New Mexico Legislative Oversight Committee
Public Project Revolving Fund Presentation
GGRT and 2016 PPRF Bond Issues
Tuesday, November 15, 2016

PPRF Calendar Year 2016 Bonds

By the end of calendar year 2016, NMFA's flagship program, the Public Project Revolving Fund (PPRF), will have issued six bonds totaling $325 million.

- Five bonds ($316 million in total) are senior lien tax-exempt bonds rated AAA by Standard & Poor's and Aa1 by Moody's.
- One bond ($9 million) is a subordinate lien taxable bond rated AA+ by Standard & Poor's and Aa2 by Moody's.
- Details about these and all other PPRF bonds issued by NMFA from 1994 to the present can be found on NMFA's website and the following web pages:

    - Bond Original and Outstanding Debt Service Schedules:
      http://www.nmfa.net/investors/pprf/pprf-debt-service-schedules/
    - Senior Lien Official Statements:
      http://www.nmfa.net/investors/pprf/senior-lien-official-statements/
    - Subordinate Lien Official Statements:
      http://www.nmfa.net/investors/pprf/subordinate-lien-official-statements/
    - Standard & Poor's and Moody's Rating Reports::
      http://www.nmfa.net/investors/pprf/pprf-rating-agency-reports-letters-2/

PPRF bonds are highly rated resulting in low borrowing costs for New Mexico borrowers using the PPRF

- NMFA passes its borrowing costs directly to New Mexico communities and to State borrowers
- NMFA adds no credit premium to the rates it charges regardless of the credit of the borrower
- NMFA provides disadvantaged communities with up to $500,000 in 0% loans
- Due to the economic downturn for some New Mexico communities, the PPRF has many new borrowers in 2016 who in the past have borrowed on their own when their ratings were higher

Key to PPRF Bond Ratings

The PPRF is highly rated despite the mix of very good and not so good borrowers within the PPRF. The AAA/Aa1 PPRF ratings are due to a number of factors:

- NMFA has high credit structuring standards and will not let communities borrower more than they can afford to pay
- Consequently, the PPRF program has never had a loan default in its history
- The PPRF program has significant credit enhancements recognized by the rating agencies and by municipal bond investors
    - All pledged revenues are enduring revenue sources – no pledged revenues can be here today and someplace else tomorrow

- The PPRF classifies revenue in ten categories with nine of those being taxes that do not sunset over the life of the loan
- The tenth category is Enterprise System Revenue as is appropriate for higher education borrowers and utilities such as Albuquerque Bernalillo County Water Utility Authority
- Most pledged revenues that are taxes are intercepted by Tax and Rev for NMFA's benefit to first pay debt service before the remainder goes to the community – of $1.35 billion in outstanding loans, $720 million is subject to intercept
- The weakest credits may require an individual debt service reserve fund to be part of the loan – individual DSRs total over $60 million
- The PPRF also has a Common Debt Service Reserve Fund that is part of the bond indentures in the amount of $30.5 million. Implementation of the CDSR fund led to the PPRF receiving an AAA rating from S&P
- In all, of the $135 million in debt service that is due on PPRF bonds each year, there are credit enhancements available each year of more than $135 million _excluding_ the credit enhancement that the rating agencies and investors consider to be most important – NMFA's 75% share of GGRT distributions

Governmental Gross Receipts Tax Distribution to the PPRF

NMFA receives about $28.5 million each year in monthly GGRT distributions. None of the GGRT distribution that NMFA receives in a given fiscal year is available to NMFA for other than credit enhancement purposes until the next fiscal year because final PPRF debt service payments are not made until June 15th of each year

- A focus in rating presentations is GGRT
    - Moody's PPRF 2016F bond rating report states that:
    Factors that could lead to an upgrade: ***Significant growth in Governmental Gross Receipts Tax revenues bolstering cash flow, coverage, and reserves***
    Credit Challenges: ***Third consecutive year of required contributions to the state from a portion of [GGRT] flow -through funds***
    - Standard & Poor's PPRF 2016F bond rating report states that:
    Outlook: *The stable outlook reflects our expectation for continued stable borrower credit quality and timely borrower loan repayment, **coupled with steady GGRT revenues***
    Downside Scenario: *Should there be a significant change in the credit quality of the borrower portfolio, a sudden spike in loan defaults, or **a sizable reduction in over collateralization provided by GGRT**, we would likely lower the ratings.*
- NMFA has a web page dedicated to GGRT and GRT: http://www.nmfa.net/investors/general-information/new-mexico-gross-receipts-data/
- On the GGRT section of the web page can be found the most recent 84-month history of GGRT distribution to the PPRF along with three graph types to help investors and others visually understand GGRT patterns. The three graphs are attached along with the most recent 84-month GGRT distribution history. The three graphs are:
    - A Heat Map graph provided to the rating agencies
    - A Hinton graph
    - A line graph with annual averages
- Also on this web page is extensive gross receipts data for every New Mexico municipality.

GGRT 12-Month Distributions to the PPRF

Sep 2015 - Aug 2016	**28,768,788**	**5.368%**
Sep 2014 - Aug 2015	**27,303,163**	**2.666%**
Sep 2013 - Aug 2014	**26,594,125**	**-2.757%**
Sep 2012 - Aug 2013	**27,348,139**	**1.347%**
Sep 2011 - Aug 2012	**26,984,737**	**8.257%**
Sep 2010 - Aug 2011	**24,926,521**	**7.864%**
Sep 2009 - Aug 2010	**23,109,226**	

GGRT Distribution to PPRF - 7 Years Sep 2009 - Aug 2016

	9/09-8/10	9/10-8/11	9/11-8/12	9/12-8/13	9/13-8/14	9/14-8/15	9/15-8/16
Aug	2.31M	2.58M	2.43M	2.63M	2.53M	2.43M	2.91M
Jul	2.24M	2.24M	2.71M	2.44M	2.48M	2.39M	2.66M
Jun	2.21M	2.27M	2.7M	2.44M	2.31M	2.43M	2.51M
May	1.89M	1.96M	1.99M	2.21M	1.71M	2.61M	2.42M
Apr	1.65M	2.12M	1.95M	2.15M	2.16M	1.69M	2.22M
Mar	1.72M	2.07M	2.1M	2.16M	2.31M	2.23M	2.6M
Feb	1.56M	1.76M	1.78M	1.93M	1.97M	2.11M	2.21M
Jan	1.77M	1.89M	2.14M	2.05M	2.18M	2.09M	2.16M
Dec	1.81M	1.86M	1.93M	2.34M	1.88M	2.14M	2.09M
Nov	1.75M	1.98M	2.47M	2.3M	2.04M	2.16M	1.93M
Oct	1.88M	1.96M	2.24M	2.3M	2.41M	2.5M	2.3M
Sep	2.32M	2.24M	2.55M	2.39M	2.62M	2.51M	2.77M

NMFA PPRF Month-by-Month Year-to-Year Weighted vs 100% Increase/Blue Decrease/Orange 2009-2016
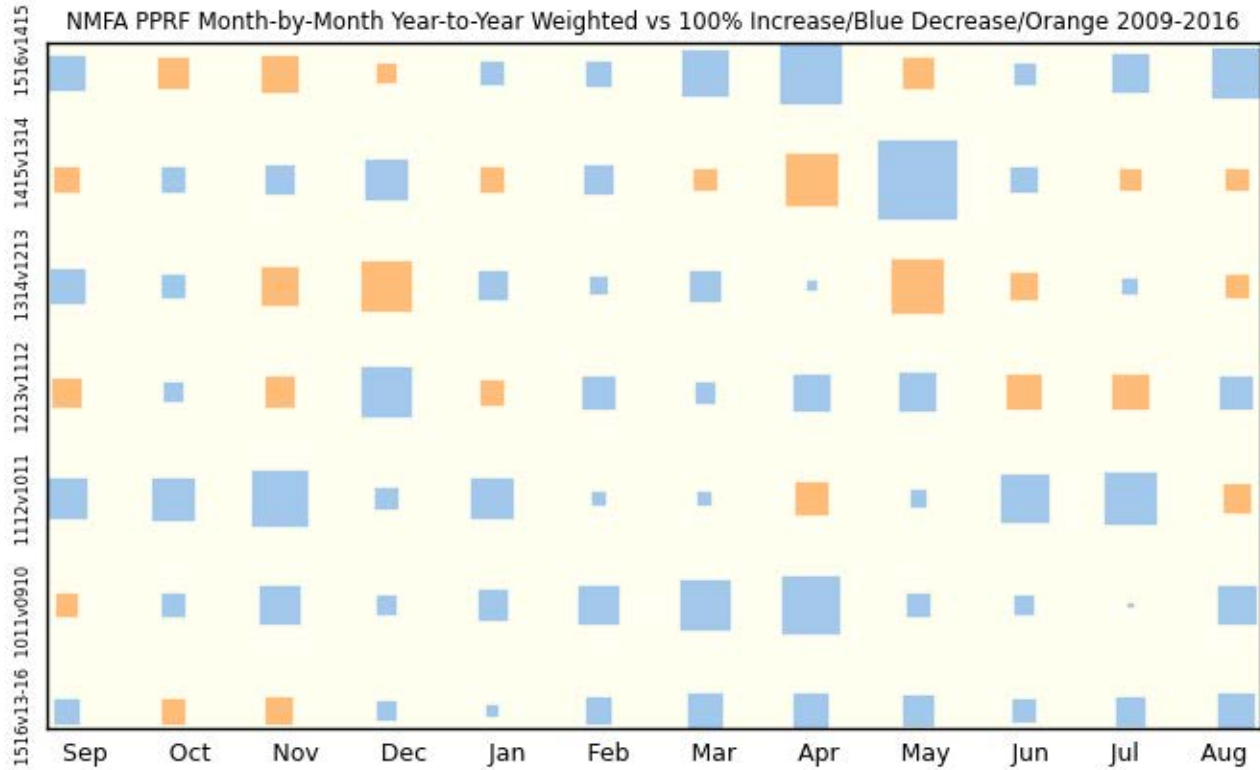
GGRT Distributions for NMFA Public Project Revolving Fund (CRSPPR)

Legend:
- GGRT Monthly Distribution
- GGRT 7-Year Average - $26,433,528
- Last 3 Year Average - $27,555,358
- Year 7 GGRT - $28,768,788
- Year 6 GGRT - $27,303,163
- Year 5 GGRT - $26,594,125
- Year 4 GGRT - $27,348,119
- Year 3 GGRT - $26,984,737
- Year 2 GGRT - $24,926,521
- Year 1 GGRT - $23,109,226

Y-axis: RP-500 Monthly Disbursement ($1,550K to $2,910K)

X-axis: Sep 2009, Feb 2010, Aug 2010, Feb 2011, Aug 2011, Feb 2012, Aug 2012, Feb 2013, Aug 2013, Feb 2014, Aug 2014, Feb 2015, Aug 2015, Feb 2016, Aug 2016

GGRT Distribution for NMFA PPRF GGRT Share Last 84 Months Thru Aug 2016