

NEW MEXICO
FINANCE AUTHORITY

1

**Report to
New Mexico Finance Authority Oversight Committee**

Update on NMFA Activities

Marquita D. Russel, Chief Executive Officer

May 9, 2024

NMFA Governance



2

- **Kathy Keith, Chair**
 - **Martin Suazo, Vice Chair**
 - **AJ Forte, Secretary**
Executive Director, New Mexico Municipal League
 - **Andrew Burke**
 - **Teresa Costantinidis**
Senior Vice President for Finance & Administration
University of New Mexico
 - **Joy Esparsen**
Executive Director, New Mexico Counties
 - **Melanie Kenderdine**
Secretary Designate, Energy, Minerals and Natural Resources
 - **James Kenney**
Secretary, NM Environment Dept
 - **Ronald Lovato**
 - **Wayne Propst**
Secretary, NM Dept of Finance & Administration
 - **Mark Roper**
Acting Secretary, NM Economic Development Dept
- ◆ Broad-based finance agency created in 1992 as a government instrumentality staffed by 73 FTEs
 - ◆ 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

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

Water Trust Board



4

- ❑ **Mike Hamman, Chair**, NM State Engineer
- ❑ **A.J. Forte, Vice Chair**, NM Municipal League
- ❑ **Michael Sloane, Secretary**, NM Dept. of Game & Fish
- ❑ **Mark Thompson, Treasurer**, Indian Affairs Dept. Appointee
- ❑ **Greg Alpers**, Irrigation/Conservancy District - Surface Water
- ❑ **Joy Esparsen**, New Mexico Counties
- ❑ **Melanie A. Kenderdine**, Energy, Minerals and Natural Resources
- ❑ **James Kenney**, NM Environment Dept
- ❑ **Priscilla Lucero**, Environmental Community Representative
- ❑ **Timothy McGinn**, Irrigation/Conservancy District – Ground Water
- ❑ **Dr. Buu Nygren**, President of the Navajo Nation
- ❑ **Wayne Propst**, NM Dept of Finance & Administration
- ❑ **Marquita Russel**, NM Finance Authority
- ❑ **Brent Van Dyke**, Soil & Water Conservation District
- ❑ **Jeff Witte**, Department of Agriculture
- ❑ Vacant, Acequia Water Users

- ◆ Created in 2001 through the enactment of the Water Project Finance Act; NMFA serves as staff to the 16-member board and administers the Water Project Fund
- ◆ Board's duties are to authorize NMFA to make loans and grants to projects that are for:
 - ❑ Storage, conveyance or delivery of water to end users
 - ❑ Endangered Species Act implementation projects
 - ❑ Restoration and management of watersheds
 - ❑ Flood prevention
 - ❑ Water conservation or recycling, treatment or reuse of water
 - ❑ Wastewater
- ◆ The Act created two funds from which NMFA makes grants and loans recommended by the Water Trust Board and authorized by the Legislature:
 - ❑ Water Trust Fund, an SIC-managed permanent fund, that makes annual distributions to the Water Project Fund
 - ❑ Water Project Fund, established in the NMFA, receives annual distribution from Water Trust Fund (historically \$4 million) and receives a net 8.1% earmark of senior severance tax bonds

Colonias Infrastructure Board



5

Seven Voting Members

- ❑ **Mary Kay Papen, Chair**
Senate President Pro-Tempore Appointee
- ❑ **Janice Baca Argabright, Vice Chair**
Minority Leader of the Senate Appointee
- ❑ **Marquita Russel, Secretary**, NM Finance Authority
- ❑ **James Kenney**, NM Environment Department
- ❑ **Wayne Propst**, NM Department of Finance & Administration
- ❑ **Rebecca Dow**, Minority Leader of the House
- ❑ **Jose Luis Segura**, Speaker of the House Appointee

Five Advisory (Non-Voting) Members

- ❑ **Priscilla Lucero**, Southwest NM Council of Government
- ❑ **Jay Armijo**, South Central Council of Governments
- ❑ **Dora Batista**, Southeastern NM Economic Development District
- ❑ **Joy Esparsen**, New Mexico Counties
- ❑ **Isidoro Hernandez**, NM Mortgage Finance Authority

- ◆ Created in 2010; NMFA serves as staff to the 12-member board and administers the Colonias Infrastructure Project Fund
- ◆ Colonias is defined in statute as a rural community with a population of 25,000 or less located within 150 miles of the US – Mexico border that has been designated a Colonia by a municipality or county due to a lack of potable water, adequate sewage systems, and decent safe and sanitary housing. Must provide documentation that the conditions existed prior to November 1990
- ◆ Colonias Infrastructure Fund provides funding delivered as 90% grant/10% loan to local governments for a variety of infrastructure projects:
 - ❑ Water
 - ❑ Wastewater
 - ❑ Solid Waste Disposal
 - ❑ Flood Control
 - ❑ Housing
 - ❑ Roads
- ◆ There are 171 Colonias within New Mexico's 12 southern-moist counties

Opportunity Enterprise and Housing Development Act



6

- ❑ **Joe Farr, Chair**
Duke City Commercial, Albuquerque
 - ❑ **Jennifer Garcia Kozlowski, Vice Chair**
Downtown Las Cruces Partnership, Las Cruces
 - ❑ **Mark Roper, Acting Secretary**
NM Economic Development Department
 - ❑ **Brian Condit**
NM Building & Construction Trades Council, Albuquerque
 - ❑ **Robert Doucette, Jr.**
NM General Services Dept.
 - ❑ **Dominic Garcia**
CBRE Investment Management, Santa Fe
 - ❑ **Isidoro Hernandez** (effective 5/15/24)
NM Mortgage Finance Authority
 - ❑ **Priscilla Lucero**
Executive Director of SWNMCOG
 - ❑ **Victor Mendoza**
RPM Lending Solutions, Los Lunas
 - ❑ **Laura Montoya**
NM State Treasurer
 - ❑ **Wayne Propst**
NM Dept. of Finance & Administration
 - ❑ **Vacant** One Commercial Development Member
 - ❑ **Vacant** Two Housing Members (effective 5/15/2024)
- ◆ Created in 2022, the Opportunity Enterprise Act (the “Act”) provides a partnership and funding program to support local communities in building and investing in commercial spaces to directly support their economic development initiatives.
 - ◆ The Act was amended during the 2024 Legislative Session to add a new fund that supports workforce housing and expands the 12-member Board to 14.
 - ◆ Pursuant to the amended Act, the NMFA may make loans to a private entities recommended by the OE Board for projects that where other means of financing are unavailable or insufficient before making a loan.
 - ❑ Opportunity Enterprise Revolving Fund for projects that NMFA determines is or will be engaged in an enterprise that creates or expands economic development opportunities within the state. Projects must advance an environmentally sustainable economic development goal of the state.
 - ❑ Housing Development Revolving Fund for workforce housing projects and infrastructure supporting affordable housing projects.

Finance New Mexico LLC Advisory Board



7

Comprised of Business Leaders across the state:

- ❑ **Leroy Pacheco, Chair**
Albuquerque, Executive Director, The Loan Fund
- ❑ **Dr. Neil Bowen**
Silver City, Behavioral Health Professional
- ❑ **Barbara Brazil**
Albuquerque, Retired State Economic Development
- ❑ **Brent Jaramillo**
Questa, Taos County Manager
- ❑ **Tom Overstreet**
Alamogordo, Attorney
- ❑ **Mary Kay Papen**
Las Cruces, Retired State Senator, Businesswoman
- ❑ **Dan Silva**
Albuquerque, Retired State Representative, Businessman
- ❑ **Dr. Sandra Taylor-Sawyer**
Clovis, Business Consultant, SBDC Director
- ❑ **Jerry Walker**
Farmington, Retired State Representative, Businessman

- ◆ Nine-member advisory board appointed by NMFA Board
- ◆ Provides advice to the NMFA Board on Finance New Mexico's mission to serve low-income persons and low-income communities
 - ❑ Reviews and recommends policies governing the New Markets Tax Credit Program
 - ❑ Reviews and recommends in priority order projects to NMFA
 - ❑ Reviews and recommends project-specific quantifiable metrics to be included in a project benefit agreement
- ◆ To maintain accountability to serving low-income persons and communities, federal guidelines require an Advisory Board that is comprised with at least 20% members:
 - ❑ Being a resident of a low-income community;
 - ❑ Being a low-income person; or
 - ❑ Working for an organization that predominantly serves low-income persons
- ◆ Maintaining an active, qualified advisory board is a compliance item for being in good standing as a Community Development Entity

Program Activity Driven by Funding Levels



8

- ◆ Most NMFA programs have received limited or single capitalization of funds. Only five NMFA programs have predictable funding levels:
 - Public Project Revolving Fund (periodic replenishment through regular bond issuances)
 - Drinking Water State Revolving Loan Fund (annual federal Capitalization Grants)
 - Water Project Fund (8.1% STB earmark through WTB + annual distributions from Water Trust Fund)
 - Colonias Infrastructure Project Fund (4.5% STB earmark through Colonias Infrastructure Board)
 - Local Government Planning Fund (Periodic appropriations from PPRF)

- ◆ Majority of funding (~97%) through Statewide Economic Development Finance Act has come directly or indirectly from federal sources:
 - New Markets Tax Credit program - Private capital incentivized through federal tax credits: \$346 million awarded since 2008
 - Collateral Support Participation Program – federal State Small Business Credit Initiative: \$13 million in 2011; approximately \$20-40 million expected from new SSBCI funding (2024)
 - Smart Money Loan Participation – State-funded loan participation: \$5.1 million (2006)
 - Essential Services Working Capital Program – Short-term stabilization loans for critical service providers during pandemic: \$5.6 million from NMFA reserves (2021) and Cannabis Microbusiness Program – Short-term start-up loans for newly licensed cannabis businesses: \$1.3 million from NMFA reserves (2022)

- ◆ Opportunity Enterprise: \$120 million for commercial development and \$125 million for housing development

- ◆ Staff structure was first reorganized in January 2020 to allow for more efficient operation of limited duration programs and has continued to evolve as a result of program additions since FY 2021
 - Primary goal was to align business processes around function rather than programs
 - Allowed for more consistent practices across programs to reduce training time and error rates
 - Allows for greater expertise at staff level
 - Centralized and streamlined internal and external communications
 - Provided for greater ability to effectively oversee programs with fluctuating program balances
 - New alignment increased focus on risk mitigation, monitoring, and reporting
- ◆ Staffing continued to evolve as NMFA maximizes use of recently acquired technology and enhanced security needs:
 - Established an Operations Innovation group that maximizes and bridges current technology to enhance client experience, operational efficiency and reporting quality
 - Doubled the size of the IT staff
- ◆ Recent initiatives undertaken to mitigate risk and provide organizational resiliency
 - Comprehensive review of policies and documentation of standard operating procedures
 - Electronic records management and retention project
 - Established an Enterprise Risk Management program to methodically and comprehensively evaluate operating and mission risk

Integrated view of risks across an organization that may limit or effect an organization's ability to meet its mission

ENTERPRISE RISK MANAGEMENT



Structure & Authority

- ▶ **Succession Planning**
- ▶ **Policies & Procedures** (SOPs & Job Aids)
- ▶ Roles & Responsibilities

Program Mgt & Prioritization

- ▶ **Collateral, monitoring, & performance**
- ▶ **Establish Risk Rating Matrix**
- ▶ Establish cost/benefit framework
- ▶ Automate, efficient invoicing

Cybersecurity & Data Privacy

- ▶ **Redundancy / Resiliency**
- ▶ **Cybersecurity Assessment**
- ▶ SOC Reviews
- ▶ Down-time & support
- ▶ Span of Control/Authority

Tech Integration & Info Mgt

- ▶ **Integrated Systems/software**
- ▶ Reports & Storage Methods
- ▶ Interoperability Assessment
- ▶ Effective IA
- ▶ **Biz Requirements future needs**

Staff Dev, Training & Retention

- ▶ Relate Vision/Goals to personnel, performance & success measures
- ▶ Retention & Satisfaction
- ▶ **On-Boarding**
- ▶ **Construct and move to NMFA facility that supports employee morale & productivity**

Community Impact Reporting

- ▶ Structured Process
- ▶ What Data/from Where

Policy Governance

- ▶ Policy Mgt
- ▶ Delegation of Authority

Org Culture/Communication

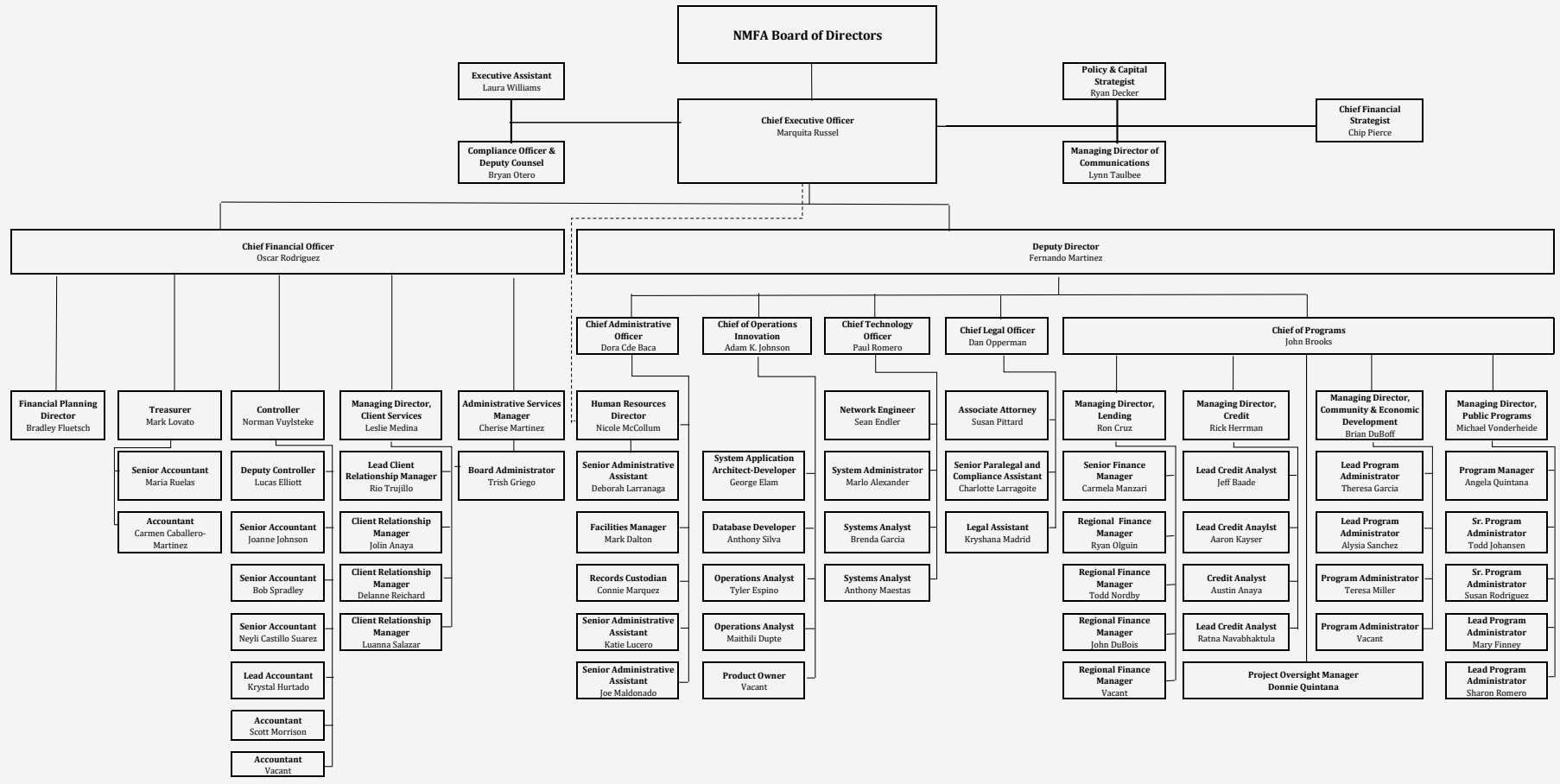
- ▶ **Use KPIs to align organization direction**
- ▶ Communication
- ▶ Problem Solving

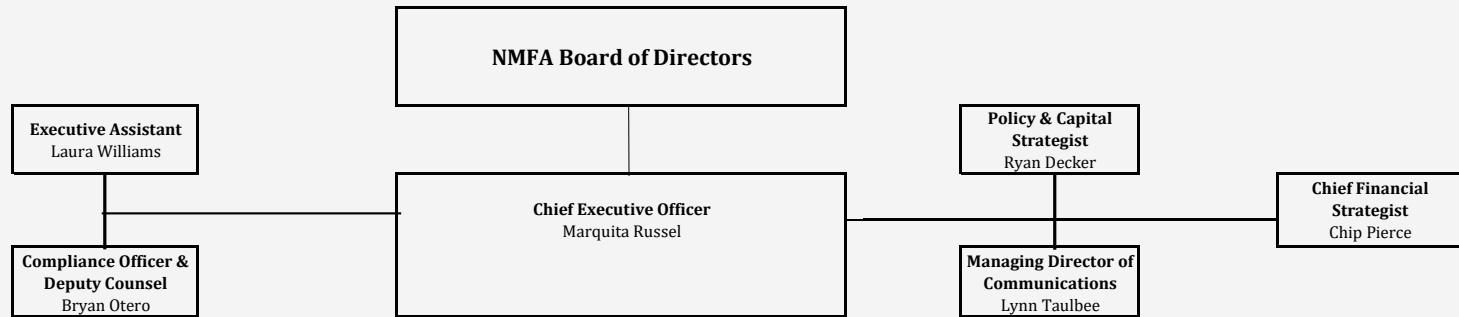
Data Governance

- ▶ Align IT strategy to needs
- ▶ Data Governance Controls
- ▶ **Data Management and Document Retention**

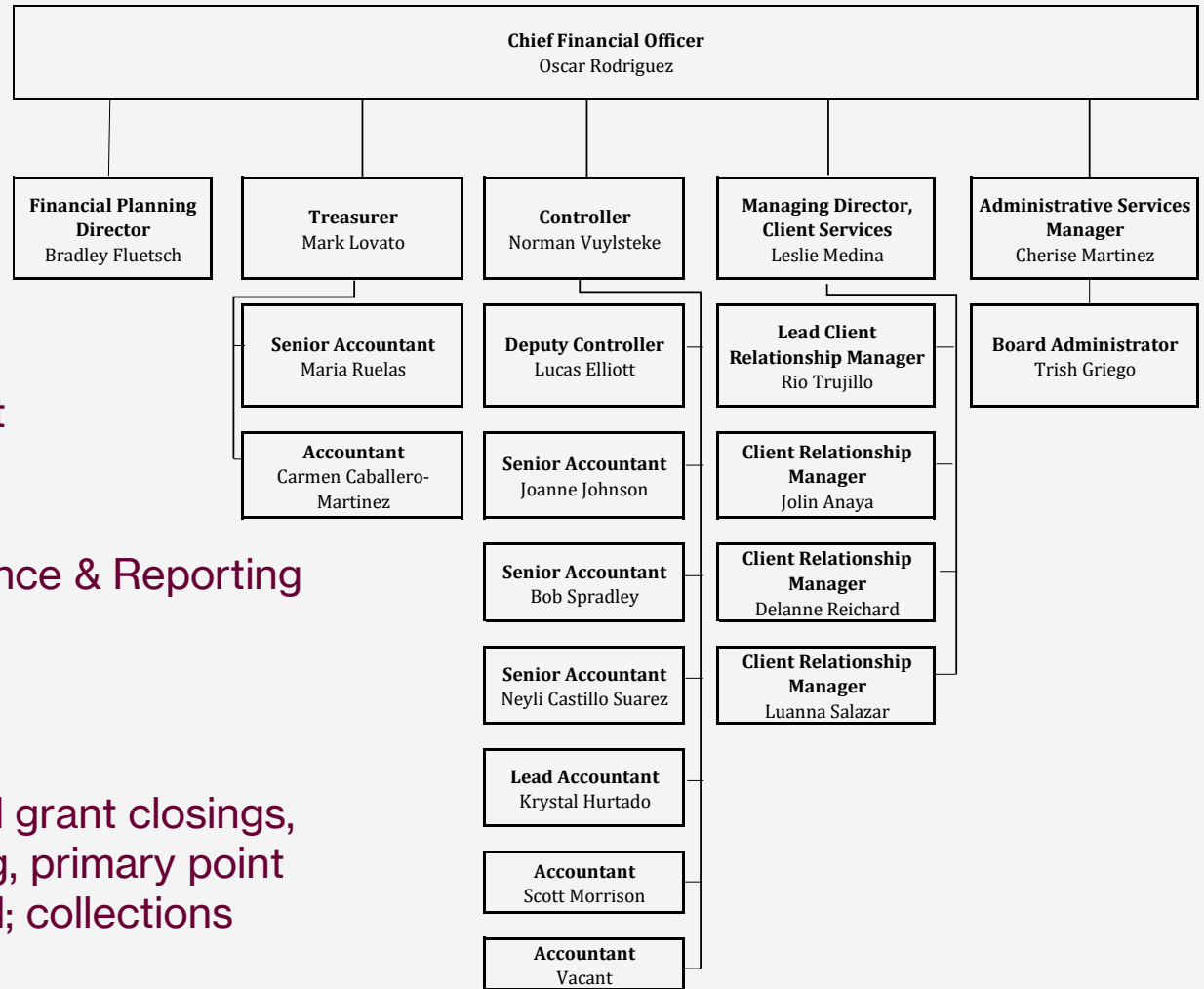
Strategic Vision & Goals

- ▶ **Update Strategic Plan**
- ▶ Establish framework for measuring progress towards meeting strategic goals & objectives





- Agency oversight
- Strategic direction
- Legislative & intergovernmental affairs
- Policy development & impact monitoring
- Program development
- Communications & media relations
- Investor Communications
- Internal audit



- Investment Management
- Treasury Management
- Bond Issuance, Compliance & Reporting
- Loan Servicing
- Accounts Payable
- Coordination of loan and grant closings, initiates draw processing, primary point of contact post-approval; collections
- Board and Committee facilitation

Support Services

- Human resources
- Office management
- Records Custodian / IPRA

Legal

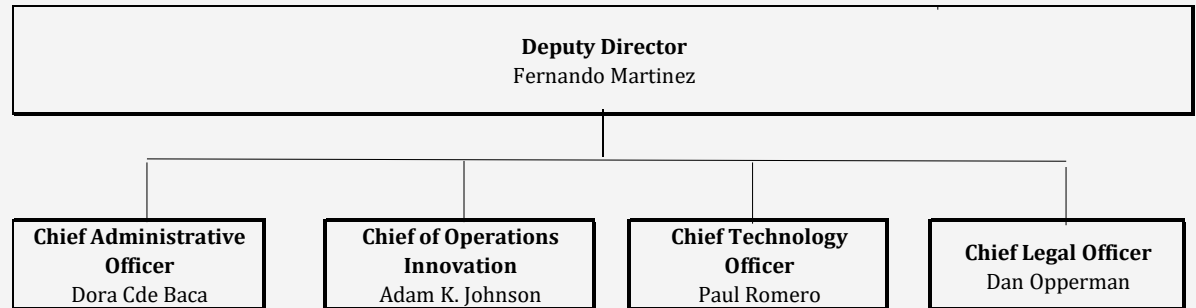
- General counsel
- Transaction documentation

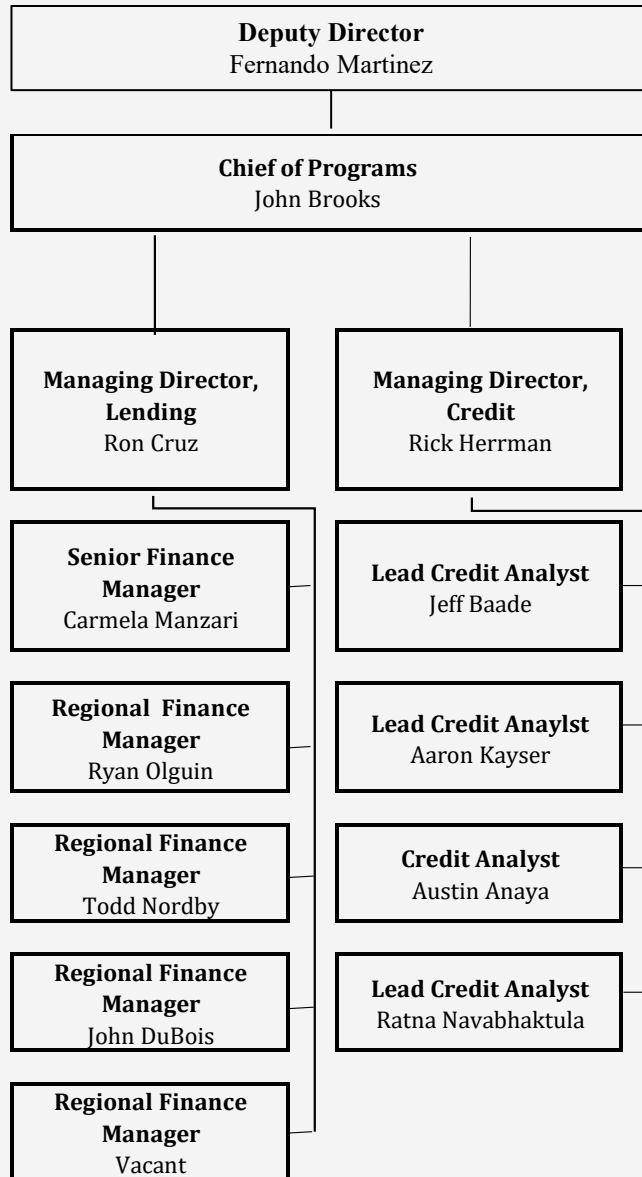
Information Technology

- Technology services & systems
- Security

Operations Innovation

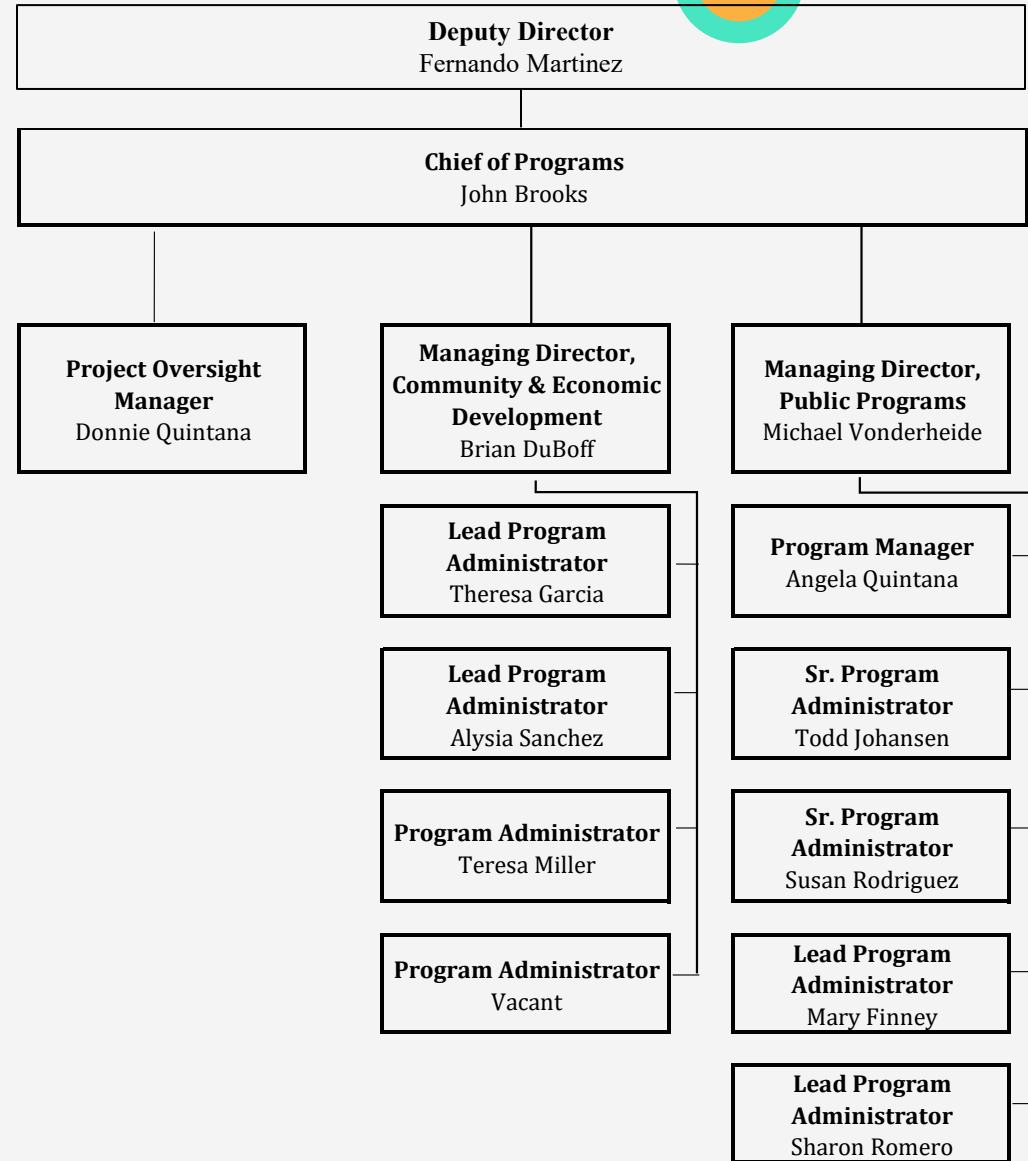
- System development & efficiency





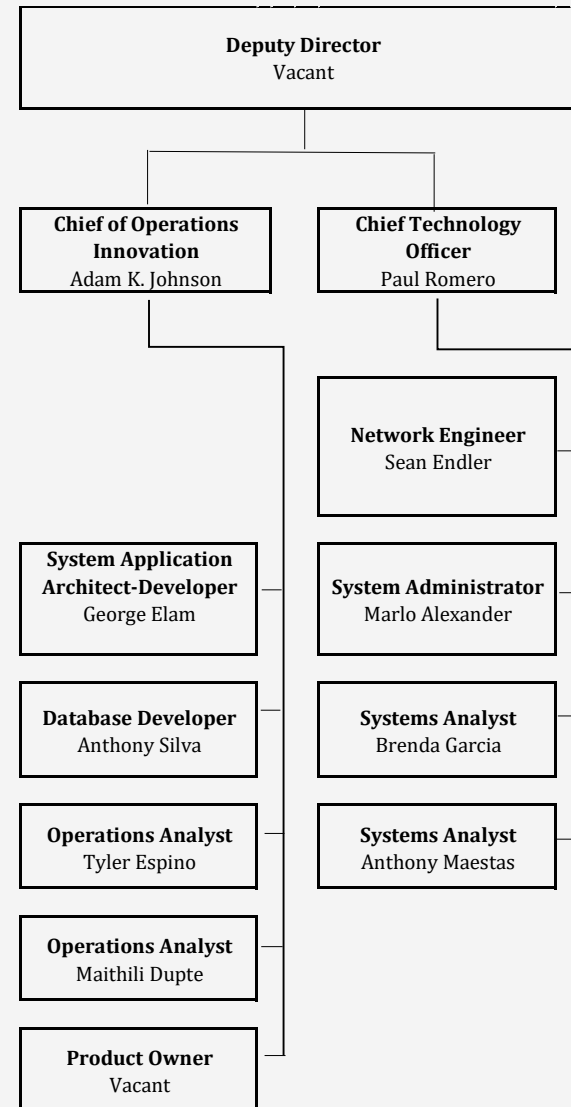
- Client outreach & marketing
- Loan and grant origination
- Credit and portfolio monitoring and compliance

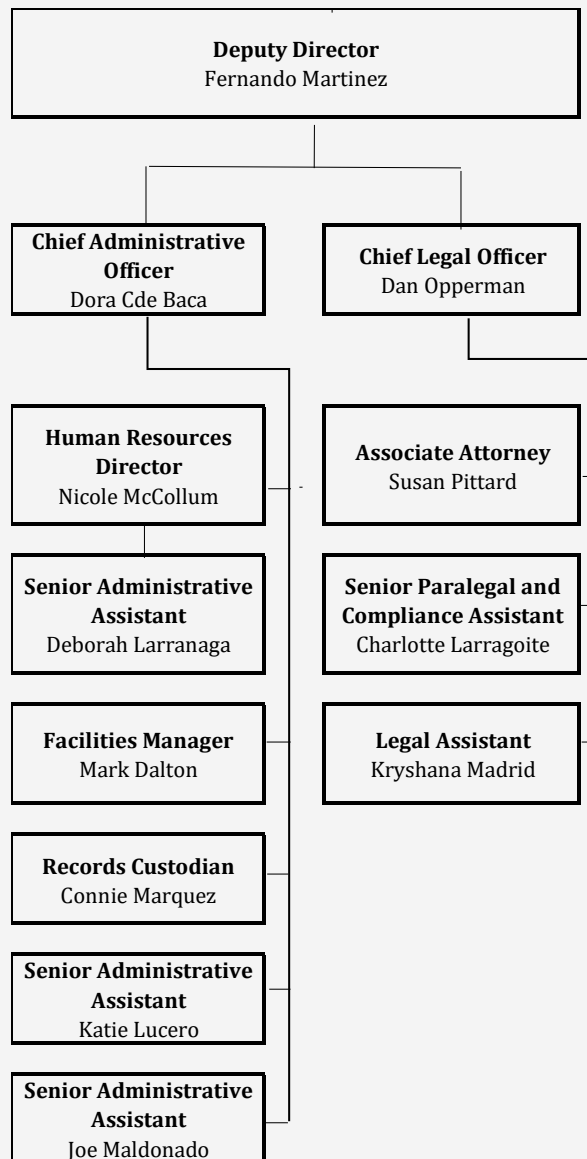
- Centralized Program Application Administration & Processing
- Program compliance and reporting, application oversight,
- Project monitoring
- Advisory Board staffing and management
- System Development & Integration
- Organizational Effectiveness



Operations Innovation & Information Technology

- Centralized Program Application Administration & Processing
- Program compliance and reporting, application oversight,
- Project monitoring
- Advisory Board staffing and management
- System Development & Integration
- Organizational Effectiveness





Support Services

- Human resources
- Office management
- Facility management
- Records Custodian/IPRA Contact

Legal

- General counsel
- Transaction documentation

2024 Session Recap: NMFAOC Endorsed Legislation



20

HB 28/a - PPRF Authorization Bill (Rep. Joy Garratt, Sen. Nancy Rodriguez) authorizes 138 entities to access the Public Project Revolving Fund.

HB 29 - PPRF Appropriation Bill (Rep. Joy Garratt, Sen. Nancy Rodriguez) endorsed by the NMFA Oversight Committee) appropriates from the PPRF \$13 million to three different funds: Drinking Water State Revolving Fund (\$6 million), Local Government Planning Fund (\$2 million) and Cultural Affairs Facility Fund (\$5 million).

HB 148 - WTB Authorization Bill (Rep. Susan Herrera), authorizes NMFA to make loans and grants from the Water Project Fund to 55 entities for 65 projects recommended by the Water Trust Board.

HB 201/SB 185 – Water Project Fund Appropriation (Reps. Herrera, McQueen, Armstrong, Madrid and Allison / Sens. Gonzales, Cervantes and Correa Hemphill) – \$150 million appropriation to Water Project Fund. Did not pass, but \$50 million in HB 2 for projects authorized in 2024. \$18 million in SB 275 for projects cost overruns on outstanding projects through 2023.

SB 210 – Health Care Fund Purpose Funding (Sen. Michael Padilla) - \$60 million in appropriations to the Primary Care Capital Fund, Behavioral Health Capital Fund and Child Care Revolving Fund. Did not pass. \$1.75 million in HB 2 for Child Care Revolving Fund.

- ◆ **HB 211/aaa – Water Project Prioritization** (Reps. Herrera, Ortez, Cates, Castellano and Lara) – Amends the Water Project Finance Act to add wastewater as an eligible project type, allow for the Water Trust Board to fund capacity development activities, temporarily reduces amount of funds directed to Office of the State Engineer for adjudication, and makes various changes to conform to existing practices.
- ◆ **HB 195 – Housing Fund & Changes** (Rep. Linda Serrato, Rep. Meredith Dixon, Sen. Michael Padilla) Opportunity Enterprise Review Board-endorsed amendments to the Opportunity Enterprise Act to add the housing development fund to finance workforce housing and infrastructure for affordable housing and to narrow the focus of the commercial development fund. \$175 million in HB 2 for Opportunity Enterprise -- \$125 for housing and \$50 million for commercial development.
- ◆ **SB 216/a - NMFA Affordable Housing Bill** (Sen. Nancy Rodriguez, Rep. Kathleen Cates) expands the use of the PPRF to explicitly allow housing, adds “nonprofit housing developer” to list of qualified entities for PPRF, and expands the Local Government Planning Fund to include Affordable Housing Plan, flood inundation maps, and archeological clearances.
- ◆ **SB 1 – Water Trust Fund Appropriation** (Sen. Peter Wirth, Rep. Jack Chatfield) \$100 million appropriation to the Water Trust Fund. Did not pass, but \$50 million appropriation in HB 2.

- ◆ **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
 - 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

- ◆ **In addition to low 'AAA' interest rates, clients with Median Household Incomes ("MHI") below the State's MHI may receive 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

FY 2024 Activity: PPRF Expansion



23

- ◆ 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
 - Strong credit enhancement features including intercepts and loan/borrower/bond reserves to support repayment of debt service
 - 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
- ◆ NMFA has created junior lien within the PPRF bond program to extend the benefits of the PPRF to Qualified Entities that have not enjoyed broad access to the program because of credit considerations:
 - Nonprofit Housing Developers
 - Public Improvement Districts
 - Charter Schools
 - Land Grants

Interim Committee Activity: Program Development



24

- ◆ Legislation from the 2023 and 2024 Legislative Sessions have broadened the use of several funds requiring rules and policies to be updated:
 - SB 423 (2023 Session) amended three programs to include working capital:
 - Behavioral Health Capital Fund
 - Primary Capital Fund
 - Child Care Revolving Fund
 - HB 211 (2024) amends the Water Project Finance Act to include wastewater and to allow NMFA to set the financial standard of entities receiving loans. Both the Water Trust Board and the NMFA will need to update rules and policies for these changes.
 - HB 195 (2024) amends the Opportunity Enterprise Act to amend the fund for commercial development and adds a housing development fund. Both NMFA and the OE Board need to update rules and policies for these changes. OE Board met and has initiated formal rulemaking for changes to its rules.
 - SB 216 (2024) amends the NMFA Act to add nonprofit housing developers as a qualified entity and housing as an authorized use. Also amends the Local Government Planning Fund for new purposes.
 - PPRF rules and policies need to be updated for these changes
 - LGPF rules and policies need to be updated for these changes
 - SWEDFA Conduit Bond rules and policies may need to be updated for these changes