



NEW MEXICO
FINANCE AUTHORITY

2015 Annual Report



Financing Your Future, Believing in New Mexico

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I. Introduction





NEW MEXICO
FINANCE AUTHORITY

Message from Chairman John McDermott

As Chairman of the New Mexico Finance Authority (NMFA) I am proud to help lead an organization with a clear mission to contribute to the economic growth and vitality of New Mexico.

The core mission of the NMFA is to help New Mexico's communities by providing access to capital through mission-based funding in three primary areas:

- The first of these areas is infrastructure and capital equipment which is funded via the Public Project Revolving Fund, the Local Government Planning Fund and the Colonias Infrastructure Project Fund.
- Water represents the second area in which NMFA provides funding through the Drinking Water State Revolving Loan Fund, the Water Project Fund and the Acequia Project Fund.
- NMFA's third area of funding is community facilities and economic development which is supported by our Primary Care Capital Fund, Behavioral Health Capital Fund, the New Markets Tax Credit Program, Smart Money Loan Participation Program and Collateral Support Participation Program.

NMFA is proud of its AAA credit rating, which allows New Mexico communities to borrow at some of the lowest costs in the nation. Our clients depend on this low cost financing to use their income sources to accomplish the maximum amount of community improvement for their citizens.

Citizens, community leaders and elected officials at the local and state levels trust the NMFA to set the standard for solution-driven financing. We are committed to maintaining that trust by the strength of NMFA policies, the quality of our programs, and the integrity and energy of the NMFA's professionals and staff.

John McDermott
Chairman
New Mexico Finance Authority



NEW MEXICO FINANCE AUTHORITY

Message from the CEO

This past year, while traveling across New Mexico, I observed the pride and commitment each citizen has in this great state. New Mexico's citizens derive an unbounding spirit from its rich history which is evident in their optimism and belief in the future of the state.

NMFA is committed to New Mexico's future by providing capital to both the public and private sectors of our economy. The PPRF supplies infrastructure capital to communities all over New Mexico. This capital allows our clients to deliver efficient and low cost services to residents state-wide. NMFA also assists in the safety and welfare of our citizens by ensuring our fire and law enforcement agencies have the funding they need to purchase the state of the art equipment to protect our citizens.

Health care in New Mexico is another sector where NMFA provides assistance. Low cost funding provided by NMFA to hospitals in rural areas allowing citizens in those area to receive critical care close to their homes. Behavioral Health Care and Primary Care Capital Funds provide low cost capital to health providers serving communities in those remote areas bringing modern health care to remote portions of our state.

Water is the life blood of the state. NMFA helps communities throughout the state by providing funding via the Drinking Water Revolving State Fund, Water Project Fund, and Colonias Fund. In 2015 over \$73.7 million has been distributed to the various entities throughout New Mexico so its citizens continue to have the water resources they need.

These are just a few of the many low cost funding opportunities that NMFA provides to communities across the state. NMFA will continue working to provide low cost funding to ensure a brighter future for New Mexico.

Robert P. Coalter
Chief Executive Officer



II. General Information





NEW MEXICO FINANCE AUTHORITY

BOARD MEMBERS

John E. McDermott, *Chair*

Chief Executive Officer
McDermott Advisory Services, LLC

William Fulginiti, *Vice-Chair*

Executive Director
New Mexico Municipal League

David Martin, *Secretary*

Cabinet Secretary
New Mexico Energy, Minerals & Natural Resources Department

Katherine Ulibarri, *Treasurer*

Vice President for Finance & Operations
Central New Mexico Community College

Jon Barela, *Member*

Cabinet Secretary
New Mexico Economic Development Department

Thomas Clifford, *Member*

Cabinet Secretary
New Mexico Department of Finance & Administration

Blake Curtis, *Member*

Chief Executive Officer
Curtis & Curtis Seed & Supply

Ryan Flynn, *Member*

Cabinet Secretary
New Mexico Environment Department

Jerry L. Jones, *Member*

Associate Broker
Keller Williams Realty

Steve Kopelman, *Member*

Executive Director
New Mexico Association of Counties

Terry White, *Member*

Chief Executive Officer
Sunwest Trust Inc.



NEW MEXICO FINANCE AUTHORITY

NMFA STAFF

Chief Executive Officer
Robert P. Coalter

Chief Administrative Officer
Dora Mae Cde Baca

Executive Assistant/Records
Mgr.
Connie Marquez-Valencia

Director of IT
Floyd Trujillo

Information Security Analyst
Mona Killian

IT Systems Analyst
Frank Ibarra

Administrative Support
Specialist III
Mark Dalton

Administrative Support
Specialist I
Helen Poston

General Counsel
Dan Opperman

Assistant General Counsel
Bryan Otero

Assistant General Counsel
Mark Chaiken

Chief Financial Officer
Robert Brannon

Director of Loan Operations
Leslie Medina

Senior Accountant II
Robert Spradley

Senior Accountant II
Lorraine Valdez

Senior Accountant I
Richard Garcia

Senior Accountant I
Joanne Johnson

Accountant III
Bambi Russom

Accountant II
Claudette Romero

Chief of Programs
Marquita D. Russel

Director of Commercial
Lending
John Brooks

Commercial Lender
Rod McNamara

Commercial Credit Analyst
Jolene Meadows

Sr. Program Admin.
LGPF/Colonias
Jim Perry

Sr. Administrative Assistant
Theresa Garcia

Special Projects Coordinator
Jana Amacher

Sr. Program Administrator/
WTB
Angela Quintana

Sr. Program
Administrator/DW
Todd Johansen

Sr. Administrative Assistant
Charlotte Larragoite

Chief Lending Officer
Zach Dillenback

Sr. Lending Officer
Donna Maestas

Lending Officer
Vince Lithgow

Lending Officer
Carmela Manzari

Financial Analyst
Maria Gallardo

Sr. Administrative Assistant
Yolanda Valenzuela

Chief Financial Strategist
Michael Zavelle

Investment Manager
Mark Lovato



III. NMFA Overview



Overview

The New Mexico State Legislature created the New Mexico Finance Authority in 1992 as a mechanism for accessing low-cost capital for the state's cities, counties and certain departments of state government. The enabling statute created the Public Project Revolving Fund ("PPRF"), the Finance Authority's flagship program, as the primary vehicle to accomplish this financing objective.

Over the years, the Legislature broadened the scope of the Finance Authority to include financing programs for vital water and wastewater projects as well as transportation, community facilities and economic development projects. The Finance Authority has become an economic engine for New Mexico and has proven to be a resourceful and effective manager of state and federal programs.

As authorized by statute, the Finance Authority issues PPRF bonds to replenish the funds it loans to New Mexico governmental entities. The statute provided that a portion of the Governmental Gross Receipts Tax would be dedicated to the PPRF and would serve as additional credit enhancement for PPRF bondholders.

Building upon last year's success the Finance Authority increased year over year loan closing volume by 44% in the PPRF program to over \$149 million in new projects. The Finance Authority also utilized rule changes in the Local Government Planning Fund program for a four-fold increase in volume and number of closings. The 43 closed grants represent the largest amount closed in the 13 year history of the program and will help to initiate additional capital projects when the plans conclude. Finally the Finance Authority ended the year with an unprecedented \$64 million in grant revenue, a 16% increase from 2014 and the largest since inception. This figure represents funds received for projects requisitions within the federally funded Drinking Water State Revolving Loan Fund, Water Trust Board Program, the Local Government Planning Fund and the Colonias Infrastructure Project Fund. These amounts signify substantial investment in infrastructure, planning, and equipment throughout the state.

The result was that the Finance Authority closed \$200 million in project volume in FY 2015 bringing our total number of projects financed to 2,272 and our total financings to \$3,319,124,045.



FY Year Created in Law	Program Name	Total Project Funding Provided (6/30/2015)	Total Projects Funded (6/30/2015)	Enabling Act	Statute
1992	Public Project Revolving Fund	\$ 2,556,325,402	1,288	New Mexico Finance Authority Act	6-21-6.0
1994	Primary Care Capital Fund	\$ 13,324,659	20	Primary Care Capital Funding Act	24-1C-4
1997	Drinking Water State Revolving Loan Fund	\$ 147,749,833	75	Drinking Water State Revolving Loan Fund Act	6-21A-4
1999	Water and Wastewater Grant Fund	\$ 60,072,102	159	New Mexico Finance Authority Act	6-21-6.3
2001	Water Project Fund	\$ 304,636,728	290	Water Project Finance Act	72-4A-9
2002	Local Government Planning Fund	\$ 5,517,978	151	New Mexico Finance Authority Act	6-21-6.4
2003	Economic Development Revolving Fund (Smart Money)	\$ 5,669,162	5	Statewide Economic Development Finance Act	6-25-1
2003	Child Care Revolving Loan Fund	\$ 50,000	1	Child Care Facility Loan Act	24-24-4.0
2004	Acequia Project Fund	\$ 175,000	10	Water Project Finance Act	72-4A-9.1
2004	Behavioral Health Capital Fund	\$ 1,200,000	3	Behavioral Health Capital Funding Act	6-26-4
2005	Energy Efficiency & Renewable Energy Bonding Act	\$ 1,152,354	3	New Mexico Finance Authority Act	6-21D-5
2005	Local Transportation Infrastructure Fund	\$ 4,700,000	21	New Mexico Finance Authority Act	6-21-6.8
2006	New Markets Tax Credit	\$ 154,286,000	13	Statewide Economic Development Finance Act	6-25-6.1
2007	Local Government Transportation Fund	\$ 2,835,538	96	New Mexico Finance Authority Act	6-21-6.12
2009	DWRLF (American Recovery & Reinvestment Act)	\$ 13,620,322	16	Drinking Water State Revolving Loan Fund Act	6-21A-4
2010	Colonias Infrastructure Project Fund	\$ 39,878,147	105	Colonias Infrastructure Finance Act	6-30-1.0
2011	Collateral Support Participation Program	<u>\$ 7,930,820</u>	<u>16</u>	Statewide Economic Development Finance Act	6-25-13
Total Projects Funded		\$ 3,319,124,045	2,272		



IV. NMFA Programs and Activity



Infrastructure and Capital Equipment Programs

The Finance Authority has become synonymous with low-cost funding for planning and financing critical infrastructure projects. In addition to the Public Project Revolving Fund, the Finance Authority currently offers the Local Government Planning Fund and the Colonias Infrastructure Project Fund.

Public Project Revolving Fund

The Public Project Revolving Fund (“PPRF”) is the New Mexico Finance Authority’s flagship program and was created in 1992 to assist a wide range of public entities in accessing the capital markets at low or below-market interest rates. The Finance Authority’s main purpose is to coordinate the planning and financing of state and local public projects, provide long-term planning based on state and local capital needs and to improve cooperation among the executive and legislative branches of state and local governments. These goals are achieved primarily through the PPRF.

The PPRF is funded primarily through the Finance Authority’s share of Government Gross Receipts Tax (GGRT), which is the tax levied on goods and services provided by local governments. In fiscal year 2015, the PPRF’s share of the GGRT approximated \$26.5 million per year. The Finance Authority’s uses available funds to make loans to borrowers and then replenishes the PPRF by issuing tax-exempt bonds secured by the PPRF loans made to qualified entities and the annual GGRT receipts.

Since its inception, the Finance Authority has served a diversity of borrowers and project types. This diversity, coupled with the annual receipt of GGRT, has helped the PPRF attain higher bond ratings, lower costs of issuance to all borrowers, and subsidize interest rates on loans to disadvantaged entities. The advantage is being able to offer all borrowers the PPRF’s ‘AAA’ rates regardless of a borrower’s underlying credit. The impact of the PPRF’s high bond rating means that Finance Authority is able to float its bonds at lower interest rates and pass along the savings to New Mexico’s communities, regardless of their underlying credit, who are able to stretch further their limited public dollars for public projects due to lower interest rates.

In addition, the Finance Authority uses GGRT to provide subsidized interest rates to those most in need. In October 2015, the Finance Authority increased the benefits of its below-market interest rate loans to Disadvantaged Qualified Entities by broadening the definition of Disadvantaged Qualified Entity, lowering the interest rate for one category of Disadvantaged Qualified Entity from 3% to 2% and increasing the amount to \$500,000 from \$200,000 of 0% and 2% funding provided annually to these borrowers. As a result, the Finance Authority expects in FY 2016 to provide greater below-market interest rate loans to those most in need borrowers through the expanded Disadvantaged Qualified Entity funding.

In fiscal year 2015, the Finance Authority closed 49 loans totaling \$149,246,396.

Pubic Project Revolving Fund Eligibility:

Applicants: Local governments, including tribal bodies and charter schools

Projects: Infrastructure, building and capital equipment projects

Terms: Loans of up to 30 years, based upon the useful life of the project, offered at low, fixed interest rates

Other: Entities with median household incomes less than the State's median household income are eligible to receive 0% or 2% interest rates for up to \$500,000 per entity per fiscal year.

Local Government Planning Fund

The Local Government Planning Fund funds critical planning documents for a variety of public infrastructure projects. Eligible plans include Preliminary Engineering Reports, Feasibility Studies, Environmental Information Documents, Comprehensive Plans, Asset Management Plans, Water Conservation Plans, Master Plans, Local Economic Development Act Plans and Metropolitan Redevelopment Act Plans. Applications are accepted monthly and grants are made on a reimbursement basis. In fiscal year 2015, the Finance Authority closed 43 grant agreements totaling \$2,151,440, representing a four-fold increase in activity from the prior fiscal year.

Local Government Planning Fund Eligibility:

Applicants: Local governments, including tribal entities and mutual domestic water consumers associations

Projects: Preliminary engineering reports, environmental information documents, water conservation plans, long-term water plans, energy efficiency audits and economic development plans

Terms: Grant eligibility is determined by project type and the applicant's ability to pay for all or a portion of the planning document.

Other: Prioritization of funding is determined by Board policy.

Colonias Infrastructure Project Fund

In 2010, the Legislature adopted the Colonias Infrastructure Act to help certain communities in Southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, roads and housing. The purpose of the Act is to ensure adequate financial resources for infrastructure development for Colonia-recognized communities, provide for the planning and development of infrastructure in an efficient and cost-

effective manner, and develop infrastructure projects to improve quality of life and encourage economic development. In fiscal year 201, the Finance Authority closed 42 projects totaling \$18,303,406.

Water Programs

The Finance Authority is a key part of the State's efforts to improve the quality and quantity of drinking water through its Drinking Water State Revolving Loan Fund and the programs managed by the Water Trust Board. Water programs represent the NMFA's second largest area of program activity.

CIP Eligibility:

Applicants: Local governments, including counties, cities and mutual domestic water consumers associations. Qualified entities must be able to demonstrate adequate capacity to construct and operate the project over the long-term

Projects: Preliminary engineering reports, plans and specifications, and construction

Terms: Funds are delivered as 90% grant, 10% loan, with provisions for loan waivers. The loans are structured with terms of up to 20 years at 0% interest.

Other: Projects are selected by the Colonias Infrastructure Board and recommended to the Finance Authority for funding.

Drinking Water State Revolving Loan Fund

The Drinking Water State Revolving Loan Fund ("DWSRLF") is operated in partnership with the New Mexico Environment Department ("NMED") to provide low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and the public health.

This federal program, managed by the Finance Authority on behalf of the State of New Mexico, is funded through a federal capitalization grant of approximately \$8 million annually. The State is required to match the federal grant by 20 percent. The primary use of the funding is to provide below-market rate loans that fund vital water quality projects. As provided under the federal guidelines, NMED uses 27 percent of the capitalization grant to fund its duties under the federal Safe Drinking Water Act. Similarly, the Finance Authority uses 4 percent for its management of the program. To date, the Finance Authority's loan fund has received \$161 million in federal Environmental Protection Agency ("EPA") capitalization grants, which has been matched by the Finance Authority with \$33.3 million and \$42.2 million in interest and loan repayments.

In 2011, the federal government began requiring that a portion of the capitalization grants be delivered to communities with additional subsidy. The Finance Authority provides its additional subsidy through low-cost loans with principal forgiveness determined on a sliding scale. Following two years of unprecedented demand, the financing activity under the program has stabilized and the Finance Authority closed 9 loans totaling \$9,009,211.

DWSRLF Eligibility:

Applicants: Municipal and community water systems

Projects: Water infrastructure and equipment

Terms: Loans of up to 30 years are offered at below market, fixed interest rates

- Disadvantaged public entities: 0% for the first \$600,000
- Community water systems: 2%
- Non-profit water systems: 3%

Other: In addition to below-market interest rates, water systems operated by public entities may be eligible to receive additional subsidies such as principal forgiveness subject to funding availability.

Water Trust Board

Pursuant to the Water Project Finance Act, the Finance Authority provides administrative support to the 16-member Water Trust Board and manages two programs on its behalf: the Water Project Fund and the Acequia Project Fund. The Finance Authority makes loans and grants for projects recommended by the Water Trust Board and authorized by the Legislature. Eligible projects reflect the State's comprehensive effort to promote funding for projects that improve water quantity up and down the value chain—from the water source to its use. With a reliable revenue stream to fund applications annually and a transparent set of policies that guide applicants, the Water Trust Board has become an increasingly sought-after source of funding for a variety of water projects statewide.

Water Project Fund

The Water Project Fund annually receives an earmark of the Severance Tax Bonds as well as a distribution from the Water Trust Fund to a variety of water projects recommended by the Water Trust Board and authorized by the Legislature. In fiscal year 2015, the Water Trust Board amended its rules to ensure that applications are fully evaluated prior to recommending projects to the Legislature. Additionally, in October 2015, the Water Trust Board adopted more streamlined policies to help guide applicants. In fiscal year 2015, the Finance Authority closed 24 funding awards totaling \$24,080,686. These awards were a combination of grants and loans, based upon the financial capacity of the applicants.

Water Project Fund Eligibility:

Applicants: State and local governments, including tribal entities and mutual domestic water consumers associations

Projects: Planning and construction funding for five types of water projects:

- Water treatment, conservation or reuse
- Flood prevention
- Endangered Species Act collaborative efforts
- Water storage, conveyance and delivery infrastructure improvements
- Watershed restoration and management initiatives

Terms: Loan/Grant combinations with the loan component dependent on the repayment ability of the applicant; loans are offered at 0% interest for terms of up to 20 years.

Other: Applicants are required to demonstrate at the time of award the ability to fully expend the funds within 12-18 months.

Acequia Project Fund

Through the Acequia Project Fund, the Finance authority funds planning and design for Acequia projects recommended by the Water Trust Board and authorized by the Legislature. In FY 2015, the Water Trust Board did not recommend any projects for funding from the Acequia Project Fund.

Acequia Project Fund Eligibility:

Applicants: Acequias

Projects: Planning and design

Terms: 100% grants with \$20,000 maximum grant per project.

Community Facilities & Economic Development Programs

The Finance Authority has been active in the financing of private facilities since 1994 with the establishment of the Primary Care Capital Fund. With the creation of the Statewide Economic Development Finance Act in 2003, the Legislature made the Finance Authority a key partner in economic development. Currently, the Finance Authority actively offers five funding programs in this area.

Primary Care Capital Fund

The Primary Care Capital Fund (“PCCF”) was created by the 1994 Legislature with an initial appropriation of \$5 million to be used as a revolving fund. To date, the Finance Authority and its partners at the Department of Health (“DOH”) have funded 19 loans totaling more than \$12 million. With its partners at the Department of Health, the Finance Authority made a \$1,200,000 loan to *Las Clinicas del Norte* to fund a portion of the construction costs for its new facility in Abiquiu.

PCCF Eligibility:

Applicants: 501(c) (3) non-profit primary care health providers

Projects: Building and capital equipment acquisitions

Terms: Loans of up to 15 years are offered at a 3% interest rate, fixed

Other: Borrowers who provide care to indigent patients at free or reduced prices are eligible to receive up to 20% of their annual principal and interest payments reduced through a contract-for-services negotiated with DOH.

Behavioral Health Capital Fund

Tailored after the successful Primary Care Capital Fund, this program provides low cost capital to behavioral health clinics in rural and underserved areas of the state. Capitalized by the Finance Authority with \$2.5 million, this small loan program provides below-market interest rate loans to non-profit behavioral health care providers. The Finance Authority did not make any new loans in FY 2015.

BHCF Eligibility:

Applicants: 501(c) (3) non-profit behavioral care health providers

Projects: Building and capital equipment acquisitions

Terms: Loans of up to 15 years are offered at a fixed interest rate of 3%.

Other: Borrowers who provide care to indigent patients at free or reduced prices may be eligible to receive up to 20% of their annual principal and interest payments reduced through a contract-for-services negotiated with HSD.

Statewide Economic Development Finance Act

The Statewide Economic Development Finance Act (“SWEDFA”) was enacted into law in 2003 and authorizes the Finance Authority to issue bonds, make loans and provide loan and bond guarantees on behalf of private entities, including businesses and non-profit corporations, from the Economic Development Revolving Fund. SWEDFA partners the Finance Authority with the New Mexico Economic Development Department (“NMEDD”) in creating and operating finance programs that help stimulate the economy through job creation and business growth, particularly in rural and underserved areas of New Mexico. To date the Finance Authority has implemented several programs that help stimulate the economy and create jobs.

Loan Participation Programs

The first program implemented under SWEDFA was Smart Money, a loan participation program funded by a net appropriation of \$5.1 million in State funds. In January 2012, the Finance Authority and NMEDD received from the US Department of Treasury approximately \$13.2 million in federal State Small Business Credit Initiative (“SSBCI”) funding made available through the federal Small Business Jobs Act. The Finance Authority and NMEDD have used these funds to create the Collateral Support Participation program, which works through banks to support new small business lending and help entrepreneurs expand their businesses, thereby creating and retaining jobs for New Mexicans. Through the Collateral Support Participation program, the Finance Authority will leverage at least \$132 million in private investment through December 2016. In anticipation of this federal funding and the limited timing to deliver the funds, the Legislature passed and Governor Martinez signed legislation which temporarily allows the Finance Authority to fund projects from the Economic Development Revolving Fund without prior legislative authorization. With the passage of this bill, the Finance Authority has the ability to provide business-friendly loans to expanding New Mexico’s businesses.

Smart Money Loan Participation Program

The Smart Money Loan Participation Program was the first program implemented under SWEDFA. Smart Money creates greater access to capital throughout rural and underserved areas of New Mexico by allowing the Finance Authority to purchase up to 49% of loans originated, underwritten and serviced by local banks at low, fixed interest rates

Smart Money Eligibility:

Applicants: Businesses and non-profit corporations

Projects: Working capital, equipment and building projects

Terms: Loans of up to 25 years are offered at low, fixed interest rates.

Other: The Finance Authority can purchase up to 49% of a bank's loan dependent on the maturity of the loan, job creation derived from the project and lien position of the participation.

Collateral Support Participation Program

This program uses federal funding provided through the SSBCI and is designed to spur private investment by mitigating bank risk. Through the Collateral Support Participation program, New Mexico banks can increase their collateral value while lowering the businesses' debt service. This program differs from Smart Money because it focuses on buying shorter term, smaller loan participations that may be subordinated to bank financing. In fiscal year 2015, the Finance Authority and NMEDD funded four projects totaling \$1,601,424 through four different banks across the state.

Collateral Support Participation Program Eligibility:

Applicants: Businesses and non-profit corporations

Projects: Working capital, equipment and building projects

Terms: Loans of up to 25 years are offered at low, fixed interest rates.

Other: The Finance Authority can purchase up to 40% of a bank's loan dependent on the term of the loan, location of the project and lien position offered to the Finance Authority.

New Markets Tax Credits Program

In 2007, with the explicit authorization of the Legislature, the Finance Authority formed a for-profit subsidiary called Finance New Mexico, LLC, to pursue an allocation of federal tax credits available under the New Markets Tax Credit (NMTC) program. The US Department of Treasury has awarded Finance New Mexico a total of \$156 million in NMTC allocations -- \$110 million in 2008, \$46 million in 2011 and \$45 million in 2015. Under this program, subsidiaries of Finance New Mexico lend to private for-profit and not-for-profit organizations to spur job creation and development activities in low-income areas of the state.

The purpose of the NMTC is perfectly aligned with the goals of the SWEDFA, which is to provide private businesses in rural or low-income communities across the State with greater access to capital. Under this program, Finance New Mexico leverages private capital with funds derived from the sale of tax credit to investors. The incentive to investors is a 39 percent federal income tax credit earned over seven years for every dollar invested in a qualified low income community enterprise. The benefit to New Mexico businesses is very low-cost capital, with flexible lending criteria and the potential to convert portions of NMTC loans to equity.

New Markets Tax Credit Eligibility

Applicants: For-profit and not-for-profit entities located in federally designated low-income census tracts.

Projects: Building, equipment and working capital

Terms: Terms of up to 40 years are offered at below market interest rates, with interest only due for the first seven years.

Other: Successful applicants must secure a primary lender that is willing to leverage its loans through the NMTC program. Funding is offered through quarterly competitive application cycles and is subject to available funding.

Conduit Economic Development Bonds

Through this program, the Finance Authority can help for-profit and not-for-profit businesses, particularly in rural and underserved areas of New Mexico, access the national bond market and take advantage of federal programs that can lower their interest rates through the issuance of tax-exempt bonds. To date, the Finance Authority has not exercised its authority to issue these bonds.

Conduit Economic Development Bond Eligibility:

Applicants: Small manufacturers and 501(c) (3) non-profit corporations

Projects: Building and equipment projects

Terms: Terms of up to 30 years offered at either fixed or variable interest rates.

Other: The Finance Authority is able to issue bonds for projects when requested by the local government where the project is located.

Other Programs

Department Of Transportation Bonds

In 2003, the State Legislature authorized the issuance of \$1.585 billion in bonds to fund approximately 40 statewide transportation expansion and improvement projects. The enabling legislation named the Authority as the agent for the New Mexico Department of Transportation (NMDOT) and authorized the Authority to issue \$1.585 billion in bonds to finance the projects.

Other Programs “Stand-Alone” Bonds

Earlier in its history, the Authority, pursuant to legislation, issued bonds for a number of projects for other state agencies or departments. These bonds were issued outside the PPRF, and were called “Stand-Alone” bonds. The proceeds of these bonds were used, generally, to fund the construction of buildings. For various reasons, these projects were not considered at the time to meet the criteria necessary to qualify for a PPRF loan. Over time, the requirements to qualify as a PPRF project have become less restrictive, and similar projects today are funded as PPRF loans, not as non-PPRF Stand-Alone bonds. For each of the Stand-Alone bonds, the source of repayment of the debt is a revenue pledge authorized through a legislative appropriation.



V. Total Operating Budget



NEW MEXICO FINANCE AUTHORITY
REVENUE AND EXPENSE BUDGETS
FISCAL YEARS ENDED JUNE 30, 2015 AND 2016

	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Budget	FY 2015 Projected	Percentage Change FY 2016 Budget over FY 2015 Budget	FY 2016 Budget	Percentage Change FY 2016 Budget over FY 2015 Projected
<u>REVENUES</u>							
Appropriation revenue	\$ 34,033,130	\$ 43,086,860	\$ 42,000,000	\$ 45,052,467		\$ 41,569,000	
Interest income from loans	52,942,880	48,723,703	56,143,000	50,497,139		50,780,650	
Interest income from investments	139,403	488,080	550,000	900,000		990,100	
Administration fee revenue	3,395,491	3,209,306	4,657,000	2,763,585		3,939,407	
Grant revenue	48,692,048	55,224,996	52,350,000	55,402,227		62,426,632	
Total Revenues	\$ 139,202,952	\$ 150,732,945	\$ 155,700,000	\$ 154,615,418	2.6%	\$ 159,705,789	3.3%
<u>EXPENDITURES</u>							
Operating Expenses							
Personnel services	3,926,740	4,284,392	4,650,000	4,500,000		4,966,146	
Professional services	2,651,079	2,189,377	2,700,000	2,605,000		2,741,100	
Operating costs	1,665,905	1,484,748	1,300,000	1,150,000		1,410,298	
Total - operating expenses	\$ 8,243,724	\$ 7,958,517	\$ 8,650,000	\$ 8,255,000	5.4%	\$ 9,117,544	10.4%
Non-Operating Expenses							
Bond/Loan interest Expense	\$ 55,997,227	\$ 54,101,275	\$ 51,731,650	\$ 52,617,605		\$ 48,366,599	
Bond Issuance Expense	752,792	674,398	1,500,000	1,169,823		1,500,000	
Grant Expense	48,828,884	50,824,441	44,950,000	46,056,822		55,378,969	
Total non-operating expenses	\$ 105,578,903	\$ 105,600,114	\$ 98,181,650	\$ 99,844,250	7.2%	\$ 105,245,568	5.4%
Total fiscal year expenses	\$ 113,822,627	\$ 113,558,631	\$ 106,831,650	\$ 108,099,250	7.0%	\$ 114,363,112	5.8%
Excess (deficit) revenues over expenses	\$ 25,380,325	\$ 37,174,314	\$ 48,868,350	\$ 46,516,168		\$ 45,342,677	
Transfer to other agencies	2,953,157	3,931,693	5,400,000	3,080,451		5,805,000	
Excess (deficit) revenues over expenses	\$ 22,427,168	\$ 33,242,621	\$ 43,468,350	\$ 43,435,717		\$ 39,537,677	

The Budget and certain other portions of this report contain forward-looking statements that are based on management expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual future results, therefore, may differ materially from the forecasts contained in the forward-looking statements.

**BUDGET DETAIL BY PROGRAM
FISCAL YEAR 2016**

	Grand Total	PPRF	GRIP (Inc GRIP II and Local Road Fund)	Drinking Water Revolving Loan Fund	Water Trust Board	Colonias Infrastructure Fund	Local Government Planning Fund	New Markets Tax Credits	State Small Business Credit Initiative	Economic Development	Behavioral Health Capital Fund	Primary Care Capital Fund	Child Care Revolving Loan Fund	Intergovernmental Receivables
REVENUES														
Appropriation revenues	\$ 41,569,000	\$ 27,800,000	\$ -	\$ -	\$ 4,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,119,000	\$ -	\$ -	\$ 8,650,000
Interest income on loans	50,780,650	48,500,000	-	1,000,000	-	-	-	-	150,000	50,000	20,000	110,000	650	950,000
Interest income on investments	990,100	650,000	5,000	200,000	65,000	-	10,000	-	40,000	5,000	10,000	4,000	100	1,000
Administration fee revenue	3,939,407	2,300,000	359,407	150,000	80,000	-	-	1,050,000	-	-	-	-	-	-
Grant revenue	62,426,632	-	-	10,500,000	41,926,632	10,000,000	-	-	-	-	-	-	-	-
Total Revenues	\$ 159,705,789	\$ 79,250,000	\$ 364,407	\$ 11,850,000	\$ 46,071,632	\$ 10,000,000	\$ 10,000	\$ 1,050,000	\$ 190,000	\$ 55,000	\$ 1,149,000	\$ 114,000	\$ 750	\$ 9,601,000
EXPENDITURES														
Operating Expenses														
Personal services and benefits	4,966,146	2,391,679	144,971	559,360	483,413	312,367	310,115	245,344	413,109	44,327	25,849	30,455	5,156	
Contractual costs	2,741,100	1,426,113	158,998	104,850	507,256	220,343	120,748	104,897	69,647	16,000	11,500	650	100	
Other Costs	1,410,298	739,590	55,438	141,093	131,435	69,269	68,767	99,871	94,784	6,780	1,478	1,533	261	
Total - Operating Expenses	\$ 9,117,544	\$ 4,557,382	\$ 359,407	\$ 805,303	\$ 1,122,104	\$ 601,978	\$ 499,630	\$ 450,111	\$ 577,539	\$ 67,107	\$ 38,827	\$ 32,638	\$ 5,517	\$ -
Non-Operating Expenses														
Bond interest expense	\$ 48,366,599	\$ 47,486,836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,763	\$ -	\$ -	\$ 804,000
Bond issuance expense	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-
Grant expense	55,233,969	-	-	4,300,000	40,433,969	9,000,000	1,500,000	-	-	-	-	-	-	-
Contract for service expense	145,000	-	-	-	-	-	-	-	-	-	10,000	135,000	-	-
Total Non-Operating Expenses	\$ 105,245,568	\$ 48,986,836	\$ -	\$ 4,300,000	\$ 40,433,969	\$ 9,000,000	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 85,763	\$ 135,000	\$ -	\$ 804,000
Total Expenses	\$ 114,363,112	\$ 53,544,219	\$ 359,407	\$ 5,105,303	\$ 41,556,073	\$ 9,601,978	\$ 1,999,630	\$ 450,111	\$ 577,539	\$ 67,107	\$ 124,589	\$ 167,638	\$ 5,517	\$ 804,000
Excess (Deficit) revenues over expenses	\$ 45,342,677	\$ 25,705,781	\$ 5,000	\$ 6,744,697	\$ 4,515,559	\$ 398,022	\$ (1,989,630)	\$ 599,889	\$ (387,539)	\$ (12,107)	\$ 1,024,411	\$ (53,638)	\$ (4,767)	\$ 8,797,000
Transfer to other agencies	5,805,000	500,000	-	2,500,000	-	-	-	-	-	-	-	-	-	2,805,000
Excess (Deficit) revenues over expenses	\$ 39,537,677	\$ 25,205,781	\$ 5,000	\$ 4,244,697	\$ 4,515,559	\$ 398,022	\$ (1,989,630)	\$ 599,889	\$ (387,539)	\$ (12,107)	\$ 1,024,411	\$ (53,638)	\$ (4,767)	\$ 5,992,000
Activity - Projected Financings														
Number of Projects	181	50	0	8	30	25	53	3	10	1	0	1	0	0
\$ amount of financings	260,021,452	160,000,000		20,069,724	32,000,000	16,000,000	2,057,500	24,654,000	4,040,228	550,000	-	650,000	-	-
Activity - Current Loans Outstanding														
Number of Loans	970	647	0	60	165	50	0	13	12	5	3	8	1	6
\$ amount of loans outstanding	1,442,701,149	1,059,731,355	-	82,862,738	24,930,441	1,550,806	-	154,286,000	4,527,971	3,852,810	973,309	3,879,778	13,459	106,092,483

New Mexico Finance Authority
Cash Flow Budget by Program
Fiscal Year Ending June 30, 2016

	Total	PPRF	GRIP (Including GRIP II and LTIF)	Drinking Water SRLF	Water Projects Fund	Colonias Infrastructure Fund	Local Government Planning Fund	New Markets Tax Credit	State Small Business Credit Initiative	Economic Development	Behavioral Health Care Capital Fund	Primary Care Capital Fund	Childcare Revolving Loan Fund	Intergovern- mental Loans
Cashflows from financing activities:														
Cash inflows from financing activities:														
Proceeds from Bond Issuances	145,000,000	145,000,000	-	-	-	-	-	-	-	-	-	-	-	-
Investment Funds Received - NMTC	24,654,000	-	-	-	-	-	-	24,654,000	-	-	-	-	-	-
Loan principal repayments	99,548,926	89,006,570	-	5,250,106	793,910	-	-	-	196,985	166,266	67,528	392,835	6,726	3,668,000
Loan Interest repayments restricted for loan funding	48,280,650	47,000,000	-	-	-	-	-	-	150,000	50,000	20,000	110,000	650	950,000
Investment interest restricted for loan funding	54,100								40,000		10,000	4,000	100	
Severance tax bond proceeds legislative transfers in	8,420,000	-	-	-	6,420,000	2,000,000								
Grant revenue	-													
- Severance Tax Bonds	51,926,632	-	-	-	41,926,632	10,000,000	-	-	-	-	-	-	-	-
- Federal Funds	10,500,000	-	-	10,500,000	-	-	-	-	-	-	-	-	-	-
Appropriation Revenue	-													
- Water Trust Fund	4,000,000	-	-	-	4,000,000	-	-	-	-	-	-	-	-	-
- GGRT	27,800,000	27,800,000	-	-	-	-	-	-	-	-	-	-	-	-
- Cigarette Tax	3,919,000	-	-	-	-	-	-	-	-	-	1,119,000	-	-	2,800,000
- Other	4,310,370	-	-	1,800,000	-	-	2,510,370	-	-	-	-	-	-	-
Total cash inflows from financing activities:	428,413,678	308,806,570	-	17,550,106	53,140,542	12,000,000	2,510,370	24,654,000	386,985	216,266	1,216,528	506,835	7,476	7,418,000
Outflows from financing activities:														
Bond Principal Repayments	(78,303,000)	(76,258,000)	-	-	-	-	-	-	-		(125,000)	-	-	(1,920,000)
Bond Interest Repayments	(48,366,599)	(47,486,836)	-	-	-	-	-	-	-	-	(75,763)	-	-	(804,000)
Costs of Issuance Expenses	(1,500,000)	(1,500,000)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation from PPRF for other programs	(4,800,000)	(4,800,000)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation from PPRF for other state agencies	(14,300,000)	(14,300,000)	-	-	-	-	-	-	-	-	-	-	-	-
Severance tax bond proceeds legislative transfers out	(8,420,000)	-	-	-	(6,420,000)	(2,000,000)	-	-	-	-	-	-	-	-
Deposits to reserve funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits to revolving fund	(565,000)	-	-	-	-	-	-	-	-	-	-	(565,000)	-	-
Projects funded as grants	(52,063,467)	-	-	(4,300,000)	(36,705,967)	(9,000,000)	(2,057,500)	-	-	-	-	-	-	-
Loans Funded	(212,417,757)	(160,000,000)	-	(15,769,724)	(5,294,033)	(1,000,000)	-	(24,654,000)	(4,500,000)	(550,000)	-	(650,000)	-	-
Payments to Other Agencies	(8,628,002)	-	-	(2,095,000)	(3,728,002)	-	-	-	-	-	-	-	-	(2,805,000)
Total cash outflows from financing activities	(429,363,825)	(304,344,836)	-	(22,164,724)	(52,148,002)	(12,000,000)	(2,057,500)	(24,654,000)	(4,500,000)	(550,000)	(200,763)	(1,215,000)	-	(5,529,000)
Net cash inflows (outflows) from financing activities	(950,147)	4,461,734	-	(4,614,618)	992,540	-	452,870	-	(4,113,015)	(333,734)	1,015,765	(708,165)	7,476	1,889,000
Cashflows from operating activities:														
Cash inflows from operating activity:														
Interest included in repayments of equity loans	2,500,000	1,500,000	-	1,000,000	-	-	-	-	-		-			-
Loan principal repayments	1,217,101	107,382			977,104	132,615								
Interest on investments	936,000	650,000	5,000	200,000	65,000	-	10,000	-		5,000				1,000
Administrative.processing fees	3,939,407	2,300,000	359,407	150,000	80,000	-	-	1,050,000	-	-	-	-	-	-
Appropriation revenue	489,630	-	-		-	-	489,630	-	-	-	-	-	-	-
Grant revenue	-													
- Federal funds	350,000	-	-	350,000	-	-	-	-	-	-	-	-	-	-
- State funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash inflows from operating activities	9,432,138	4,557,382	364,407	1,700,000	1,122,104	132,615	499,630	1,050,000	-	5,000	-	-	-	1,000
Cash outflows from operating activity:														
Salary and benefits	(4,966,145)	(2,391,679)	(144,971)	(559,360)	(483,413)	(312,367)	(310,115)	(245,344)	(413,109)	(44,327)	(25,849)	(30,455)	(5,156)	-
Operating expenses	(4,151,399)	(2,165,703)	(214,436)	(245,943)	(638,691)	(289,611)	(189,515)	(204,767)	(164,431)	(22,780)	(12,978)	(2,183)	(361)	-
Total cash outflows from operating activities	(9,117,544)	(4,557,382)	(359,407)	(805,303)	(1,122,104)	(601,978)	(499,630)	(450,111)	(577,540)	(67,107)	(38,827)	(32,638)	(5,517)	-
Net cash inflows/(outflows) from operating activities	314,594	-	5,000	894,697	-	(469,363)	-	599,889	(577,540)	(62,107)	(38,827)	(32,638)	(5,517)	1,000
Net Inflow (Outflow) of Cash	(635,553)	4,461,734	5,000	(3,719,921)	992,540	(469,363)	452,870	599,889	(4,690,555)	(395,841)	976,938	(740,803)	1,959	1,890,000
Beginning Cash Restricted for Program Use	413,942,105	326,782,589	894,868	46,714,563	12,663,932	245,105	3,804,550	51,069	8,480,514	1,523,778	1,902,766	1,165,009	41,605	9,671,756
Ending Cash Restricted for Program Use	\$ 413,306,553	\$ 331,244,323	\$ 899,868	\$ 42,994,642	\$ 13,656,472	\$ (224,258)	\$ 4,257,420	\$ 650,958	\$ 3,789,959	\$ 1,127,937	\$ 2,879,704	\$ 424,207	\$ 43,564	\$ 11,561,756

ANNUAL BUDGETS
FISCAL YEARS ENDED JUNE 30

	2016 Approved Budget	2017 Projected Budget	2018 Projected Budget	2019 Projected Budget	2020 Projected Budget
<u>REVENUES</u>					
Appropriation revenues	\$ 41,569,000	\$ 42,400,380	\$ 43,248,388	\$ 44,113,355	\$ 44,995,622
Interest income on loans	50,780,650	56,759,000	58,500,000	60,743,000	63,112,000
Interest income on investments	990,100	1,000,000	1,100,000	1,200,000	1,300,000
Administration fee revenue	3,939,407	4,750,000	4,825,000	4,900,000	4,975,000
Grant revenue	62,426,632	58,000,000	58,500,000	59,000,000	59,500,000
Total Revenues	159,705,789	162,909,380	166,173,388	169,956,355	173,882,622
<u>EXPENSES</u>					
Operating Expenses					
Personnel services	\$ 4,966,146	\$ 5,015,807	\$ 5,065,966	\$ 5,116,625	\$ 5,167,791
Professional services	2,741,100	2,768,511	2,796,196	2,824,158	2,852,400
Operating costs	1,410,298	1,424,401	1,438,645	1,453,031	1,467,562
Total Operating Expenses	9,117,544	9,208,719	9,300,807	9,393,815	9,487,753
Non-Operating Expenses					
Bond interest expense	48,366,599	53,285,000	54,885,250	56,528,570	58,224,275
Bond issuance expense	1,500,000	1,550,000	1,600,000	1,650,000	1,700,000
Grant expense	55,378,969	51,452,000	51,895,000	52,333,000	52,776,500
Total Non-Operating Expenses	105,245,568	106,287,000	108,380,250	110,511,570	112,700,775
Total Fiscal Year Expenses	114,363,112	115,495,719	117,681,057	119,905,385	122,188,528
Excess revenues over expenditures	45,342,677	47,413,661	48,492,331	50,050,971	51,694,095
Transfer to other agencies	5,805,000	6,500,000	7,000,000	7,500,000	8,000,000
Excess revenues over expenditures	\$ 39,537,677	\$ 40,913,661	\$ 41,492,331	\$ 42,550,971	\$ 43,694,095
Capital Investments					
Furniture and fixtures	\$ -	\$ 25,000	\$ 25,000	\$ 125,000	\$ 25,000
Computer hardware & software	500,000	500,000	-	-	-
Total capital investments	\$ 500,000	\$ 525,000	\$ 25,000	\$ 125,000	\$ 25,000

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