



# NMFA Mission and Purpose



**PRESENTATION TO THE  
NEW MEXICO FINANCE AUTHORITY  
LEGISLATIVE OVERSIGHT COMMITTEE**

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# Mission Based Financing

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NMFA meets its mission of helping New Mexico's communities by providing access to capital through mission-based funding in three primary areas:

## **Infrastructure and Capital Equipment Projects**

- ❖ Public Project Revolving Fund
- ❖ Local Government Planning Fund
- ❖ Colonias Infrastructure Project Fund

## **Water**

- ❖ Drinking Water State Revolving Loan Fund
- ❖ Water Project Fund
- ❖ Acequia Project Fund

## **Community Facilities and Economic Development**

- ❖ Primary Care Capital Fund
- ❖ Behavioral Health Capital Fund
- ❖ New Markets Tax Credit Program
- ❖ Smart Money Loan Participation Program
- ❖ Collateral Support Participation Program (SSBCI)

# Legislative Oversight

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- ◆ NMFA is governed by an independent Board of Directors, which approves all grants and loans, and overseen by the NMFA Legislative Oversight Committee, which approves its rules and reviews its Budget
- ◆ While the NMFA is not funded by the State, the Legislature is presented annually with several pieces of legislation that are critical to the operations of the NMFA. In 2015, the Legislature considered six bills endorsed by the NMFA Oversight Committee – five of which were passed by the Legislature and signed into law by Governor Martinez
- ❖ *HB 63 (Lundstrom): NMFA Public Project Revolving Fund Projects (PPRF) authorization bill which allows NMFA to make Loans from the PPRF. SIGNED as amended.*
- ❖ *HB 578 (Ezzell): Authorizing the NMFA to Make Loans or Grants from the Water Project Fund. SIGNED as amended.*
- ❖ *SB 552 (Cervantes): \$1.8 million PPRF Appropriation for Drinking Water System Financing. SIGNED.*
- ❖ *HB 386 (Lundstrom): \$3 million PPRF Appropriation to the Local Government Planning Fund. SIGNED.*
- ❖ *HB 475 (Hall): Allowing Public Bodies to Delegate Authority in Sales of Public Securities. SIGNED.*

- ◆ NMFA’s “flagship” program
- ◆ Established in 1992 through the New Mexico Finance Authority Act 6-21-6.0 by Sen. Eddie Lopez (SB 172)
- ◆ Low-cost financial assistance for capital equipment, building and infrastructure projects
  - ◆ Standard Rate – Tax-exempt market interest rates (based upon the PPRF’s ‘AAA’/Aa1 bond ratings)
  - ◆ Since 1999, NMFA has provided below market interest rates – 0% and 3% - to entities whose Median Household Incomes are less than the State’s MHI. NMFA provides each qualifying borrower with up to \$200,000 of “disadvantaged entity” funding annually

◆ **Qualified entities include:**

- ❖ Local Governments
- ❖ State Agencies
- ❖ Public School
- ❖ Volunteer Fire Districts
- ❖ Tribal Governments
- ❖ Higher Education Institutions
- ❖ Special Districts

◆ **NMFA staff works with local officials in the following areas:**

- ❖ Credit and debt capacity analyses
- ❖ Loan structuring assistance
- ❖ Evaluation of refinancing opportunities

- ◆ **PPRF's high bond ratings are more important now than ever before:**
  - ❖ Municipal bond market changed profoundly over past several years
  - ❖ Ability to improve ratings with bond insurance is very limited
  - ❖ Unprecedented level of scrutiny and oversight by federal regulators
  - ❖ Enforcement actions by the SEC and IRS are likely to increase
  - ❖ Smallest of systems will likely be hit the hardest
  
- ◆ **The Contingent Liquidity Account is a key component to the PPRF**
  - ❖ It serves as a rating credit enhancement of the PPRF
  - ❖ It ensures the availability of funds for the most economically disadvantaged New Mexico communities during periods of market disruption (i.e. 2008 and 2012)

# Local Government Planning Fund

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- ◆ Created in 2002 as New Mexico Finance Authority Act 6-21-6.4 by Sen. Campos (SB 40)
- ◆ Provide upfront capital necessary to allow for proper planning of vital water and wastewater projects
- ◆ Initially, statute required that entity repay “grant” if funding for project was received; this provision was eliminated in 2012
- ◆ Broadened twice by the Legislature:
  - ◆ In 2005, to include master plans, conservation plans & economic development plans
  - ◆ In 2012, to allow infrastructure plans

# Colonias Infrastructure Program

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- ◆ Created in 2010 through the establishment of the Colonias Infrastructure Finance Act 6-30-1.0 by Sen. Papen (SB 279)
- ◆ Provide capital to infrastructure projects in designated Colonia communities
- ◆ Funded from 5% of the Senior Severance Tax Bonds annually
- ◆ Overseen by the Colonias Infrastructure Board, administered by the NMFA
- ◆ Three funding cycles have occurred, the Colonias Infrastructure Board is poised to make its 2015 funding awards in early June

# Drinking Water State Revolving Loan Fund

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- ◆ Established in 1998 through the Drinking Water State Revolving Loan Fund Act 6-21A-4 by Rep. Gary King (HB 592)
- ◆ Low-cost financial assistance for construction and improvements to drinking water facilities
  - ◆ Standard Rate – 2%
  - ◆ Disadvantaged Rate – 0%
- ◆ With these new grants, federally capitalized revolving loan fund:
  - ◆ \$172.5 million in federal awards
  - ◆ \$31.5 million in state match
  - ◆ \$34.3 million in loan repayments and interest earnings
- ◆ \$160.6 million closed to date – nearly 30% of these loans are to systems with fewer than 10,000 in population
- ◆ \$24.9 million in commitments to five projects awaiting closure

- ◆ DWSRLF Act partners NMFA with the New Mexico Environment Department in the administration of the program. NMED quarterly publishes a Fundable Priority List and NMFA accepts applications from the list in the order in which they are listed
  - ❖ Step 1: Project interest sheet to Drinking Water Bureau
  - ❖ Step 2: Ranked on Comprehensive Priority List (NMED)
  - ❖ Step 3: Ranked on Fundable Priority List (NMFA)
  - ❖ Step 4: NMFA Lending Officer makes contact
  - ❖ Step 5: Project taken to NMFA Board for approval

- ◆ Established in 2002 through the Water Project Finance Act & 2-4A-9 by Rep. Joe Stell (HB534)
- ◆ Funded from an annual distribution from the Water Trust Fund and 10% of Senior Severance Tax Bonds
- ◆ Provides grants and low-cost loans for five types of water projects:
  1. Water conservation or treatment, recycling or reuse projects;
  2. Flood prevention projects;
  3. Endangered species act (ESA) collaborative projects;
  4. Water storage, conveyance and delivery projects;
  5. Watershed restoration and management projects
- ◆ NMFA makes grants and loans recommended by 16-member Water Trust Board and authorized by Legislature

- ◆ Created in 2004 by amending the Water Project Finance Act 72-4A-9.1 by Sen. Cisneros (SB 87)
- ◆ Funded to date from donations from a New Mexico Foundation interested in water projects
- ◆ NMFA makes grants recommended by 16-member Water Trust Board and authorized by Legislature
- ◆ Under current policy, Acequia Project Fund grants are used for planning projects only

- ◆ Established in 1994 through the Primary Care Capital Funding Act 24-1C-4 by Rep. Olguin (HB 702)
- ◆ NMFA and Department of Health jointly administer program
- ◆ Funds directed to non-profit primary care clinics with assets of less than \$20 million in rural and medically underserved communities
- ◆ 3% interest, with terms of 10 years for equipment and 15 years for land & building
- ◆ Up to 20% of annual principal and interest is forgiven in exchange for services rendered to indigent patients
- ◆ 2005 Legislature expanded eligibility to include school based health centers and tele-health sites

- ◆ Established in 1994 through the Behavioral Health Capital Funding Act 6-26-4 by Sen. Papen (SB 284)
- ◆ Similar to Primary Care Capital Fund
- ◆ Jointly operated with Human Services Department
- ◆ Finance capital needs of small behavioral health clinics
- ◆ Non-Profit clinics with assets of \$10 million or less
- ◆ Funds directed to clinics in rural and medically underserved communities
- ◆ SB 52 from 2005 Legislature authorized NMFA to capitalize fund with \$2.5 million from Cigarette Tax Revenue Bonds

# New Markets

## Tax Credits

## NMTC

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- ◆ Operated under the Statewide Economic Development Finance Act which was amended in 2006 to explicitly allow NMFA to participate in NMTCs by Rep. Lundstrom (HB 277)
- ◆ NMFA partnered with NM Community Capital to form Finance New Mexico, LLC, which was certified by the US Dept. of Treasury as a Community Development Entity in 2006
- ◆ Finance New Mexico has received two allocations of federal NMTCs totaling \$156 million; virtually all has been invested
- ◆ The program is operated using an Advisory Board made up of community leaders across the state. The Advisory Board is required by the federal program and its purpose is to ensure that investments are benefiting low income persons as intended
- ◆ Financings may only occur in federally designated low income communities

# Economic Development Revolving Fund

EDRF

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- ◆ Established in 2003 through the Statewide Economic Development Finance Act 6-25-1 by Sen. Aragon (SB 934)
- ◆ The EDRF is segregated into two sub-accounts to account separately for State and Federal Appropriations:
  - ◆ \$5.1 million in net State Appropriations
    - ◆ \$10 million General Fund appropriation in 2005; \$5 million was reverted for solvency in 2010
    - ◆ \$2 million appropriation in 2007; \$1.9 million was reverted for solvency in 2011
- ◆ \$13,168,350 in Federal funds has been received through the State Small Business Credit Initiative (SSBCI).
- ◆ Currently, the Economic Development Revolving Fund is used solely to fund loan participations. A loan participation allows NMFA to participate in a business loan by buying a portion of a loan made by a local bank

# Why Bank Loan Participations?

EDRF

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- ◆ The bank applies to the NMFA on behalf of a business by submitting the information the bank used to reach its lending decision. The bank originates and services the loan as it otherwise would, and NMFA pays a small servicing fee to the bank for the additional work
- ◆ NMFA offers a low interest rate – typically lower than the bank’s – which fills financing gaps and lowers the borrowing costs for New Mexico businesses
- ◆ In short, participations allow NMFA to partner with, not compete against, local banks to fund New Mexico businesses
- ◆ Under amendments made in 2005, NMFA may only make loans to projects determined eligible by the New Mexico Economic Development Department and authorized for funding from the Legislature. Legislation passed in 2011 temporarily halted (until June 30, 2016) the authorization requirement

- ◆ Allows NMFA to purchase interests in loans made by banks to private for-profit and not-for-profit entities; borrowers must agree to hire a specific number of employees in exchange for the financing
- ◆ NMFA may purchase up to 49% interest in any one loan as long as the borrower agrees to create at least 1 job per \$50,000 of Smart Money borrowed
- ◆ NMFA shares equally with the bank in collateral used to secure the loan
- ◆ Prior to accepting an application, the New Mexico Economic Development Department must first determine that the project serves an economic development purpose and is suitable for financing

# Collateral Support Participation Program

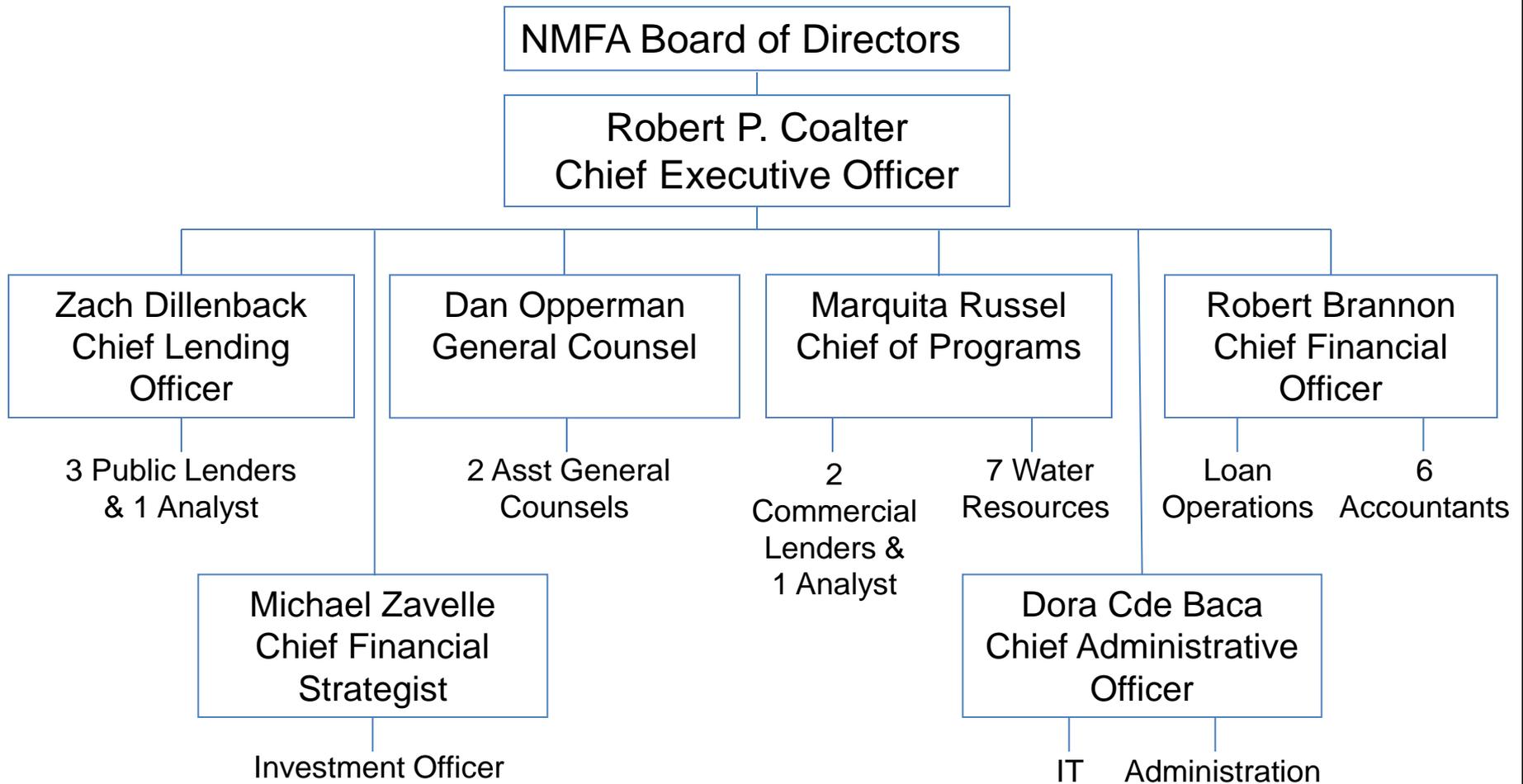
SSBCI

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- ◆ In June 2011, the NMFA signed an MOU with the NM Economic Development Department to administer the \$13.2 million in funding made available through the Federal Small Business Jobs Act of 2010. The program is overseen by the US Dept. of Treasury
- ◆ The funds are intended to help mitigate bank risk and increase the flow of capital to small businesses
- ◆ New Mexico uses the funds to help provide funding where Smart Money has been unable to help
- ◆ The State is required to leverage 10 private dollars for each Federal dollar by December 31, 2016
- ◆ Under current market conditions, there is a very strong appetite for subordinated participations whereby the bank is able to gain a senior interest in the collateral. Due to Anti-Donation concerns, NMFA can only fund these participations using federal SSBCI funds

# NMFA Staff Structure

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# Program Activity

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FY Year Created in Law	Program Name	Total Projects Funded as of 12/31/2014	
1992	Public Project Revolving Fund	\$ 2,448,939,344	1,263
1994	Primary Care Capital Fund	\$ 13,324,659	20
1997	Drinking Water State Revolving Loan Fund	\$ 147,017,921	74
1999	Water and Wastewater Grant Fund ( <i>inactive</i> )	\$ 60,072,102	159
2001	Water Project Fund	\$ 290,355,609	274
2002	Local Government Planning Fund	\$ 4,670,123	131
2003	Economic Development Revolving Fund (Smart Money)	\$ 5,669,162	5
2003	Child Care Revolving Loan Fund ( <i>inactive</i> )	\$ 50,000	1
2004	Acequia Project Fund	\$ 175,000	10
2004	Behavioral Health Capital Fund	\$ 1,200,000	3
2005	Energy Efficiency & Renewable Energy Bonding Act	\$ 1,152,354	3
2005	Local Transportation Infrastructure Fund	\$ 4,700,000	21
2006	New Markets Tax Credit	\$ 154,286,000	13
2007	Local Government Transportation Fund	\$ 2,835,538	96
2009	DWRLF (American Recovery & Reinvestment Act)	\$ 13,620,322	16
2010	Colonias Infrastructure Project Fund	\$ 31,596,945	82
2011	Collateral Support Participation Program (State Small Business Credit Initiative)	\$ 7,480,820	15
	<b>Total Projects Funded</b>	<b>\$ 3,187,145,899</b>	<b>2,186</b>

# NMFA Mission

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*We are dedicated to improving the lives of New Mexicans, by planning and financing infrastructure, strengthening the economy through public/private partnerships and setting the standard for superior, diverse, innovative and solution-driven financing.*

--NMFA Staff