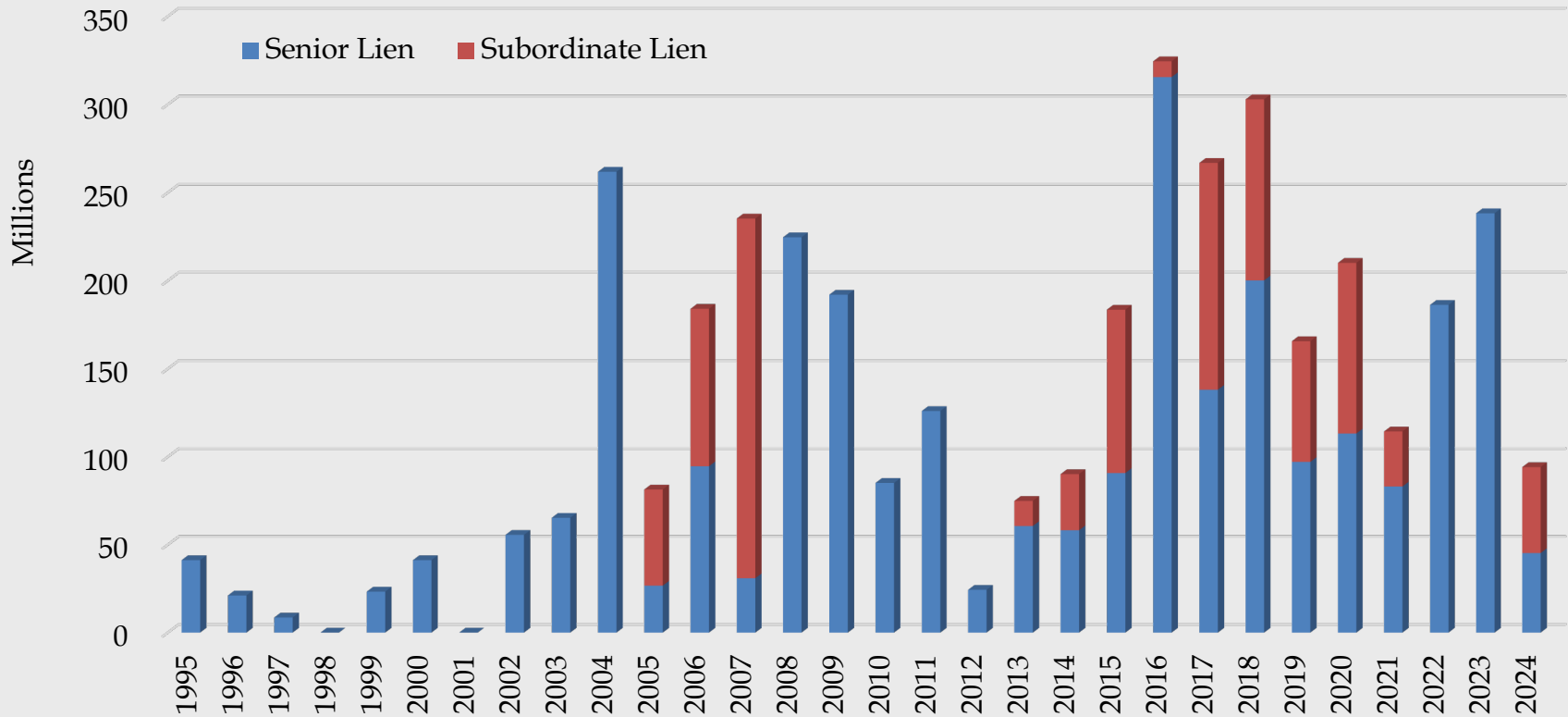
- ◆ **Required Report on Public Securities Issuances Involving Delegation of Authority**
- ◆ **2023 B Senior Lien Bonds sold October 17, 2023; Closed October 31, 2023**
 - Morgan Stanley, Lead Manager / Stifel Nicolaus and Jeffries as Co-Managers
 - **Par amount of \$168,480,000**
 - Average Life of 10.43 years
 - Effective True Interest Cost of 4.28%
 - Reimbursed the PPRF \$50.75 million for 21 previously issued loans and provided \$121 million to the Albuquerque Bernalillo County Water Utility Authority on a simultaneous loan basis.
- ◆ **2024 A Subordinate Lien Bonds sold April 17, 2024; Closed April 30, 2024**
 - Wells Fargo, Lead Manager / Bank of America and JP Morgan as Co-Managers
 - **Par amount of \$36,550,000**
 - Average Life of 5.82 years
 - Effective True Interest Cost of 3.39%
 - Reimbursed the PPRF \$53.6 million for 18 previously issued loans

◆ Upcoming bond issuance

- Preparing 2024B Senior Lien Bonds are expected to be sold in early October
- Bonds will reimburse the PPRF for 26 Projects ranging in size from a \$374,000 School Bond for Mountainair Public School District to a \$8.98 million loan to the City of Albuquerque. Largest loans being reimbursed:
 - City of Albuquerque, \$9.0 million (GRT)
 - City of Artesia, \$5.6 million (GRT)
 - Las Vegas City School District, \$3.8 million (GO)
 - City of Clovis, \$3.2 million (GRT)
 - Moriarty-Edgewood School District, \$3.2 million (GO)
 - Pojoaque Valley School District, \$2.8 million (GO)
 - Socorro Municipal School District, \$2.1 million (GO)
 - Tatum Municipal School District, \$2.0 million (GO)
 - Farmington Municipal School District, \$2.0 million (GO)

PPRF Bond Program

14



Par Amount of PPRF Bonds Issued by Calendar Year (Includes 2024B Bonds)

- ◆ The PPRF has never been stronger:
 - Disciplined management in the implementation of PPRF scope policies, and projects and committed to the long-term enduring success of the program
 - GGRT revenues have a history of stable growth and continue to provide a unique level of support for the PPRF program
 - Actively managed program has resulted in stable bond coverage and no defaults/delinquencies in the PPRF's 30-year lending history
 - Conservative debt profile with fixed rate bonds, rapid amortization of debt, and utilization of cash to redeem bonds support the sustainability and resiliency of the PPRF program
- ◆ Strength of core PPRF program and growing GGRT has created additional program capacity that will be utilized through a new Junior Lien
 - New bond lien extends the benefits of the PPRF to currently Qualified Entities that have not enjoyed broad access to the program because of credit considerations with impacting the integrity of the senior and subordinate lien AAA-bond ratings
 - March 2024 the NMFA Board approved the form of the Junior Lien Indenture

Structure of Junior Lien

- ◆ Junior Lien design harnesses the strength of the PPRF for non-traditional PPRF borrowers (non-profit housing developers, charter schools, Public Improvement Districts, etc)
- ◆ Through this structure, proceeds greater than \$300 million could be made available to under-served credits
- ◆ The ultimate capacity of the Junior Lien will be greater because loan revenues have not been considered in this capacity test
- ◆ Preliminary indications from Rating Agencies is that the Junior Lien will be rated in the mid-to-upper range of what are considered investment grade credit ratings

