

NEW MEXICO
FINANCE AUTHORITY

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Presentation to NMFA Oversight Committee

New Mexico Finance Authority Update on Activities

**Katherine Miller, Chair
Steve Kopelman, Vice Chair
Marquita Russel, CEO**

November 30, 2020

- **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**
- **Deborah 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 current 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

◆ Technology improvements:

- Inadequate technology was at the heart of NMFA's prior issues
 - NMFA's programs are highly diverse
 - PPRF is unique in the world of pooled bond programs
- NMFA is completing its transition to a 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)
 - As of December 1st, PPRF will be operating solely from new loan servicing system
- New loan servicing system and general ledger are cloud-based which allows NMFA to work efficiently from remote locations

- ◆ Reporting improvements:
 - ❑ In FY2020 established an Operating Fund in NMFA Budget
 - ❑ Complete financial reports reviewed monthly to Finance & Disclosure Committee
 - ❑ Improved activity statements for clients
 - ❑ New NMFA and Investor websites: www.nmfinance.com, www.nmbondfinance.com and www.nmdotbonds.com
- ◆ FY2019 Audit as a Comprehensive Annual Financial Report (“CAFR”) Received a Certificate of Achievement for Excellence in Financial Reporting from GFOA
- ◆ Submitted FY2020 CAFR well before November 2nd due date

Staff Structure

- ◆ 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 44.5; filled five vacancies in January and February 2020. Currently seeking to fill one vacancy

- ◆ To date, few financials impacts from existing clients
 - ❑ 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
 - ❑ Anticipate loan restructurings, however very few seen to date
- ◆ Established new programs to help cash-strapped businesses and non-profits:
 - ❑ NMFA Board established two programs
 - ❑ Legislature created two programs
 - ❑ All programs staffed primarily through temporary employees and temporary work re-assignments; only one-part time employee added to date.

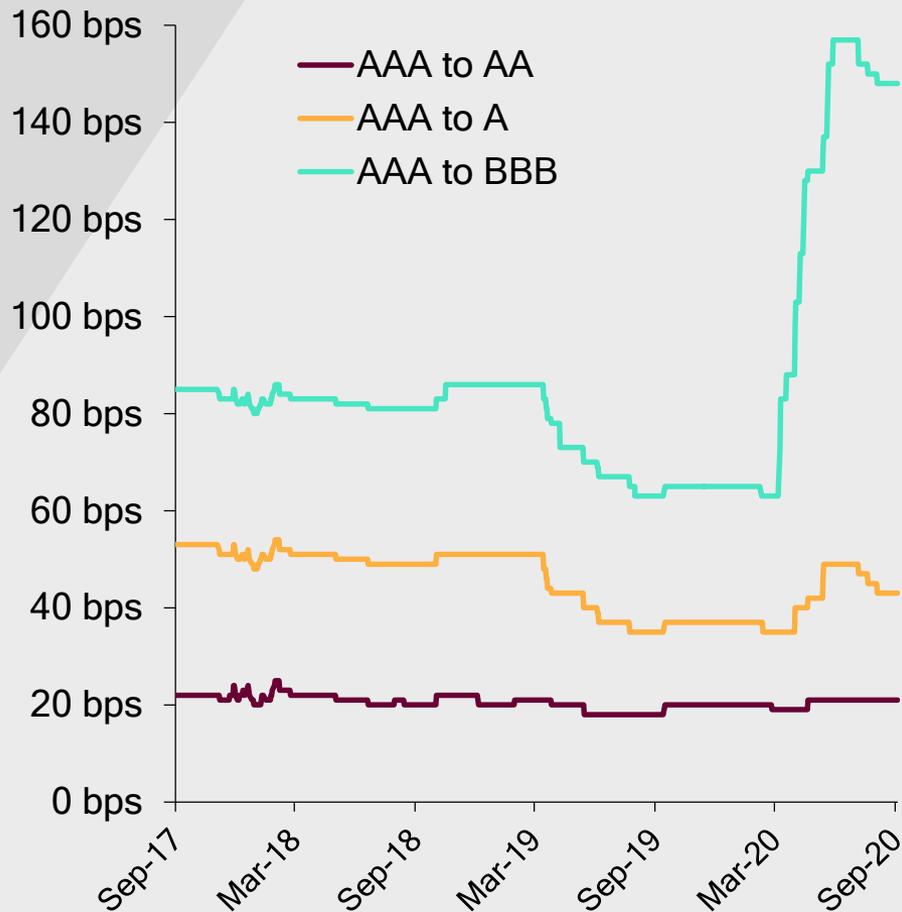
- ◆ Created \$12 million Essential Services Working Capital Program
- ◆ Awarded \$35 million New Markets Tax Credits (\$321 million total)
 - Created NMTC Small Loan Pool for projects less than \$4 million
- ◆ First Special Session: Small Business Recovery Act of 2020
 - \$400 million Small Business Recovery Loan Fund
 - As of November 24th, 655 businesses received \$30.4 million
 - Anticipate \$40 million in SBRLF to be loaned out by year-end
 - \$50 million Emergency Economic Relief Fund
 - Due to low demand, program was not implemented
- ◆ Second Special Session: Small Business CARES Act Grants
 - \$100 million in Federal funds must be delivered by December 30
 - Will use systems developed for SBRLF to operate new program

- ◆ NMFA's Flagship program -- 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 6th (postponed from March 24th)
 - ❑ 2020B - \$81 million sold June 17th
 - ❑ 2020C - \$100 million sold on September 16th

PPRF High-Rated Issuer

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

Quantifying the Value of Credit Spreads

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Tax-Exempt AAA Interest Rates for \$1,000,000, 30-year Loan (as of 10/29/20)

AAA Index	AAA Index + 20bp (AAA to AA)	AAA Index + 50bp (AAA to A)	AAA Index + 125bp (AAA to B)	AAA Index + 400bp
Debt Service Cost per \$1 Million = \$ 1,626,000	\$ 1,654,750	\$ 1,694,750	\$ 1,790,250	\$ 2,340,500
Added Cost for \$1 Million Loan =	\$ 28,750	\$ 68,750	\$ 164,250	\$ 714,500
Added Cost for \$1.5 Million Loan =	\$ 43,125	\$ 103,125	\$ 246,375	\$ 1,071,750
Added Cost for \$6.5 Million Loan =	\$ 186,875	\$ 446,875	\$ 1,067,625	\$ 4,644,250
Added Cost for \$15 Million Loan =	\$ 431,250	\$ 1,031,250	\$ 2,463,750	\$ 10,717,500
Added Cost for \$35 Million Loan =	\$ 1,006,250	\$ 2,406,250	\$ 5,748,750	\$ 25,007,500

Historic Funding

	FY 2018		FY 2019		FY 2020		FY 2021 Q1	
Programs for Public Entities								
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	<u>50</u>	<u>\$ 2,033,155</u>	<u>39</u>	<u>\$ 1,787,967</u>	<u>7</u>	<u>\$ 481,165</u>	<u>4</u>	<u>\$ 131,770</u>
<i>Public Financing Programs</i>	186	\$ 263,459,325	180	\$ 339,986,561	165	\$ 339,535,527	43	\$ 87,590,446
Programs for Private Entities								
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	<u>0</u>	<u>\$ -</u>	<u>0</u>	<u>\$ -</u>	<u>0</u>	<u>\$ -</u>	<u>433</u>	<u>\$ 20,700,000</u>
<i>Private Financing Programs</i>	1	\$ 15,000,000	5	\$ 48,600,000	4	\$ 26,251,543	444	\$ 24,567,550
Total	187	\$ 278,459,325	185	\$ 388,586,561	169	\$ 365,787,070	487	\$ 112,157,996

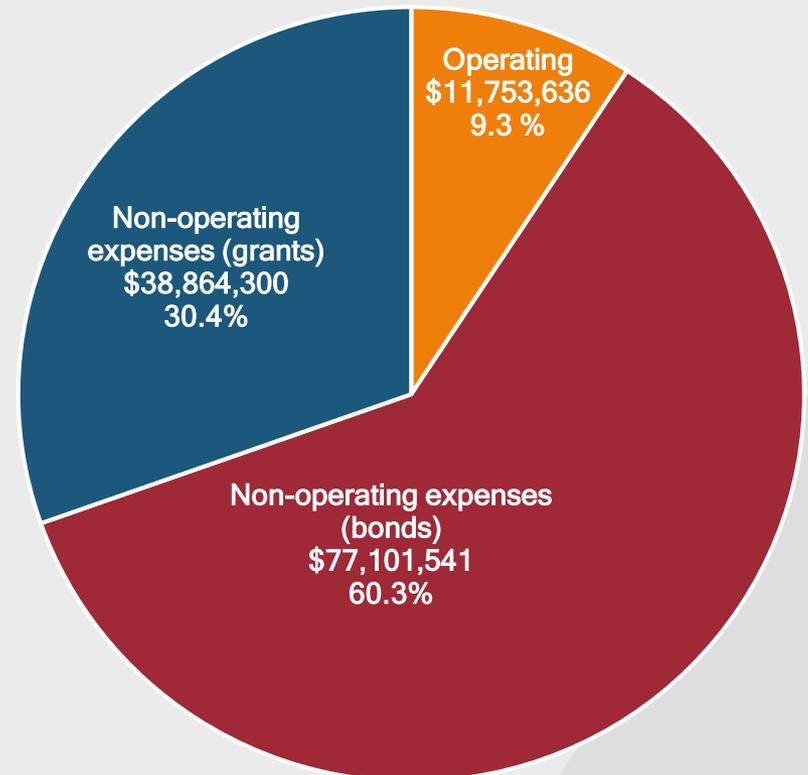


FY2021 Operating Budget

◆ 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





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

