

Sustainable, Equitable Rural Economic Development

WITH THE
PUBLIC BANK OF NEW MEXICO



**Alliance for Local
Economic Prosperity**

Keeping Our Public Funds Safe, Local and Working

Alliance for Local Economic Prosperity (AFLEP)



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Economic Prosperity**

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Our Mission:

To advocate for the economic, social and cultural health and wellbeing of New Mexico communities.

To make this possible, New Mexico State revenue must be kept Safe, Local and Working for ALL New Mexicans. Creating a State Public Bank is a means to enable local economic prosperity.



Public Banking in the US

Public banking interest and action has been increasing since the Great Recession of 2007 -08.

Goals include regaining the use of revenues for local investments and reducing the exposure of state funds to Wall Street shadow banking and losing income to out of state banks.

22 current initiatives in the US for public bank formation with legislation and studies moving in Mass, NY State, NYC, NJ, Philadelphia, CO, CA. City of LA city council unanimously voted to proceed with formation of a municipal PB; San Francisco and several CA regions are completing feasibility studies.

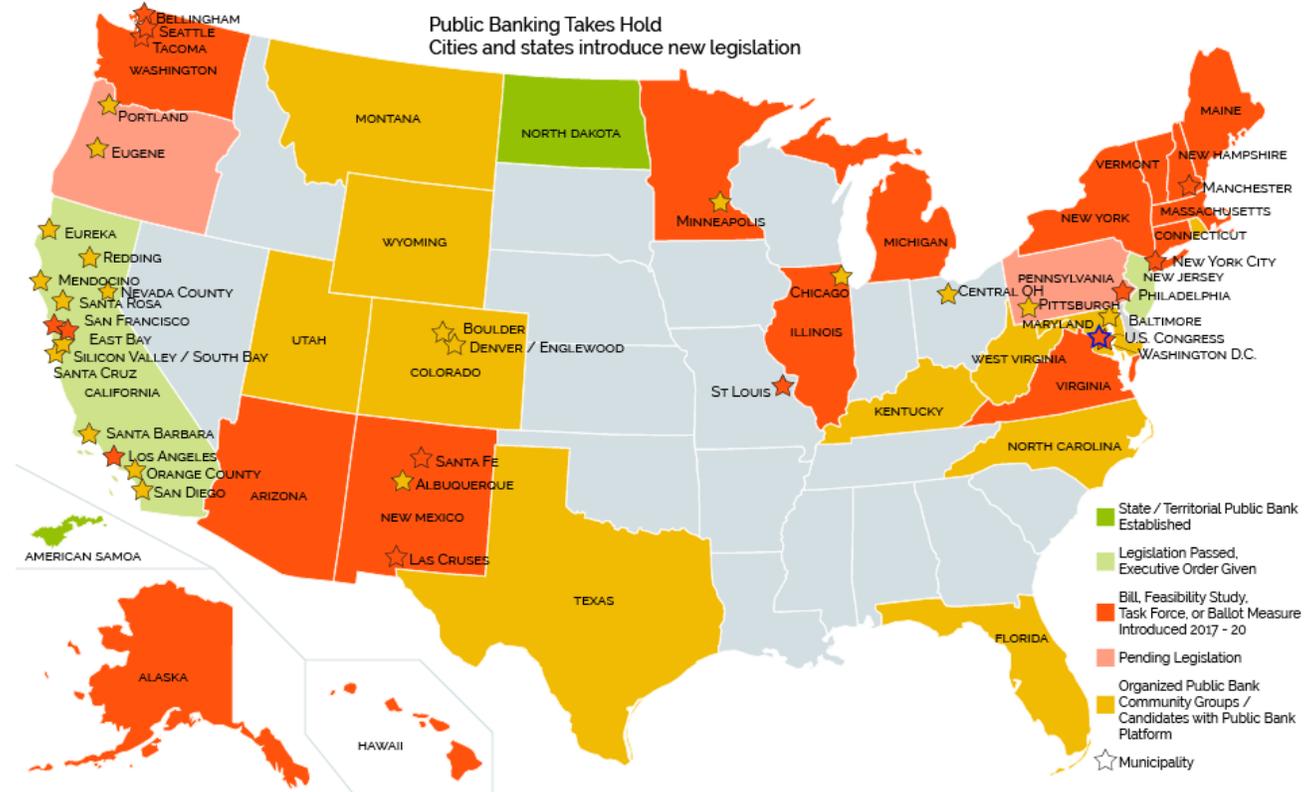
National Infrastructure Bank Coalition is promoting what would be the 4th federal public bank in US history to address significant infrastructure funding needs; AFLEP is an ally.

BND over the last 17 years achieved an annual return on equity (ROE) of 15%18.6%, while enhancing viability of small businesses and community banks in the state. Because of BND, North Dakota benefited from PPP loans in an amount equalling 3 times per-capita what NM received in the first round of lending..

- California and New Jersey recently passed legislation to enable a public bank.

- PA, NY and NYC have legislation pending.

- Orange states, like New Mexico and CO have strong groups that are actively pursuing public banking legislation.



Today, New Mexico joins 22 cities and states pursuing a public bank.

AFLEP Has Statewide Support

The cities of Las Cruces, Albuquerque and Santa Fe, and Santa Fe County have passed Resolutions and Memorials of support.

Elected officials Bernalillo County Treasurer NancyBearce are actively supporting AFLEP

Our coalition is growing to include businesses, statewide associations, such as the Credit Union Association of New Mexico, and several chambers of commerce.

We have hundreds of individual supporters from across the state who also see the benefits of a public bank.



How the Bank Works

Community needs identify what business activity is desired to enhance a thriving community.

PB develops lending programs based on needs, priorities in collaboration with CBs, CUs, CDFIs.

Loan criteria are developed and interest and administrative fees determined.

PB is a nonprofit and charges lower interest on participation.

Loan criteria include equity in access and loan approvals.

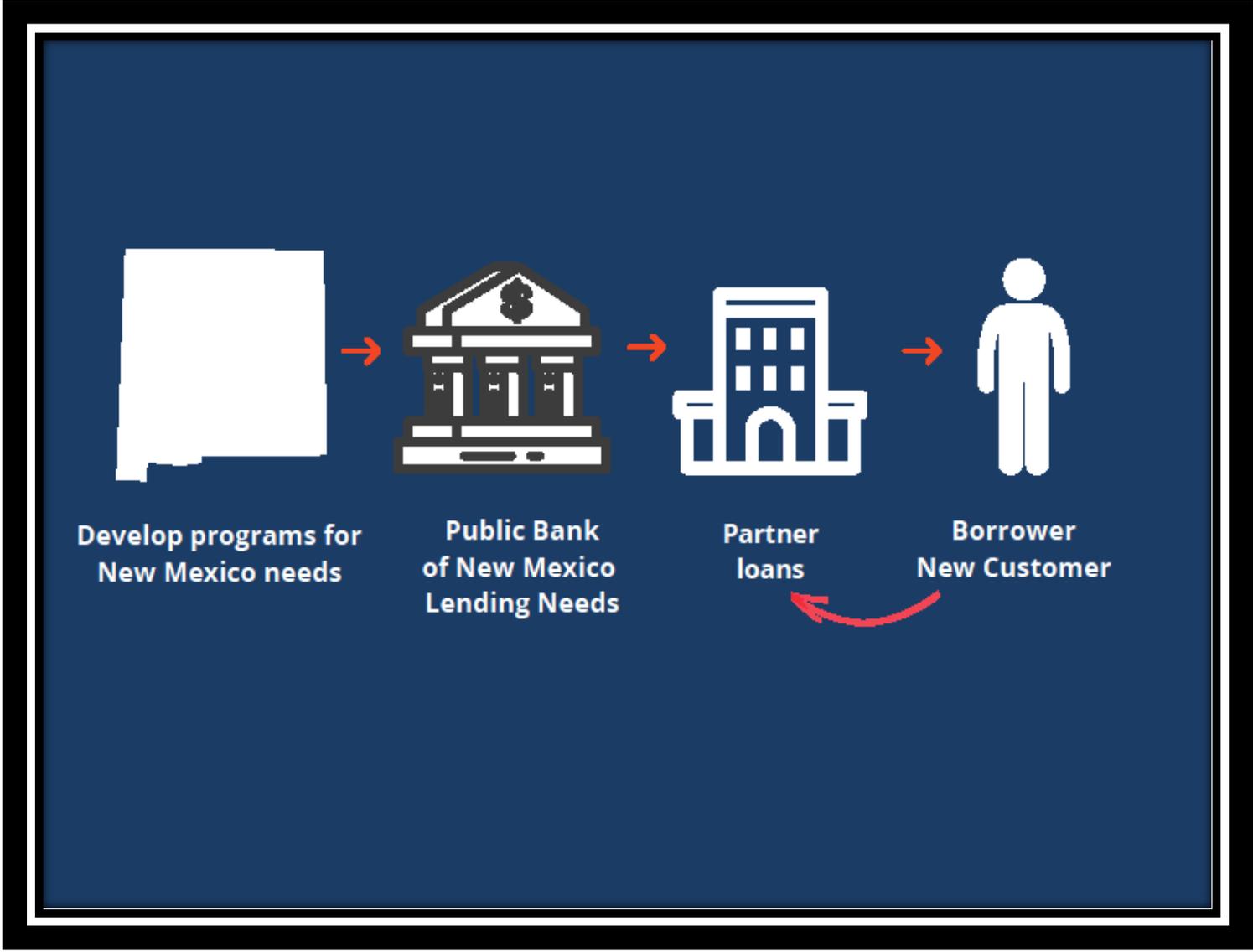
Accessing the Loan

Small business borrower brings business plan to CB, CU, CDFI.

Loan made and administered by the latter with the agreed administrative fee paid by the PB.

If it is a new business, the bank creates a new customer.

Community gains jobs, GRT and other revenue; people remain in community; money circulates in the community.



Public banks help local communities

❖ Closed-Loop Banking

❖ Money is invested locally

❖ Saves project costs

❖ Won't raise taxes



Small Business and Rural Economic Development

Rural communities and small businesses are important to the NM economy.

54.2% of NM employees work in small businesses (2020 Bureau of Labor). There are 156,996 small NM businesses, 99% of the total. Less than one-third are led by “self-employed minorities.”

Challenges in accessing financing —awareness of programs, education on application processes, bias in loan approvals and criteria for approval.

LULAC notes redlining continues in NM banks.



AFLEP Community Conversations

AFLEP grassroots organizing includes scheduling Community Conversations with community business and community development people, elected officials

What are the community strengths and what possibilities do they see for their community? How they envision their future.

What are the barriers to accomplishing those possibilities?

More small business opportunities with significant infrastructure maintenance and expansion (water, waste water, air quality, etc.)

Information also gathered from regional, county, city 5yr plans

AFLEP Community Conversations

Virtual Community Conversations Scheduled in October

- Farmington
- Las Cruces
- Taos

In Person Conversations (if not possible will be virtual)

Las Cruces – 2nd

Las Vegas

Gallup

Santa Fe

Albuquerque's South Valley

Raton

Farmington – 2nd

Cuba

T or C

Corrales

Community Conversations Goals

Bring Community/Business Development to the **Personal Level**

- What is possible for me to add? (Bottom up approach)
- What resources do I/We have?
- What resources do I/We want?

Explore with community residents

- Existing, but perhaps hidden, Values
- Identify potential for development
- Reaffirm community membership

Ultimate Goal:

If more lending were available in my community,
what could I/We do?



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Lending Program Focus

AFLEP is a member of the NM Agriculture and Food Policy Council

- More than 30 members
- Expressed need for increased funds for projects to expand operations, adapt practices to address climate disruption impact
- Desire to increase food processing and food distribution capacities in NM
- Support increased engagement of young adults in agriculture; average age of NM farmers is 60.5 years
- Expand community solar and alternative energy business support
- Equity in lending is a concern raised by many allies, including Native Americans, LULAC leaders, Small Business leaders and women.

FINANCIAL FORCES

Recovery \$\$ End

Fossil fuel \$\$ diminish

2023

CLIMATE DISRUPTION

Entrepreneurs:
Sustainable
Adaptive
Business
development

Public bank in
operation

Financial Plan Assumptions

- The PB of NM will receive NM revenue deposits to Keep NM Revenue Safe, Local and Working for New Mexicans.
- The PB is an additional finance tool in the state's finance system and will not require ongoing appropriations as other agencies.
- Bank programs and lending to be based on principles of equity and democratic board governance.
- If there is no lending demand, the funds revert to the state with no losses.

Financial Plan Highlights

Key findings in Financial Plan (moderately conservative with input from UNM Finance professor, and investors with extensive financial expertise and financial analyst):

- Bank is profitable in year 2.
- Bank can assume more risk and be profitable.
- In the first 7 years, at no cost to the state, the PB's equity/capital increases from \$50 million to \$113 million.

7-Year Net Income, Total Equity

	Net Income	Total Equity	7-Year Equity Growth Rate:
Year 1		50,000,000	12.43%
Year 2	1,996,519	51,901,533	Total Gross Loans:
Year 3	5,388,395	57,171,839	\$485,566,082
Year 4	8,810,306	65,852,614	@ 75% of deposits
Year 5	12,130,133	77,938,972	
Year 6	15,622,421	93,511,72	3
Year 7	19,356,931	112,930,119	

Statements

| Forecast |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1.0 | 2.0 | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 |
| 1-Jan-22
31-Dec-22 | 1-Jan-23
31-Dec-23 | 1-Jan-24
31-Dec-24 | 1-Jan-25
31-Dec-25 | 1-Jan-26
31-Dec-26 | 1-Jan-27
31-Dec-27 | 1-Jan-28
31-Dec-28 |

1. Income Statement

Total Interest Income	USD	6,430,000	10,795,860	15,620,091	21,208,626	27,636,185	34,729,880
Total Interest Expense	USD	300,000	900,000	1,980,000	3,708,000	6,127,200	9,030,240
Net Interest Income	USD	6,130,000	9,895,860	13,640,091	17,500,626	21,508,985	25,699,640
Interest Rate Spread	%	5%	6%	6%	6%	6%	8%
Non Interest Revenues	USD	0	0	0	0	0	0
Total Net Revenue	USD	6,130,000	9,895,860	13,640,091	17,500,626	21,508,985	25,699,640
Allowance Provision	USD	1,143,992	1,375,706	1,513,276	1,740,268	2,001,308	2,301,504
Non Interest Expenses	USD	3,038,500	3,129,655	3,223,545	3,320,251	3,419,859	3,522,454
Depreciation	USD	45,975	120,194	222,495	353,749	515,067	707,814
Goodwill Impairment	USD	0	0	0	0	0	0
Earnings Before Tax (EBT)	USD	1,901,533	5,270,305	8,680,775	12,086,358	15,572,752	19,167,867
Taxes	USD	-	-	-	-	-	-
Net Income	USD	1,901,533	5,270,305	8,680,775	12,086,358	15,572,752	19,167,867
Retained Earnings b/f	USD	0	1,901,533	7,171,839	15,852,614	27,938,972	43,511,723
Net Income	USD	1,901,533	5,270,305	8,680,775	12,086,358	15,572,752	19,167,867
Common Dividends	USD	0	0	0	0	0	0
Stock Issuances	USD	0	0	0	0	0	0
Stock Repurchases	USD	0	0	0	0	0	0
Preferred Stock Issuance	USD	0	0	0	0	0	0
Preferred Dividends	USD	-	-	-	-	-	-
Retained Earnings	USD	0	1,901,533	7,171,839	15,852,614	43,511,723	62,679,591

Balance Sheet

Property, Plant & Equipment	USD	1,000,000	1,873,525	3,237,710	5,061,278	7,332,830	10,044,645	13,192,878
Cash	USD	4,000,000	11,172,000	52,915,443	123,431,637	196,611,908	221,093,827	198,215,309
Available for Sale Securities	USD	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Trading Assets / Other Securities	USD	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
New Agricultural Loans	USD	20,000,000	30,000,000	33,000,000	37,950,000	43,642,500	50,188,875	57,717,206
New Commercial Loans	USD	20,000,000	20,000,000	22,000,000	25,300,000	29,095,000	33,459,250	38,478,138
New Administered Loans	USD	5,000,000	5,000,000	5,500,000	6,325,000	7,273,750	8,364,813	9,619,534
Other	USD	0	0	0	0	0	0	0
Total Gross Loans	USD	45,000,000	99,038,383	157,418,016	223,598,025	298,748,466	384,214,904	481,544,738
Loans as % Deposits	%	75%	83%	73%	65%	62%	66%	75%
Loan Losses Allowance	USD	1,000,000	1,271,225	1,598,052	1,957,562	2,370,997	2,846,449	3,393,217
Total Net Loans	USD	44,000,000	97,767,157	155,819,964	221,640,463	296,377,468	381,368,455	478,151,521
Goodwill	USD	0	0	0	0	0	0	0
Other Assets	USD	0	0	0	0	0	0	0
Total Assets	USD	110,000,000	171,812,682	272,973,117	411,133,379	561,322,207	673,506,927	750,559,708
Risk Weighted Assets	USD	18,160,000	20,749,191	22,568,909	25,579,292	28,965,588	32,265,066	35,549,730

Funds from SIC	USD	0	0	0	0	0	0	0
Total Deposits	USD	60,000,000	120,000,000	216,000,000	345,600,000	483,840,000	580,608,000	638,668,800
Senior Debt	USD	0	0	0	0	0	0	0
Subordinated Notes	USD	0	0	0	0	0	0	0
Convertible Bonds	USD	0	0	0	0	0	0	0
Trading Liabilities	USD	0	0	0	0	0	0	0
Other Borrowings	USD	0	0	0	0	0	0	0
Total Liabilities	USD	60,000,000	120,000,000	216,000,000	345,600,000	483,840,000	580,608,000	638,668,800
Share Capital	USD	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Retained Earnings to Common	USD	0	1,812,682	6,973,117	15,533,379	27,482,207	42,898,927	61,890,908
Preferred Stock	USD	0	0	0	0	0	0	0
Total Equity	USD	#####						
Total Liabilities and Equity	USD	110,000,000	171,812,682	272,973,117	411,133,379	561,322,207	673,506,927	750,559,708

3 . Cash Flow Statement

Earnings Before Tax (EBT)	USD	1,812,682	5,160,435	8,560,262	11,948,828	15,416,720	18,991,981
Taxes	USD	0	0	0	0	0	0
Add back: Allowance Provision	USD	1,232,843	1,485,576	1,634,134	1,879,254	2,161,142	2,485,313
Add back: Depreciation	USD	45,975	120,194	222,497	353,763	515,109	707,917
Add back: Goodwill Impairment	USD	0	0	0	0	0	0
Gross Operating Cash Flow	USD	3,091,500	6,766,205	10,416,893	14,181,844	18,092,971	22,185,211
(Increase) / Decrease in Gross Loans	USD	(54,038,383)	(58,379,633)	(66,180,009)	(75,150,441)	(85,466,438)	(97,329,834)
ChargeOffs	USD	-1,232,843	-1,485,576	-1,634,134	-1,879,254	-2,161,142	-2,485,313
Recoveries	USD	271,225	326,827	359,509	413,436	475,451	546,769
(Increase) / Decrease in Funds to Central Bank	USD	-	-	-	-	-	-
(Increase) / Decrease in Trading Assets / Other Securities	USD	-	-	-	-	-	-
(Increase) / Decrease in Other Assets	USD	-	-	-	-	-	-
Increase / (Decrease) in Funds from SIC	USD	-	-	-	-	-	-
Increase / (Decrease) in Total Deposits	USD	60,000,000	96,000,000	129,600,000	138,240,000	96,768,000	58,060,800
Increase / (Decrease) in Trading Liabilities	USD	-	-	-	-	-	-
Cash Flow from Operations	USD	8,091,500	43,227,822	72,562,259	75,805,585	27,708,843	(19,022,368)
Capital Expenditures	USD	(919,500)	(1,484,379)	(2,046,066)	(2,625,314)	(3,226,924)	(3,856,150)
Available for Sale Securities	USD	-	-	-	-	-	-
Cash Flow from Investment	USD	(919,500)	(1,484,379)	(2,046,066)	(2,625,314)	(3,226,924)	(3,856,150)
Senior Debt Increase / (Decrease)	USD	-	-	-	-	-	-
Subordinated Notes Increase / (Decrease)	USD	-	-	-	-	-	-
Convertible Bonds Increase / (Decrease)	USD	-	-	-	-	-	-
Other Borrowings Increase / (Decrease)	USD	-	-	-	-	-	-
Share Capital Increase / (Decrease)	USD	-	-	-	-	-	-
Common Dividends	USD	-	-	-	-	-	-
Stock Issuances	USD	-	-	-	-	-	-
Stock Repurchases	USD	-	-	-	-	-	-
Preferred Stock Issuance	USD	-	-	-	-	-	-
Preferred Dividends	USD	-	-	-	-	-	-
Cash flow from Financing	USD	-	-	-	-	-	-
Opening Cash Balance	USD	4,000,000	11,172,000	52,915,443	123,431,637	196,611,908	221,093,827
Cash Inflow / (Outflow)	USD	7,172,000	41,743,443	70,516,194	73,180,271	24,481,918	(22,878,517)
Cash Balance	USD	4,000,000	11,172,000	52,915,443	123,431,637	221,093,827	198,215,309

Alliance for Local Economic Prosperity (AFLEP)

For more information and to request the Bank Plan and financial details contact us at info@aflep.org

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