

**NEW MEXICO  
FINANCE AUTHORITY**

1

**Presentation to Legislative Finance Committee**

# **New Mexico Finance Authority Budget and Program Overview**

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- ◆ About NMFA
  - Created in 1992 as a governmental instrumentality
  - Governed by 11-member Board of Directors
    - Establishes annual budget
    - Approves bond issuances
    - Approves rules and policies
  - Overseen by a 31-member Legislative Oversight Committee
  - Broad-based finance agency that finances public infrastructure and community and economic development projects
    - Authorized to operate 20 programs created under nine statutes, about half of the programs are currently active
    - Partnered with six agencies in operating programs



- **Katherine Miller, Chair**  
Santa Fe County
- **Steve Kopelman, Vice Chair**  
New Mexico Counties
- **Leslie Nathanson Juris, Secretary**
- **Andrew Burke**  
New Mexico State University
- **Sarah Cottrell Propst**  
Energy, Minerals and Natural Resources
- **AJ Forte**  
New Mexico Municipal League
- **James Kenney**  
NM Environment Department
- **Alicia Keyes**  
NM Economic Development Department
- **David Martinez**
- **Debbie Romero**  
NM Department of Finance & Administration
- **Martin Suazo**

- ◆ Board meets monthly to approve projects and oversee operations
- ◆ Active Committee process provides high level of oversight of NMFA's diverse and complex operations:
  - Executive Committee
  - Finance & Disclosure Committee
  - Audit Committee
  - Public Lending Committee
  - Economic Development Committee



- ◆ In September 2018, the NMFA Board adopted a strategic plan to guide the agency through the administration transition. The plan was reaffirmed in January 2020 by the (new) NMFA Board
- ◆ The plan identifies the following strategic framework:
  - Operational Excellence
  - Collaborative Financing
  - Integrated Project Planning
  - Capacity Building
- ◆ Vision: New Mexico's partner in building economic prosperity and stronger communities
- ◆ Mission: Advancing New Mexico by financing impactful, well-planned projects



- ◆ Management structure was reorganized in January 2020 to align business processes and institutional culture with the strategic plan, staffing around function rather than programs
  - New alignment is focused on lending, monitoring and compliance
  - Created Client Services Dept - primary client contact for closing, funding requisitions, activity statement questions, pay-offs, etc.
  - Created Communications position
  - Created Controller position
  - Blended legal and compliance departments
  - Grouped under Chief of Program Operations all outreach, communications, program administration, client services, loan monitoring and collections
  - Current staff of 44; filled five vacancies in January and February 2020. Currently seeking to fill one vacancy



- ◆ Technology improvements:
  - Partway through implementation of new Loan Servicing software which tracks projects from client application to booking into the general ledger system:
    - FY2020, new loan servicing system became the official sub-ledger of record for four programs (DW, WTB, CIB & LGPF)
    - PPRF and private lending programs underway; expected to be complete by end of calendar year
  - New loan servicing system and general ledger are cloud-based
- ◆ Reporting improvements:
  - Established in FY2020 an Operating Fund in NMFA Budget
  - Improved activity statements for clients
  - New NMFA and Investor websites: [www.nmfinance.com](http://www.nmfinance.com), [www.nmbondfinance.com](http://www.nmbondfinance.com) and [www.nmdotbonds.com](http://www.nmdotbonds.com)



- ◆ FY2021 budget adopted in May 2020. Budget was amended in July 2020 to accommodate the new programs authorized under the Small Business Recovery Act of 2020
- ◆ NMFA completed its FY2019 Audit as a Comprehensive Annual Financial Report (“CAFR”)
  - NMFA’s first CAFR. Completed on time. Clean audit opinion.
  - Received a *Certificate of Achievement for Excellence in Financial Reporting* from GFOA
- ◆ The FY2020 CAFR is on track for an on-time submittal to the State Auditor’s Office by the November 2<sup>nd</sup> due date
  - NMFA held its Exit Conference with the external auditors on September 24th



## ◆ FY2020 Results:

- Debt service payments from borrowers received as expected
- NMFA has not seen an appreciable decline in client draws
- NMFA began work-from-home on March 16th, prior to high travel season. Impact was net reduction in operating costs

## ◆ FY2021 Assumptions:

- Increased workload: loan restructurings, flat to increased new loan volume from existing programs, three new programs
- Completion of technology projects and compliance projects
- SBRLF impact:
  - Budget amendment gave broad flexibility for unknown volume
  - Staffed through a combination of new employees, temporary employees and temporary work re-assignments

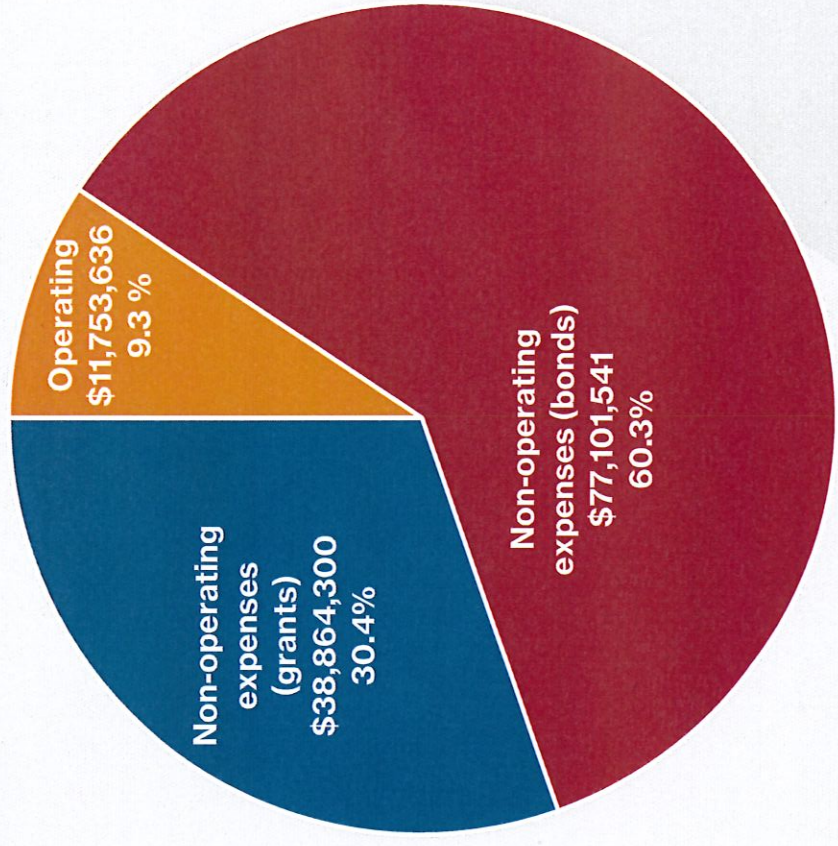


# Operational Excellence

9

- ◆ **Budgetary Framework:**
  - Revenues \$146,302,636
    - Interest Income
    - Appropriation Revenue
    - Grant Revenue
    - Investment Income
    - Administrative Fees
  - Operating Budget \$11,753,636
    - Personnel
    - Contractual
    - Other
  - Bond \$77,101,541
    - Interest Expense
    - Bond Issuance Costs
    - Loan Financing Pass-Through
  - Grant \$38,864,300
    - Grant Expense
    - Contract-for-Services
  - Capital Expenditures \$86,000

**FY 2021 Operating and Non-Operating Expense Budget: \$127.8 Million**

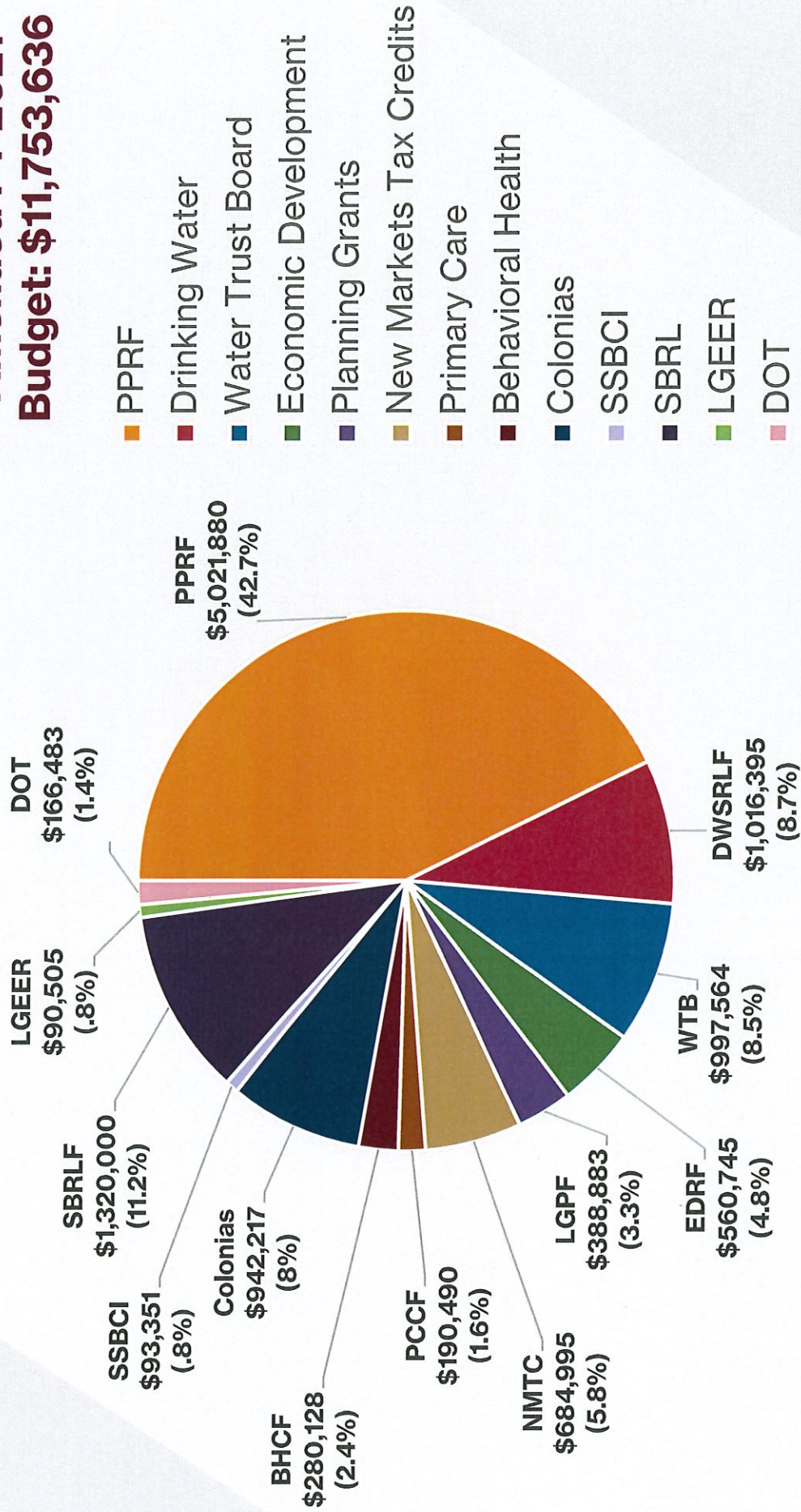




# Operating Budget

10

**Amended FY 2021  
Budget: \$11,753,636**





# Funding Programs

11

<b>Active?</b>	<b>FY</b>	<b>Program Name</b>	<b>Enabling Act</b>	<b>Statute</b>
✓	1992	Public Project Revolving Fund	New Mexico Finance Authority Act	6-21-6.0
✓	1994	Primary Care Capital Fund	Primary Care Capital Funding Act	24-1C-4
✓	1997	Drinking Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund Act	6-21A-4
	1999	Water and Wastewater Grant Fund	New Mexico Finance Authority Act	6-21-6.3
✓	2001	Water Project Fund	Water Project Finance Act	72-4A-9
✓	2002	Local Government Planning Fund	New Mexico Finance Authority Act	6-21-6.4
✓	2003	Economic Development Revolving Fund (Smart Money)	Statewide Economic Development Finance Act	6-25-6.1
	2003	Child Care Revolving Loan Fund	Child Care Facility Loan Act	24-24-4.0
	2004	Acequia Project Fund	Water Project Finance Act	72-4A-9.1
✓	2004	Behavioral Health Capital Fund	Behavioral Health Capital Funding Act	6-26-4
	2005	Energy Efficiency & Renewable Energy Bonding Act	New Mexico Finance Authority Act	6-21D-5
	2005	Local Transportation Infrastructure Fund	New Mexico Finance Authority Act	6-21-6.8
✓	2006	New Markets Tax Credit	Statewide Economic Development Finance Act	6-25-6.1
	2007	Local Government Transportation Fund	New Mexico Finance Authority Act	6-21-6.12
✓	2010	Colonias Infrastructure Project Fund	Colonias Infrastructure Finance Act	6-30-1.0
	2011	Collateral Support Participation Program	Statewide Economic Development Finance Act	6-25-13
✓	2021	Essential Services Working Capital Program	Statewide Economic Development Finance Act	6-25-13
✓	2021	New Markets Tax Credit Small Loan Pool	Statewide Economic Development Finance Act	6-21-6.12
✓	2021	Small Business Recovery Loan Fund	Small Business Recovery Act of 2020	6-32-1
	2021	Local Government Emergency Economic Relief Fund	Small Business Recovery Act of 2020	7-27-5.27



# Historic Funding

12

	FY 2018		FY 2019		FY 2020		FY 2021 Q1	
<b>Programs for Public Entities</b>								
Public Project Revolving Fund	109	\$ 240,740,847	98	\$ 292,065,615	102	\$ 287,527,942	36	\$ 86,116,427
Drinking Water State Revolving Loan Fund	12	\$ 11,789,905	12	\$ 19,308,157	7	\$ 14,121,180	1	\$ 277,249
Water Trust Board	3	\$ 4,415,442	14	\$ 17,305,000	24	\$ 22,733,759	2	\$ 1,065,000
Colonias Infrastructure Board	12	\$ 4,479,976	17	\$ 9,519,823	25	\$ 14,671,481	0	\$ -
Local Government Planning Fund	50	\$ 2,033,155	39	\$ 1,787,967	7	\$ 481,165	4	\$ 131,770
Public Financing Programs	186	\$ 263,459,325	180	\$ 339,986,561	165	\$ 339,535,527	43	\$ 87,590,446
<b>Programs for Private Entities</b>								
New Markets Tax Credit	1	\$ 15,000,000	4	\$ 47,000,000	3	\$ 25,500,000	0	\$ -
Primary Care Capital Fund	0	\$ -	0	\$ -	0	\$ -	0	\$ -
Behavioral Health Capital Fund	0	\$ -	1	\$ 1,600,000	0	\$ -	1	\$ 250,000
Economic Development (Smart Money)	0	\$ -	0	\$ -	1	\$ 751,543	0	\$ -
Essential Services Working Capital Program	0	\$ -	0	\$ -	0	\$ -	10	\$ 3,617,550
Small Business Recovery Loan Fund	0	\$ -	0	\$ -	0	\$ -	433	\$ 20,700,000
Private Financing Programs	1	\$ 15,000,000	5	\$ 48,600,000	4	\$ 26,251,543	444	\$ 24,567,550
<b>Total</b>	<b>187</b>	<b>\$ 278,459,325</b>	<b>185</b>	<b>\$ 388,586,561</b>	<b>169</b>	<b>\$ 365,787,070</b>	<b>487</b>	<b>\$ 112,157,996</b>



- ◆ Public Project Revolving Fund makes low-cost loans to local governments to finance public infrastructure and equipment
- ◆ GGRT, of which the PPRF receives a 75% share, is the primary credit enhancement for the PPRF program and provides critical liquidity
  - GGRT is collected monthly and held by the Bond Trustee for the benefit of bondholders until all bonds are paid in mid-June
  - Loan payments and GGRT not needed for bond payments flow into the Fund from which NMFA makes new PPRF loans
- ◆ PPRF loans are made from cash in the Fund which is replenished through periodic issuances of municipal reimbursement bonds
  - PPRF senior and subordinate liens each have an indentured reserve fund that provides additional credit enhancement to bondholders
- ◆ PPRF has \$100 million Wells Fargo LOC to fund loans between bonds. LOC is secured by loans and repaid from bond proceeds



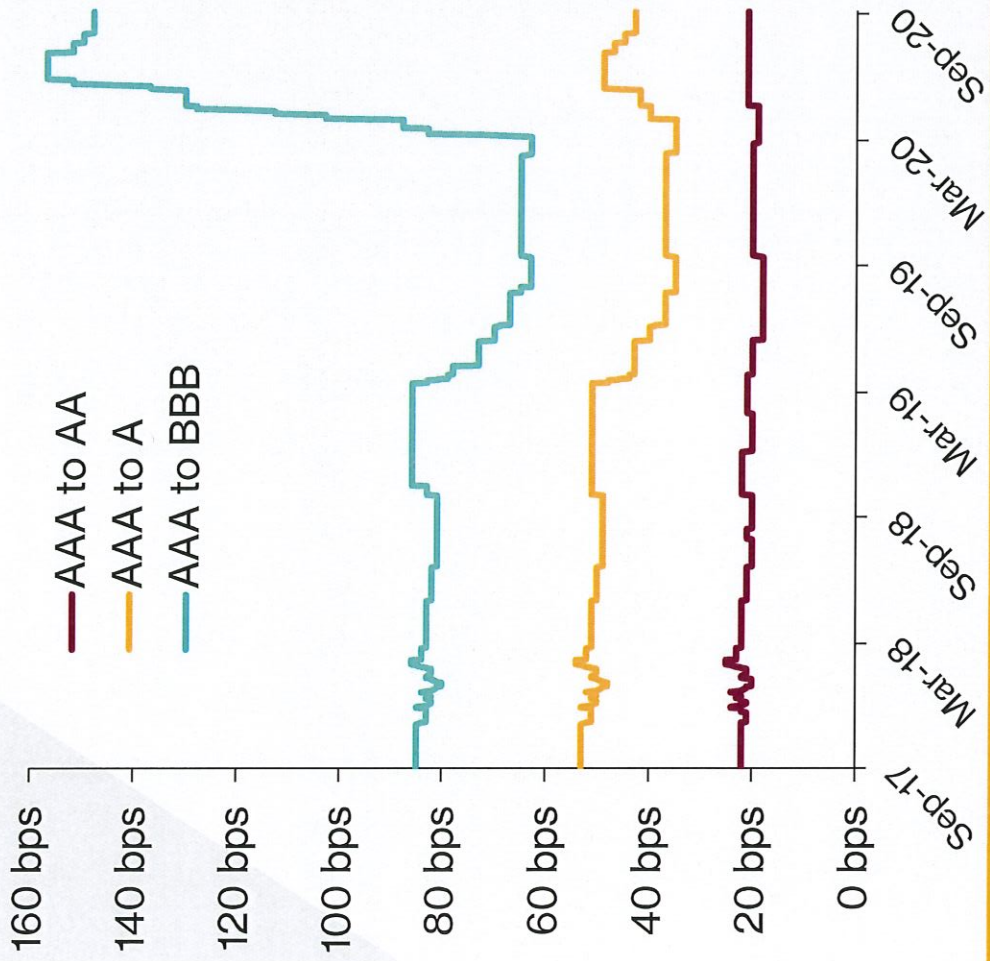
- ◆ Unprecedented demand for program
  - In January 2020, NMFA eliminated fees for the PPRF program, making it more valuable to a broader group of local governments
  - Massive market disruptions in March and April eliminated access for many NM issuers
  - With demonstrated access to bond market, NMFA made 114 loans totaling \$216.4 million from February – September 2020
  - Anticipate increased demand for the foreseeable future due to low fees and low interest rates
- ◆ Delegation law allows NMFA to sell bonds when advantageous
  - 2020A - \$32.3 million sold April 6<sup>th</sup> (postponed from March 24<sup>th</sup>)
  - 2020B - \$81 million sold June 17<sup>th</sup>
  - 2020C - \$100 million sold on September 16<sup>th</sup>



# PPRF High-Rated Issuer

15

Tax-Exempt Credit Spreads (30 year)



◆ In March 2020, bond investor flight to quality severely limited access to the capital markets for most issuers, with only top-rated issuers having access

◆ PPRF is a top-rated issuer:

- Senior Lien:
  - S&P: AAA (April 2011)
  - Moody's: Aa1
- Subordinate Lien:
  - S&P: AAA (July 2017)
  - Moody's: Aa2



- ◆ Created \$12 million Essential Services Working Capital Program
  - Critical operating fund loans for businesses and non-profits helping New Mexicans through the public health order: medical, behavioral health, dental, PPE providers, childcare providers, etc.
- ◆ Received \$35 million New Markets Tax Credit award, bringing total to \$321 million
  - Created NMTC Small Loan Pool for projects less than \$4 million
- ◆ Small Business Recovery Act of 2020
  - Created \$400 million Small Business Recovery Loan Fund
  - Created \$50 million Emergency Economic Relief Fund
- ◆ Small Business Recovery Loan Fund applications opened August 5<sup>th</sup>, 29 days from the date SB3 was signed into law by Governor Michelle Lujan Grisham. First loan closed August 7<sup>th</sup>