



NEW MEXICO
FINANCE AUTHORITY

2021 Annual Report



Advancing New Mexico by financing impactful, well-planned projects.



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NMFA 2021 Annual Report

I. Introduction





Governor Michelle Lujan Grisham and Members of the New Mexico Legislature:

In responding to the economic challenges inflicted by the pandemic on New Mexico's businesses and governmental bodies, the Governor and Legislature called on NMFA to deliver capital quickly, safely, and efficiently through new programs. The agency's expertise and nimble organizational structure allowed it to pivot quickly to provide support to thousands of impacted businesses across the state.

At the Legislature's direction and with the Governor's approval, NMFA established the State-funded Small Business Recovery Loan Fund – not once, but twice as the program was substantially expanded in March 2021 - and the federally funded CAREs Relief Grants. These short-term programs required significant investments in new technology and increased staffing.

The NMFA provided exceptional service to New Mexico by opening the SBRLF application within 29 days of enactment and the CAREs Relief Grant application within 12 days of enactment. With focus, empathy and professionalism, we processed approximately 2,000 SBRLF loan applications and 14,000 CAREs grant applications in FY 2021 and ultimately made more than 1,000 loans totaling \$51.9 million and more than 6,700 grants totaling \$97 million.

In FY 2021, we also established new mission-based programming with the Essential Services Working Capital Program and the New Markets Tax Credit Small Loan Pool Program. These programs were capitalized with NMFA funds and did not require additional staffing or new technology.

While FY21 brought high-profile program accomplishments, several of our successes were not visible to those outside of NMFA. Since many of our clients were operating remotely, we mobilized an on-line payment portal to allow them to pay their loans without cutting checks and we moved virtually all our accounts payable to electronic payments. We migrated our general ledger to a cloud-based system and completed our transition from a legacy loan servicing system to a new system that allows greater efficiencies and better reporting. As a result, NMFA closed financial reports on a monthly basis rather than annually and could set and monitor meaningful performance targets.

In FY 2021, we completed a two-year agency realignment to focus on greater connection with our clients, merging our public and private lending teams into a cohesive six-person lending group that acts as the face of NMFA. We also created a new credit group to help underwrite loans and provide consistent monitoring across all programs. And we transitioned to a more forward-looking compliance program that emphasizes risk mitigation.

We are immensely grateful to the NMFA Board and staff for their hard work, compassion, and dedication to service. We thank you for your partnership and look forward to working together in FY 2022 and beyond to create economic opportunity for all.

On behalf of the New Mexico Finance Authority Board of Directors and staff, we are pleased to present our Fiscal Year 2021 Annual Report.

Katherine Miller
Chair

Marquita D. Russel
Chief Executive Officer

New Mexico's partner in building economic prosperity and stronger communities.

NMFA 2021 Annual Report

II. General Information



NMFA Leadership

Board of Directors

Steve Kopelman
Ex Officio, Vice Chair
Executive Director
New Mexico Counties

Katherine Miller
Chair
County Manager
County of Santa Fe

Andrew J. Burke
Member
Senior Vice President for
Administration & Finance
New Mexico State University

Sarah Cottrell Propst
Ex Officio Member
Cabinet Secretary
New Mexico Energy,
Minerals & Natural
Resources Department

James Kenney
Ex Officio Member
Cabinet Secretary
New Mexico Environment
Department

Debbie Romero
Ex Officio Member
Cabinet Secretary
New Mexico Department of
Finance & Administration

Alicia Keyes
Ex Officio Member
Cabinet Secretary
New Mexico Economic
Development Department

Martin Abran Suazo
Member

A. J. Forte
Ex Officio Member
Executive Director
New Mexico Municipal
League

Management

Marquita D. Russel
Chief Executive Officer

Daniel C. Opperman
Chief Legal Officer

Dora Mae Cde Baca
Chief Administrative Officer

Oscar S. Rodriguez
Chief Financial Officer

Adam Johnson
Chief of Program Operations

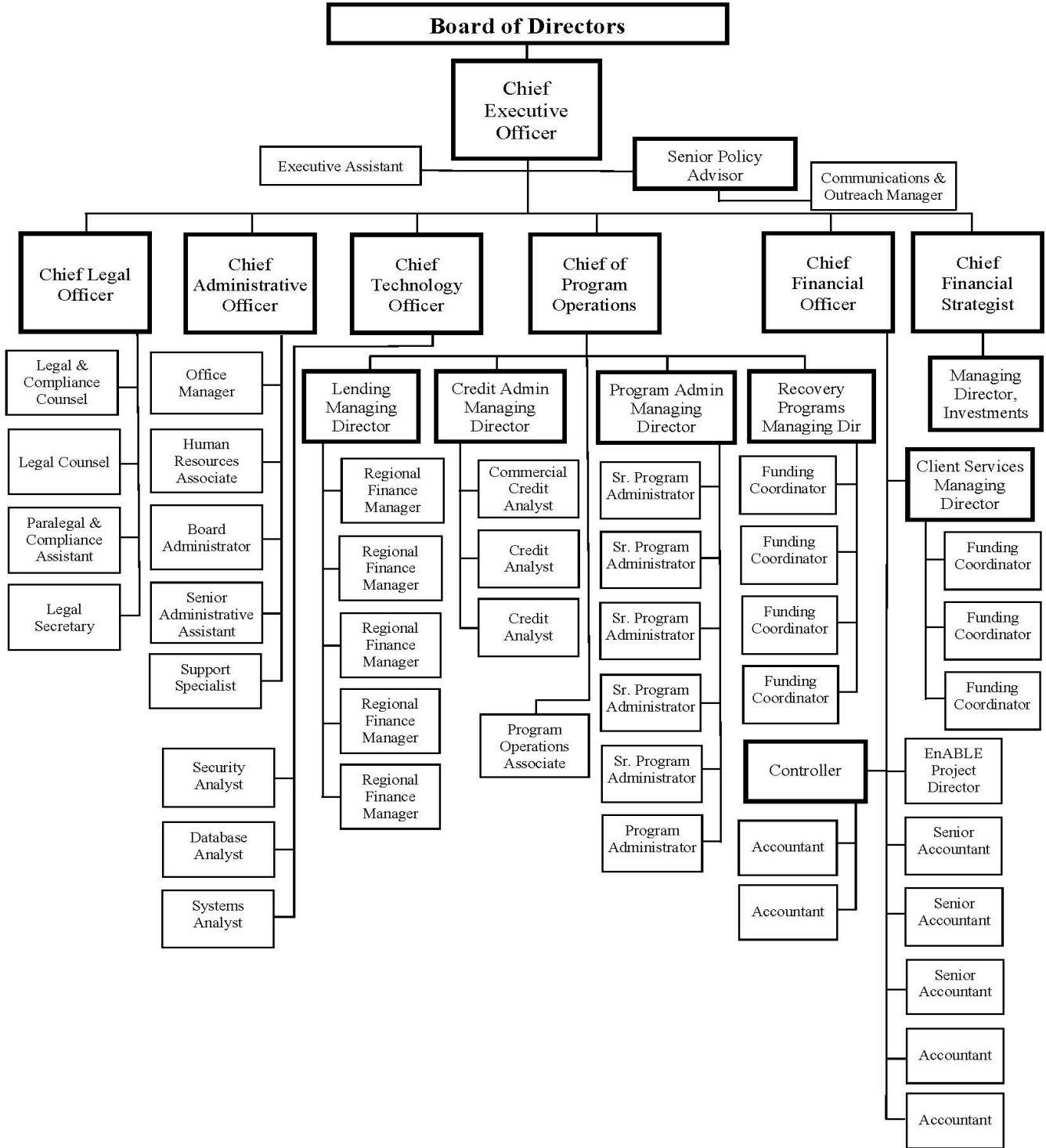
Floyd Trujillo
Chief Technology Officer

Michael Zavelle
Chief Financial Strategist

NMFA Staff

| | | | |
|--|--|--|---|
| Chief Executive Officer Marquita Russel | Chief Financial Strategist Michael Zavelle | Chief Financial Officer Oscar Rodriguez | Chief of Program Operations Adam Johnson |
| Chief Administrative Officer Dora Mae Cde Baca | Managing Director, Investments Mark Lovato | Controller Norman Vuylsteke | Managing Director, Lending John Brooks |
| Executive Assistant/Records Manager Connie Marquez | Chief Legal Officer Dan Opperman | EnABLE Project Director Lucas Elliott | Regional Finance Manager Ron Cruz |
| Office Manager Mark Dalton | Legal and Compliance Counsel Bryan Otero | Senior Accountant Robert Spradley | Regional Finance Manager Carmela Manzari |
| Senior Administrative Assistant Joe Maldonado | Paralegal/Compliance Assistant Charlotte Larragoite | Senior Accountant Joanne Johnson | Regional Finance Manager Ryan Olguin |
| Board Administrator Lisa Barela | Chief Technology Officer Floyd Trujillo | Accountant II Meca Broadway | Regional Finance Manager Martin Ortega |
| Communications and Outreach Manager Lynn Taulbee | Security Analyst Mona Killian | Accountant I Kamila Rahimi | Credit Analyst Shawna Johnson |
| Managing Director, Recovery Programs Maria Gallardo | System Administrator Frank Ibarra | Accountant Romana Speight | Credit Analyst LaRain Valdez |
| Funding Coordinator Alysia Sanchez | Database Analyst Anthony Silva | Managing Director, Program Administration Michael Vonderheide | Senior Program Administrator Susan Rodriguez |
| Funding Coordinator Delanne Reichard | Managing Director, Client Services Leslie Medina | Senior Program Administrator Angela Quintana | Program Administrator Theresa Garcia |
| Funding Coordinator Neyli Tovar | Funding Coordinator, Client Services Mary Finney | Senior Program Administrator Todd Johansen | Program Operations Associate Tyler Espino |
| Funding Coordinator Teresa Miller | Funding Coordinator, Client Services Rio Trujillo | | |

NMFA Organizational Chart



NMFA 2021 Annual Report

III. Overview



Overview

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

Through the years, NMFA has become a reliable source of financing for a broad range of projects. Building upon the success with the PPRF, the Legislature broadened NMFA's financing options to include targeted programs for vital water and wastewater projects as well as transportation, community facilities, economic development projects, and—during the COVID-19 pandemic—business recovery assistance.

| Active? | FY | Program Name | Enabling Act | Statute |
|---------|------|---|--|-----------|
| ✓ | 1992 | Public Project Revolving Fund | New Mexico Finance Authority Act | 6-21-6.0 |
| ✓ | 1994 | Primary Care Capital Fund | Primary Care Capital Funding Act | 24-1C-4 |
| ✓ | 1997 | Drinking Water State Revolving Loan Fund | Drinking Water State Revolving Loan Fund Act | 6-21A-4 |
| | 1999 | Water and Wastewater Grant Fund | New Mexico Finance Authority Act | 6-21-6.3 |
| ✓ | 2001 | Water Project Fund | Water Project Finance Act | 72-4A-9 |
| ✓ | 2002 | Local Government Planning Fund | New Mexico Finance Authority Act | 6-21-6.4 |
| ✓ | 2003 | Economic Development Revolving Fund (Smart Money) | Statewide Economic Development Finance Act | 6-25-6.1 |
| | 2003 | Child Care Revolving Loan Fund | Child Care Facility Loan Act | 24-24-4.0 |
| | 2004 | Acequia Project Fund | Water Project Finance Act | 72-4A-9.1 |
| ✓ | 2004 | Behavioral Health Capital Fund | Behavioral Health Capital Funding Act | 6-26-4 |
| | 2005 | Energy Efficiency & Renewable Energy Bonding Act | New Mexico Finance Authority Act | 6-21D-5 |
| | 2005 | Local Transportation Infrastructure Fund | New Mexico Finance Authority Act | 6-21-6.8 |
| ✓ | 2006 | New Markets Tax Credit | Statewide Economic Development Finance Act | 6-25-6.1 |
| | 2007 | Local Government Transportation Fund | New Mexico Finance Authority Act | 6-21-6.12 |
| ✓ | 2010 | Colonias Infrastructure Project Fund | Colonias Infrastructure Finance Act | 6-30-1.0 |
| | 2011 | Collateral Support Participation Program | Statewide Economic Development Finance Act | 6-25-13 |
| ✓ | 2021 | Essential Services Working Capital Program | Statewide Economic Development Finance Act | 6-25-13 |
| ✓ | 2021 | New Markets Tax Credit Small Loan Pool | Statewide Economic Development Finance Act | 6-21-6.12 |
| ✓ | 2021 | Small Business Recovery Loan Fund | Small Business Recovery and Stimulus Act | 6-32-1 |
| ✓ | 2021 | New Mexico LEDA Recovery Grants | Local Economic Development Act | 5-10-16 |

**NMFA Financings by Program and Project Type
FY 2020 and FY 2021**

| | FY 2020 | FY 2021 |
|---|-----------------------|-----------------------|
| <i>Programs for Public Entities</i> | | |
| Public Project Revolving Fund | \$ 300,371,255 | \$ 249,893,547 |
| Drinking Water State Revolving Loan Fund | \$ 8,116,040 | \$ 38,423,929 |
| Water Trust Board | \$ 22,734,559 | \$ 33,086,115 |
| Colonias Infrastructure Board | \$ 14,671,481 | \$ 19,482,093 |
| Local Government Planning Fund | \$ 349,395 | \$ 915,000 |
| <i>Public Financing Programs</i> | \$ 346,242,730 | \$ 341,800,684 |
| <i>Programs for Private Entities</i> | | |
| New Markets Tax Credit | \$ 5,500,000 | \$ 32,000,000 |
| NMTC Small Loan Pool | \$ 5,067,500 | \$ 692,500 |
| Primary Care/Behavior Health Capital Fund | \$ - | \$ 250,000 |
| Smart Money Loan Participation | \$ 751,431 | \$ 1,200,000 |
| Essential Services Working Capital Program | \$ - | \$ 5,434,850 |
| Small Business Recovery Loan Fund | \$ - | \$ 51,916,223 |
| CARES Relief Grants | \$ - | \$ 96,932,000 |
| <i>Private Financing Programs</i> | \$ 11,318,931 | \$ 188,425,573 |
| Total | \$ 357,561,661 | \$ 530,226,257 |

| | FY 2020 | | | FY 2021 | | |
|------------------------------|------------------------|-------------------------|-----------------------|------------------------|-------------------------|-----------------------|
| Project Type | Public Entities | Private Entities | Total | Public Entities | Private Entities | Total |
| Business Recovery and Relief | \$ - | \$ - | \$ - | \$ - | \$ 148,848,223 | \$ 148,848,223 |
| Economic Development | \$ - | \$ 6,411,141 | \$ 6,411,141 | \$ 9,620,221 | \$ 34,669,550 | \$ 44,289,771 |
| Education | \$ 113,529,430 | \$ 875,000 | \$ 114,404,430 | \$ 96,007,471 | \$ 875,000 | \$ 96,882,471 |
| Energy Efficiency | \$ 31,637,987 | \$ - | \$ 31,637,987 | \$ 9,401,159 | \$ - | \$ 9,401,159 |
| Healthcare | \$ 5,285,000 | \$ 4,032,800 | \$ 9,317,800 | \$ 1,182,350 | \$ 4,032,800 | \$ 5,215,150 |
| Other | \$ 5,431,500 | \$ - | \$ 5,431,500 | \$ - | \$ - | \$ - |
| Public Safety | \$ 21,116,331 | \$ - | \$ 21,116,331 | \$ 11,743,710 | \$ - | \$ 11,743,710 |
| Public Works | \$ 26,792,125 | \$ - | \$ 26,792,125 | \$ 20,573,185 | \$ - | \$ 20,573,185 |
| Refunding | \$ 67,874,404 | \$ - | \$ 67,874,404 | \$ 85,342,967 | \$ - | \$ 85,342,967 |
| Transportation | \$ 21,997,694 | \$ - | \$ 21,997,694 | \$ 12,107,984 | \$ - | \$ 12,107,984 |
| Utility | \$ 2,984,382 | \$ - | \$ 2,984,382 | \$ - | \$ - | \$ - |
| Wastewater | \$ 4,795,312 | \$ - | \$ 4,795,312 | \$ 9,486,419 | \$ - | \$ 9,486,419 |
| Water | \$ 44,798,565 | \$ - | \$ 44,798,565 | \$ 86,335,218 | \$ - | \$ 86,335,218 |
| Total Financing | \$ 346,242,730 | \$ 11,318,941 | \$ 357,561,671 | \$ 341,800,684 | \$ 188,425,573 | \$ 530,226,257 |

NMFA 2021 Annual Report

IV. Programs and Activity



Public Infrastructure and Capital Equipment Programs

Public Project Revolving Fund

Local Government Planning Fund

Colonias Infrastructure Fund

Drinking Water State Revolving Loan Fund

Water Project Fund



Public Project Revolving Fund

The Public Project Revolving Fund (PPRF) was created by the New Mexico Legislature in 1992 to assist a wide range of public entities throughout the state in accessing the capital markets at low or below-market interest rates. It is NMFA's largest program in terms of loans funded per year and loan receivables and accounted for most of NMFA's financial activity in fiscal year 2021, including 86.6% of operating revenue and 88.9% of the total loan portfolio of \$1.8 billion.

Since its inception, NMFA has served a wide variety of borrowers and project types. The PPRF is used to finance and refinance public projects such as infrastructure improvements, road projects, water system upgrades, fire and law enforcement equipment, public buildings, hospitals and healthcare facilities, electric and broadband utilities, and quality of life projects, among others. This diversity, coupled with the annual receipt of GGRT, helps the PPRF attain the highest bond ratings, which allows NMFA to provide low costs of issuance for borrowers and subsidized interest rates on loans to disadvantaged entities. In effect, NMFA is able to pass along the savings to New Mexico's communities. With the lower interest rates, public entities realize significant savings over the life of the loan which allows them to maximize their limited public dollars to use on public projects that are important to their communities.

In FY 2021, NMFA closed 96 PPRF loans totaling \$246.1 million. Since the inception of the PPRF through June 30, 2021, NMFA has made 1,910 loans totaling \$4.3 billion.

Public Project Revolving Fund (PPRF) Eligibility:

Applicants: Local governments, including tribal entities 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 in communities 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 subject to availability of funds

Local Government Planning Fund

The Local Government Planning Fund provides financing for 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 FY 2021, NMFA closed 21 grant agreements totaling \$868,374.

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: Grants are made on a sliding scale



Colonias Infrastructure Project Fund

In 2010, the New Mexico Legislature adopted the Colonias Infrastructure Act (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 provide funding for infrastructure development to Colonia-recognized communities for projects that improve quality of life and encourage economic development. In FY 2021, NMFA closed 24 projects totaling \$19,482,093.

Colonias Infrastructure Project Fund 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: Planning, design, 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 NMFA 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). The DWSRLF provides low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico to protect drinking water quality and the public health.

The DWSRLF is a federal program, managed by NMFA on behalf of the State of New Mexico. The program is funded through a federal capitalization grant that has historically averaged \$8 million annually. The State is required to match 20 percent of the federal grant. The primary use of the DWSRLF is to provide below-market-rate loans for 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, NMFA uses 4 percent of the capitalization grant to fund the management of the program. To date, NMFA's DWSRLF program has received \$220 million in federal Environmental Protection Agency capitalization grants, matched by NMFA with \$43 million in state match and \$77 million in interest and loan repayments.

Since 2011, the terms of the federal capitalization grants required that NMFA deliver a portion of the funds with an additional subsidy to the borrower. NMFA provides the additional subsidy through low-cost loans with principal forgiveness determined on a sliding scale. In FY 2021, NMFA closed 19 awards totaling \$34,530,042.

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 \$1 Million
- Community water systems: 1%
- 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 in 2001, NMFA provides administrative support to the 16-member Water Trust Board and manages the Water Project Fund on its behalf.

Water Project Fund

NMFA makes loans and grants for projects recommended by the Water Trust Board and authorized by the Legislature. 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.

The Water Project Fund annually receives 9% of senior Severance Tax Bond (STB) proceeds as well as a distribution from the Water Trust Fund. These monies are used to fund a variety of water projects recommended by the Water Trust Board and authorized by the Legislature. In FY 2021, NMFA closed 28 funding agreements totaling \$33,086,115. Water Trust Board awards are 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 of qualified projects recommended by the Water Trust Board and authorized by the Legislature. Qualified projects include:

- 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 from award

Community Facilities & Economic Development Programs

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

Primary Care Capital Fund

Behavioral Health Capital Fund

Smart Money Loan Participation Program

New Markets Tax Credit Program

New Markets Tax Credit: Small Loan Pool Program



Primary Care Capital Fund

The Primary Care Capital Fund (PCCF) was created by the Legislature in 1994 with an initial appropriation of \$5 million to be used as a revolving loan fund. In cooperation with the New Mexico Department of Health (NMDOH), NMFA initially made low-cost loans to nonprofit providers only. In FY 2019, Governor Lujan Grisham signed into law the Local Government Primary Care Clinic Funding bill which allows primary care clinics owned by counties and municipalities to apply for funds as well. To date, NMFA and NMDOH have funded 19 loans totaling approximately \$11.5 million; no new loans were made in FY 2021. NMFA currently has five active PCCF loans totaling \$2.7 million.

PCCF Eligibility:

Applicants: Primary care health clinics, either 501(c)(3) nonprofit organizations or clinics owned by counties or municipalities

Projects: Building and capital equipment acquisitions

Terms: Loans of up to 20 years are offered at a 3% interest rate, fixed

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



Behavioral Health Capital Fund

Tailored after the successful Primary Care Capital Fund, this program was created in 2004 to provide low-cost capital to nonprofit behavioral health clinics in rural and underserved areas of the state. This small loan program was capitalized by NMFA with \$2.5 million and initially provided below-market-rate loans to nonprofit behavioral healthcare providers only. In FY 2019, Governor Lujan Grisham signed into law the Local Government Behavioral Health Clinic Funding bill which increased access to the fund by eliminating the asset cap on nonprofit organizations and by allowing behavioral health clinics owned by counties and municipalities to apply for the funds as well as nonprofit organizations. One BHCF loan was made in FY 2021 for \$250,000. NMFA currently has four active BHCF loans totaling \$2,430,000.

BHCF Eligibility:

Applicants: Behavioral health providers, either 501(c)(3) nonprofit organizations or clinics owned by counties or municipalities

Projects: Building and capital equipment acquisitions

Terms: Loans of up to 20 years are offered at a fixed interest rate of 3%

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



Statewide Economic Development Finance Act

The Statewide Economic Development Finance Act (SWEDFA) was enacted into law in 2003 and authorizes NMFA to issue bonds, make loans and provide loan and bond guarantees on behalf of private entities, including businesses and nonprofit corporations, from the Economic Development Revolving Fund. SWEDFA partners NMFA with the New Mexico Economic Development Department (NMEDD) in creating and operating financing programs that help stimulate the economy through job creation and business growth, particularly in rural and underserved areas of New Mexico. To date, NMFA has implemented several programs that help stimulate the economy and create jobs, including the Collateral Support Program, Smart Money Program, and New Markets Tax Credit Program.

The first program implemented under SWEDFA was a loan participation program funded by a net appropriation of \$5.1 million in State funds. This program remains active and, due to a loan prepayment, funds are available for new investments.

From FY 2012 through FY 2017, under a Memorandum of Understanding with NMEDD, NMFA administered the Collateral Support Participation program with approximately \$8 million in federal State Small Business Credit Initiative (SSBCI) funds made available through the federal Small Business Jobs Act. Through this program, NMFA partnered with banks to support small business lending that helped entrepreneurs start or expand their businesses, thereby creating and retaining jobs for New Mexicans. Under the Collateral Support Participation program, NMFA invested approximately \$8.3 million through 16 loan participations.



Smart Money Loan Participation Program

The Smart Money Loan Participation Program creates greater access to capital throughout rural and underserved areas of New Mexico by allowing NMFA to purchase up to 49% of loans originated, underwritten, and serviced by local banks at low, fixed interest rates. To date, NMFA has purchased participations totaling \$6,420,705 in six loans across the State, with its latest participation made in September 2019. In FY 2021, NMFA made two loans for a total of \$1,951,431 in this program.

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: NMFA 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



New Markets Tax Credit Program

In 2007, with the explicit authorization of the Legislature, NMFA 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. Since 2007, the U.S. Department of Treasury has awarded Finance New Mexico six NMTC allocation awards totaling \$321 million, \$35 million of which was awarded in FY 2020. Under the NMTC program, subsidiaries of Finance New Mexico, LLC lend to private for-profit and nonprofit organizations to spur job creation and development activities in low-income areas of New Mexico.

The purpose of the NMTC Program is perfectly aligned with the goals of 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 credits 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 access to low-cost capital, with flexible lending criteria and the potential to convert portions of NMTC loans to equity.

In FY 2021, Finance New Mexico closed on one NMTC transaction totaling \$12 million.

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 rates, with interest-only payments 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.

NMTC Small Loan Pool Program

Created in FY 2020, the new Small Loan Pool program was strategically designed to respond to market needs. The initial New Markets Tax Credit program meets the market segment for loans above \$4 million but does not include smaller eligible projects under \$4 million. The Small Loan Pool program was created in response to these needs and is designed to take on more risks than the current participation programs.

The Small Loan Pool program provides small businesses and small-scale developers with access to affordable, flexible capital through non-traditional lenders. The goal of the NMTC Small Loan Pool program is to provide flexible financing at advantageous terms for eligible projects between \$500,000 and \$4 million to qualified businesses located in low-income communities that have historically lacked access to credit. In FY 2021, Finance New Mexico closed on nine NMTC Small Loan Pool transactions totaling 6,860,000.

NMTC Small Loan Pool Eligibility:

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

Projects: Real Estate Development, Building and Infrastructure, Working Capital Financing, Equipment Financing

Terms: Seven-year interest-only payments with a balloon payment at maturity. The interest rate is approximately 3.75%



Recovery Programs

In FY 2021, NMFA administered several business recovery programs created to help New Mexico businesses and non-profits recover from the effects of the COVID-19 pandemic. In addition to the Essential Services Working Capital Fund, NMFA was directed to administer three economic recovery programs to assist during the COVID-19 health emergency. NMFA quickly set up and launched the new programs and, by year-end, had disbursed \$96.9 million in grants and \$51.8 million in loans to small businesses through these programs.

Small Business Recovery Loan Fund

CARES Relief Grant Program

LEDA Business Recovery Grant Program

Essential Services Working Capital Fund



Small Business Recovery Loan Fund

Originally enacted by the New Mexico Legislature during the 2020 First Special Session, and expanded in the 2021 Regular Session, the Small Business Recovery Loan Fund makes available affordable loans to businesses that are experiencing or experienced financial hardship or substantial disruption due to the COVID-19 pandemic.

Small Business Recovery Loan Fund Eligibility:

Applicants: Businesses with an annual net revenue of less than \$5 million in 2019 or 2020 that experienced a “substantial disruption” or “substantial decline in gross revenue.” For-profit businesses must be at least 51% owned by New Mexicans or employ at least ten New Mexico residents on a full-time basis. Nonprofit organizations must be designated as 501(c)3, 501(c)6, 501(c)8, 501(c)19, or 501(c)(23).

Expenses: Ordinary business expenses, including capital expenses; making adaptations or improvements necessary to protect the public health; and developing or growing e-commerce capacities. For businesses with employees, a maximum of 20% may be used for owner compensation. For businesses with no employees, a maximum of 50% may be used for owner compensation.

Terms: Fixed interest rate of half the Wall Street Journal prime rate. Ten-year term with no interest accruing and no payments due the first year, and interest-only payments in the second and third year. Monthly payments of principal and interest in years four through ten. No penalty or fee for prepayment.

Total Funding: \$500 million

Funding Source: New Mexico Severance Tax Permanent Fund

Other: Application open until May 31, 2022.

CARES Relief Grant Program

The Small Business CARES Relief Grants were authorized by the State of New Mexico in the November 2020 Second Special Session and were funded by \$100 million in Federal CARES stimulus funds. NMFA received 14,136 grant applications from New Mexico businesses totaling \$156 million in funding requests. Grants were awarded to 6,737 businesses throughout New Mexico, with 60% of the funds provided to businesses in urban areas and 40% of the funds to businesses in rural areas of the state. The businesses receiving grants include restaurants, hotels, retail stores, nonprofit organizations, manufacturing companies, accountants, and many more in communities large and small throughout New Mexico. The smallest grant was \$2,000 and the largest grant was \$50,000. The average grant size was \$14,388.

CARES Relief Grant Program Eligibility:

Applicants: For-profit businesses that are at least 51% owned by New Mexico residents, sole proprietorships owned by a New Mexico resident, and nonprofit organizations designated as 501(c)(3), 501(c) (6), or 501(c)(8), or a 501(c) organization that serves members of the Armed Forces of the United States that experienced financial hardship due to the pandemic.

Expenses: Regular business expenses, plus expenses incurred due to the pandemic such as PPE or retrofitting to meet COVID-19 safety guidelines.

Terms: Grant amounts based on the number of employees.

Total Funding: \$100 million

Funding Source: Federal CARES stimulus funds

Other: Application period: December 7, 2020 – December 18, 2020

LEDA Business Recovery Grant Program

Enacted by the New Mexico Legislature during the 2021 Regular Session and signed into law by Governor Michelle Lujan Grisham on February 26, 2021, the LEDA Recovery Grants Legislation allocated \$200 million in funds to provide grants to New Mexico businesses that experienced financial hardship due to the COVID-19 pandemic and met specific job creation requirements. NMFA is administering the LEDA Business Recovery Grant Program, which opened in May 2021 and will close in December 2021 for most applicants. A set-aside funding round for businesses that were not allowed to operate at the time the law was signed will close June 30, 2022. Most of the financial activity will occur in FY 2022.

LEDA Business Recovery Grant Program Eligibility:

Applicants: New Mexico businesses with at least one but fewer than 75 full-time or part-time employees that are current on all state and local tax obligations and that experienced a decline in business revenue between comparable quarters in 2019 and 2020.

Expenses: Reimbursement of rent, lease, or mortgage payments on the building occupied by the business. Grant amounts will not exceed these payments.

Terms: Grant reimbursements are contingent upon the applicant meeting job creation requirements. Reimbursements are available on a quarterly basis.

Total Funding: \$200 million

Other: Application closes on December 31, 2021 for most businesses.

Essential Services Working Capital Program

The Essential Services Working Capital Program (ESWCP) is an emergency loan program operated in FY2021 that provided short-term working capital loans to healthcare entities and other critical service providers whose operating funds were insufficient to meet the demand resulting from the COVID-19 pandemic and related Public Health Emergency Orders. NMFA made 16 ESWCP loans totaling more \$5,434,850. This program is not accepting new applications.

Essential Services Working Capital Eligibility:

Applicants: Healthcare providers, rural hospitals, medical supplies and equipment manufacturers and providers, home healthcare, residential healthcare, childcare, and research facilities

Projects: Operating expenses such as supplies, payroll, utilities and rent. Purchases of capital equipment or facility renovations are not eligible.

Terms: 1% interest rate; loans up to \$1 million based on need, borrowing capacity and financial viability; terms up to five years

Other: Loans must be fully secured by collateral; grant funds are not available through this program

NMFA 2021 Annual Report

V. Operating Budget





Condensed Statements of Net Position NMFA Combined

| | 2021 | 2020 | Net Increase / (Decrease) | Percentage Increase / (Decrease) |
|---|-----------------------|-----------------------|------------------------------|--|
| Assets | | | | |
| Cash and cash equivalents | | | | |
| Unrestricted - unassigned | \$ 9,719,468 | \$ 16,168,066 | \$ (6,448,598) | (39.9%) |
| Unrestricted - assigned | 6,000,000 | - | 6,000,000 | 100.0% |
| Restricted | 397,582,399 | 320,578,471 | 77,003,928 | 24.0% |
| Loans receivable, net of allowance | 1,781,545,124 | 1,724,479,238 | 57,065,886 | 3.3% |
| Restricted investments | 515,364,555 | 369,252,126 | 146,112,429 | 39.6% |
| Other receivables | 10,009,972 | 10,861,578 | (851,606) | (7.8%) |
| Capital assets, net of accumulated depreciation | 1,863,831 | 1,339,799 | 524,032 | 39.1% |
| Other assets | 556,059 | 638,132 | (82,073) | (12.9%) |
| Total Assets | 2,722,641,408 | 2,443,317,410 | 279,323,998 | 11.4% |
| Deferred Outflows of Resources | | | | |
| Deferred loss on refunding, non-capital assets | 643,643 | 693,665 | (50,022) | (7.2%) |
| Total Deferred Outflows of Resources | 643,643 | 693,665 | (50,022) | (7.2%) |
| Liabilities | | | | |
| Bonds payable, net | 1,428,438,844 | 1,438,941,647 | (10,502,803) | (0.7%) |
| Undisbursed loan proceeds | 307,626,399 | 320,840,186 | (13,213,787) | (4.1%) |
| Advanced loan payments | 88,002,415 | 89,526,221 | (1,523,806) | (1.7%) |
| Accounts payable, accrued payroll and compensated absences | 1,463,035 | 1,244,706 | 218,329 | 17.5% |
| Other liabilities | 300,735,814 | 8,975,843 | 291,759,971 | 3250.5% |
| Total Liabilities | 2,126,266,507 | 1,859,528,603 | 266,737,904 | 14.3% |
| Deferred Inflows of Resources | | | | |
| Deferred gain on refunding, non-capital assets | 3,129,303 | 3,704,574 | (575,271) | (15.5%) |
| Deferred FNM Loan Origination Fees | 59,712 | - | 59,712 | 100.0% |
| Total Deferred Inflows of Resources | 3,189,015 | 3,704,574 | (515,559) | (13.9%) |
| Net Position | | | | |
| Net investment in capital assets | 1,863,831 | 1,339,799 | 524,032 | 39.1% |
| Restricted for program commitments | 576,246,230 | 563,270,033 | 12,976,197 | 2.3% |
| Unrestricted | 15,719,468 | 16,168,066 | (448,598) | (2.8%) |
| Total Net Position | \$ 593,829,529 | \$ 580,777,898 | \$ 13,051,631 | 2.2% |



Condensed Statements of Revenue, Expenses & Changes in Net Position NMFA Combined

| | 2021 | 2020 | Net Increase / (Decrease) | Percentage Increase / (Decrease) |
|---|-----------------------|-----------------------|------------------------------|--|
| Operating Revenue | | | | |
| Interest on loans | \$ 51,507,874 | \$ 52,792,559 | \$ (1,284,685) | (2.4%) |
| Administrative fees revenue | 5,535,056 | 6,828,344 | (1,293,288) | (18.9%) |
| Interest on investments | 475,458 | 8,598,789 | (8,123,331) | (94.5%) |
| Total Operating Revenue | 57,518,388 | 68,219,692 | (10,701,304) | (15.7%) |
| Operating Expenses | | | | |
| Bond interest expense | 42,455,410 | 50,720,720 | (8,265,310) | (16.3%) |
| Grants expense | 128,973,973 | 31,480,701 | 97,493,272 | 309.7% |
| Loan financing pass-through | 3,488,596 | 10,640,130 | (7,151,534) | (67.2%) |
| Salaries and benefits | 6,044,261 | 5,108,045 | 936,216 | 18.3% |
| Bond issuance costs | 1,207,923 | 1,243,666 | (35,743) | (2.9%) |
| Professional services | 4,837,099 | 3,266,820 | 1,570,279 | 48.1% |
| Other operating costs | 1,455,566 | 997,558 | 458,008 | 45.9% |
| Provision for loan losses | 123,133 | (294,021) | 417,154 | 141.9% |
| Interest expense | 500,768 | 7,826 | 492,942 | 6298.8% |
| Rent and utilities | 424,336 | 414,551 | 9,785 | 2.4% |
| Depreciation expense | 181,846 | 101,158 | 80,688 | 79.8% |
| Total Operating Expenses | 189,692,911 | 103,687,154 | 86,005,757 | 82.9% |
| Net Operating Loss | (132,174,523) | (35,467,462) | (96,707,061) | 272.7% |
| Non-operating Revenue (Expenses) | | | | |
| Appropriation revenue | 37,023,150 | 50,326,048 | (13,302,898) | (26.4%) |
| Grant revenue and transfers from State | 132,520,910 | 31,382,357 | 101,138,553 | 322.3% |
| Transfers to State and intra-fund | (24,317,906) | (6,779,091) | (17,538,815) | 258.7% |
| Net Non-operating Revenue | 145,226,154 | 74,929,314 | 70,296,840 | 93.8% |
| Increase in Net Position | 13,051,631 | 39,461,852 | (26,410,221) | (66.9%) |
| Net position, beginning of year | 580,777,898 | 541,316,046 | 39,461,852 | 7.3% |
| Net Position, End of Year | \$ 593,829,529 | \$ 580,777,898 | \$ 13,051,631 | 2.2% |



Condensed Statements of Cash Flow NMFA Combined

| | 2021 | 2020 | Percentage Increase / (Decrease) |
|--|-----------------------|-----------------------|----------------------------------|
| Cash Flows from Operating Activities | | | |
| Cash paid for employee services | \$ (6,640,334) | \$ (4,989,890) | 33.1% |
| Cash paid to vendors for services | (6,772,380) | (6,724,546) | 0.7% |
| Loan payments received | 244,297,614 | 220,120,914 | 11.0% |
| Loans funded | (321,074,864) | (278,281,535) | 15.4% |
| Grants expense | (128,973,973) | (31,480,701) | 309.7% |
| Cash received from Federal capitalization grant | 10,586,129 | 11,599,117 | (8.7%) |
| Interest on loans | 52,604,896 | 52,179,889 | 0.8% |
| Administrative fees received | 5,055,062 | 7,278,445 | (30.5%) |
| Net Cash Used in Operating Activities | (150,917,850) | (30,298,307) | 398.1% |
| Cash Flows from Non-capital Financing Activities | | | |
| Reversions | - | (170,035) | 100.0% |
| Appropriations from the State | 37,023,150 | 50,326,048 | (26.4%) |
| Cash transfers from the State | 486,002,781 | 19,783,240 | 2356.6% |
| Cash transfers to the State | (86,922,536) | (6,609,056) | 1215.2% |
| Proceeds from the sale of bonds | 197,666,490 | 198,939,647 | (0.6%) |
| Payment of bonds | (196,250,000) | (166,720,000) | 17.7% |
| Bond issuance costs | (1,207,923) | (1,243,666) | (2.9%) |
| Bond interest expense paid | (59,007,337) | (57,953,540) | 1.8% |
| Proceeds from line of credit | 44,800,000 | 15,000,000 | 198.7% |
| Payments on line of credit | (44,800,000) | (15,000,000) | 198.7% |
| Loan financing pass-through to borrower | (3,488,596) | (10,640,130) | (67.2%) |
| Net Cash Provided by Non-capital Financing Activities | 373,816,029 | 25,712,508 | 1353.8% |
| Cash Flows from Investing Activities | | | |
| Purchase of investments | (429,204,770) | (318,075,358) | 34.9% |
| Sale of investments | 283,092,341 | 357,627,615 | (20.8%) |
| Interest received on investments | 475,458 | 8,598,789 | (94.5%) |
| Net Cash (Used) Provided by Investing Activities | (145,636,971) | 48,151,046 | (402.5%) |
| Cash Flows from Capital Financing Activities | | | |
| Capital assets | (705,878) | (386,838) | 82.5% |
| Net Cash Used in Capital Financing Activities | (705,878) | (386,838) | 82.5% |
| Net Increase in Cash and Cash Equivalents | 76,555,330 | 43,178,409 | 77.3% |
| Cash and cash equivalents, beginning of year | 336,746,537 | 293,568,128 | 14.7% |
| Cash and Cash Equivalents, End of Year | \$ 413,301,867 | \$ 336,746,537 | 22.7% |



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