



NEW MEXICO
FINANCE AUTHORITY

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Presentation to Economic and
Rural Development and Policy Committee

Update from the New Mexico Finance Authority

Marquita Russel, Chief Executive Officer

November 13, 2024

- **Kathy Keith, *Chair***
 - **Martin Suazo, *Vice Chair***
 - **AJ Forte, *Secretary***
Executive Director, New Mexico Municipal League
 - **Rob Black**
Secretary-Designate, NM Economic Development Dept
 - **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
- ◆ 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
 - 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
 - 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

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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 Facility 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

Statewide Economic Development Finance Act



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- ◆ The Statewide Economic Development Finance Act (“SWEDFA”) assigns powers and duties to the New Mexico Economic Development Department (“NMEDD”) and NMFA to jointly administer several programs seeking to increase business activity in rural and underserved areas, attract new and retain and expand existing businesses, and promote an environment suitable for start-up and emerging businesses throughout the state
- ◆ The Economic Development Revolving Fund (“EDRF”) is the Fund created under SWEDFA from which NMFA may make loans, purchase loan participations and bonds, and provide guarantees. Program success has been limited by availability of capital as only \$5.1 million of state funding has been provided since its inception in 2003
- ◆ **Federal State Small Business Credit Initiative (“SSBCI”) provides great opportunity and capital for impact**
- ◆ Established by the Small Business Jobs Act of 2010, is a federal program that seeks to increase the flow of capital to small business. ~\$1.5 billion to small business financing programs throughout the country in 2011, with NM receiving \$13 million
- ◆ SSBCI gives states significant flexibility to design programs that meet local market conditions and small business needs seeking to increase access to capital to small businesses so long as \$1 federal dollar leverage \$10 private dollars

State Small Business Credit Initiative

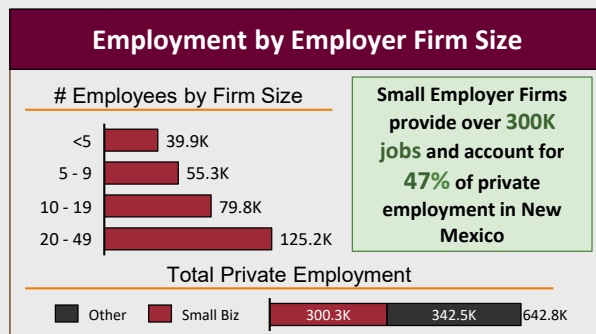
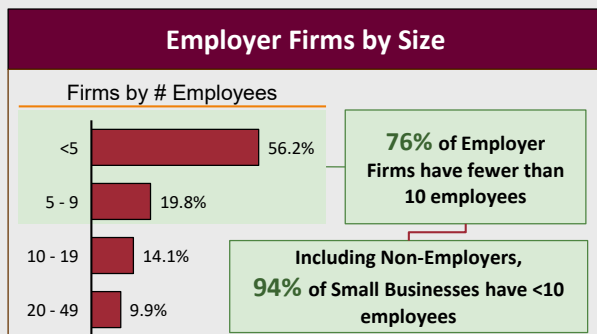


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- ◆ Congress recently reauthorized and expanded SSBCI and provided ~\$10 billion to state small business financing programs to support small businesses and entrepreneurship, with a focus on socially and economically disadvantaged individuals (SEDI) and Very Small Businesses (VSBs)
 - SEDI businesses are located in distressed communities (as defined by the Dept. of Treasury) or owned by individuals with historically diminished access to credit
 - Very Small Businesses are defined as businesses with fewer than 10 employees
- ◆ In the fall of 2022 NMEDD received an award of up to \$74 million with funding to be disbursed in three equal tranches of ~\$22 million over ten years. The total award amount includes ~\$6 million of SEDI incentive which is granted if New Mexico deploys at least 57% to SEDI-owned small businesses
- ◆ Department of Treasury has approved New Mexico to operate four programs:
 - Collateral Assistance Program operated by NMEDD
 - Loan Participation Program operated by NMFA
 - Capital Access Program operated by NMFA
 - Venture Capital Program operated by NMFA






Key Findings: New Mexico Small Business Snapshot

- ◆ NMFA commissioned Next Street to research New Mexico small businesses and their funding needs to help inform how the NMFA Venture Capital Program and SSBCI funding could be best utilized in New Mexico.
 - There are **167,784 New Mexico small businesses with fewer than 50 employees**; 75% of these New Mexico small businesses do not have employees
 - **76% of employer small businesses have fewer than 10 employees and account for 47% of private employment in New Mexico**
 - **42% of employer small businesses are located in rural communities**
 - **Minority-owned businesses are significantly underrepresented** in small business ownership statewide



NMFA New Program Opportunities

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Business Stage	Idea + Seed Stage Revenue \$0	Early Stage Revenue <\$250k	Growth Stage Revenue >\$250k	Maturity Stage Revenue >\$5M
Characteristics	INITIAL IDEA AND TEAM BUILDING	INITIAL DELIVERY AND MARKET TESTING	INITIAL MARKET TRACTION & BUSINESS MODEL REFINEMENT	PRODUCT MARKET FIT / SCALE
NM Capital Options for High Growth Industries			<p>Impact VC Gap: Limited number of high capacity VC funds intentionally focused on SEDI-owned businesses</p> 	<p>Late Stage Venture Gap: Limited local options for later rounds of funding for innovation-fueled industries</p>
NM Capital Options for Other Industries	<p>Startup Cash: Cash assistance needed for early-stage Main Street businesses without friends & family wealth.</p> <p>\$500 - \$5,000 per loan/investment</p>		<p>No Man's Land: Need for alternative growth capital products that bridge between micro and commercial capital options. \$100,000 - \$250,000 per loan/investment</p>	

NMFA Venture Capital

SSBCI Capital Access

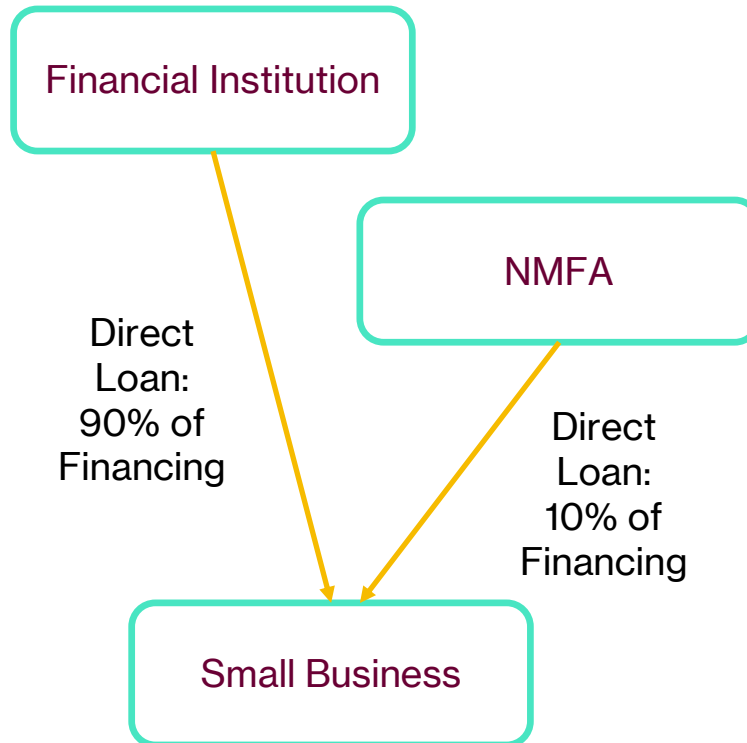
SSBCI Loan Participation

NMFA New Program Parameters

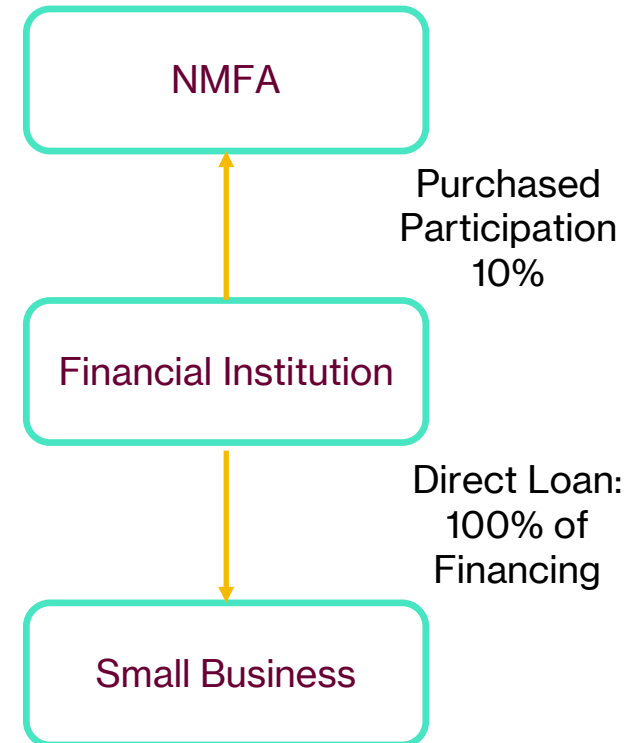


	NMFA Venture Capital	SSBCI Capital Access	SSBCI Loan Participation
Target capital providers	Venture private equity funds	CDFIs, credit unions, banks	Banks, credit unions, CDFIs (direct co-lending)
Target enterprises	Early-stage businesses 1 to 50 employees	For and non-profit with < 100 employees	For and non-profit with < 500 employees
Transaction sizes	\$50,000 to \$2,000,000	\$10,000 to \$1,500,000	\$7,500,000
Participation percentage	Up to 60%	7%	10-40%
Product types	Equity or debt investment	Line of credit, term loans	Line of credit, term loans
Typical term	4 to 12 years	1 to 7 years	1 to 25 years
Use of proceeds	Start-up, expansion, business development	Buildings (purchase, construction & renovation), equipment, working capital	

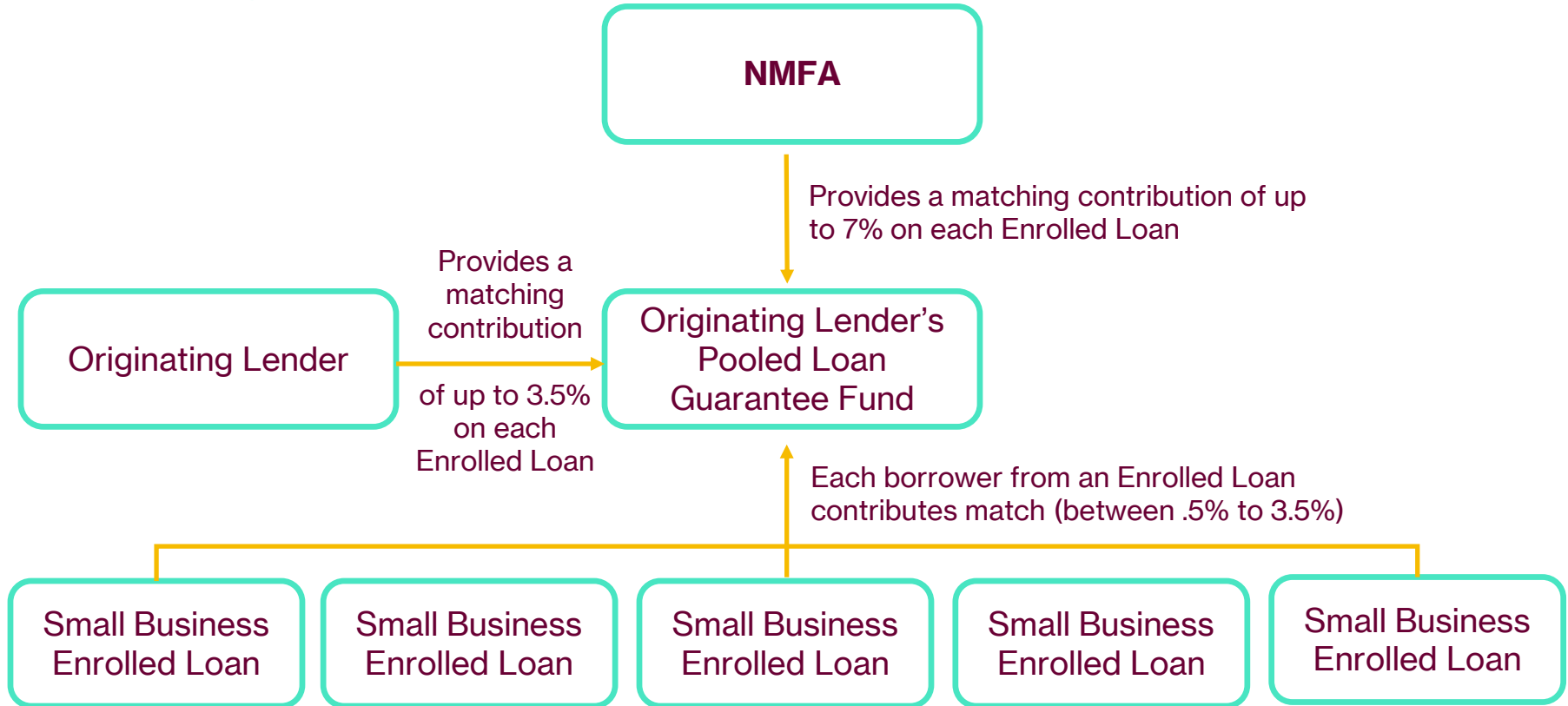
Co-Lending Participation



Purchased Participation



NMFA participation can occur at either shared collateral lien (“pari passu”) with the financial institution (thereby sharing in the risk) or be subordinate to the financial institution (thereby increasing the amount that can be loaned to the client)



Structure Provides Additional Incentives to Make Certain Loans: Each approved Originating Lender will hold and grow its own Pooled Loan Guarantee Fund that will be available to cover losses from any Enrolled Loan.

Business Friendly Process: NMFA approves each Originating Lender (Bank, Credit Union or CDFI) and then ensures each enrolled loan meets the program guidelines.

Venture Capital Program Act



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- ◆ Created during the 2022 Legislative Session and substantially expanded during the 2023 Session, the Venture Capital Program Act authorizes NMFA to make investments in NM businesses that enhance economic development objectives of the state and create new jobs
- ◆ Investments are made for the purpose of providing capital for start-up, expansion, product or market development, recapitalization or early-stage development. Investments are made as equity or debt through:
 - Venture private equity funds – an entity that makes, manages or sources potential investments. Has at least one full-time, experienced manager
 - Direct Investment
- ◆ NMFA adopted Venture Capital Rules and a Venture Capital Investment Policy that guides the investment of \$50 million in state Venture Capital Program funds and approximately \$15 million in federal State Small Business Credit Initiative funds
- ◆ Investment Policy provides guidance:
 - Federal funds must be matched 1:1 with private capital
 - State funds must be matched .7:1 with capital from accredited investors
 - At this time, only supports investments in Venture Private Equity Funds

Fund (Vintage)	Manager	Objectives	Total Committed (% of Target Fund Size)	Mission & Diversification Objectives ¹				
				Local Cos.	Local Jobs	Under-served	Diverse Sector	Private \$
Raven II (2022)	Raven Indigenous Capital Partners	Invests in early stage Native-owned companies building sustainable Native economies	\$7.5m (7%)	●	●	●	●	●
Tramway III (2023)	Tramway Ventures	Investing in New Mexican early stage medtech, biotech, and healthtech companies	Up to \$7m (18%)	●	●	●	●	●
Dangerous NM I (2024)	Dangerous Ventures	Invests in early-stage New Mexican companies building a sustainable future	Up to \$5m (25%)	●	●	●	●	●
Advance New Mexico (2024)	Mission Driven Finance	Invests gap-filling growth capital (flexible debt) for expanding New Mexico small businesses	Up to \$10m (50%)	●	●	●	●	●
Tiverton II (2024)	Tiverton Advisors	Specialist investing in food and agricultural production sectors	\$5m (1%)	●	●	●	●	●
Vamos II (2024)	Vamos Ventures	Invests in Latinx and diverse teams leading scalable, tech-driven companies	\$7.5m (8%)	●	●	●	●	●
Rethink III (2024)	Rethink Impact	Investing in women-led businesses using technology to solve the world's biggest problems	\$2m (1%)	●	●	●	●	●
Perennial Fund II (2024)	Mad Capital	Supports farms and ranches transitioning to regenerative and organic farming through flexible debt	\$10m (20%)	●	●	●	●	●

Expected impact in each objective assessed as low, medium, strong or very strong during due diligence

Key: ● = Very strong ● = Strong ● = Medium ○ = Weak

- ◆ Advance New Mexico is a bespoke program seeking to fill “no man’s land”
- ◆ Operated by Mission Driven Finance, an impact asset management firm dedicated to building a financial system that ensures impactful businesses have access to sufficient, affordable capital.
- ◆ Advance New Mexico makes capital available to New Mexico-based small businesses and nonprofits owned or led by entrepreneurs and leaders from underserved communities. Underserved communities refers to populations sharing a particular characteristic, as well as geographic communities that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life, including persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality.
 - \$100,000 to \$1.5 million loans
 - Loan terms between 3 and 30 months
 - 11.5% interest rate** (as of July 2024)
 - \$250 application fee; 2.5% closing fee
 - No prepayment penalty fee
 - No credit scores required
 - No personal guarantees required
 - Revenue-based financing available