



NEW MEXICO
FINANCEAUTHORITY

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**Presentation to the
New Mexico Counties**

Better Informed Public Officials Virtual Conference

December 1-2 & 7-8, 2020

- ◆ NMFA was created in 1992 by the NM State Legislature to:
 - coordinate the planning and financing of state and local public projects
 - provide for long-term planning and assessment of state and local capital needs
 - improve cooperation among the executive and legislative branches of state government and local governments in financing public projects
 - to finance economic development and community health projects.

- ◆ NMFA provides financing provides financing for infrastructure and equipment used by state agencies, municipalities, counties, and tribal governments.

How We Deliver

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- ◆ Public Project Revolving Fund
- ◆ Drinking Water State Revolving Loan Fund
- ◆ Water Project Fund
- ◆ Colonias Infrastructure Fund
- ◆ Local Government Planning Fund
- ◆ Primary Care Capital Fund
- ◆ Behavioral Health Capital Fund
- ◆ New Markets Tax Credits
- ◆ Smart Money Loan Participation Program
- ◆ Essential Services Working Capital Program
- ◆ Small Business Recovery Loan Fund

- ◆ PPRF is NMFA’s “Flagship” program and assists a wide range of public entities in accessing the capital markets at an all-in cost that is highly competitive compared to other financing alternatives available to public entities.
- ◆ NMFA issues bonds that are secured by loan repayments and through a direct share of Government Gross Receipts Tax.
- ◆ GGRT will provide bondholders with approximately \$31 million this year in credit enhancement which helps support high bond ratings and lower interest costs
 - AAA/Aa1 credit rating for its Senior Lien and (AAA/Aa2 in its Subordinate Lien) and its bonds are highly sought by investors allowing the NMFA to issue bonds in the capital markets at very attractive rates.

PPRF

Eligible Project Types

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- ❑ Police and Fire Safety
- ❑ Public Schools/Higher Education
- ❑ Water and Wastewater Systems
- ❑ Solid Waste Infrastructure
- ❑ Roads
- ❑ Industrial Parks
- ❑ Convention Centers
- ❑ Hospitals/Healthcare
- ❑ Energy Efficiency Projects

- ❑ Electric and Broadband Utility
- ❑ Property Development/
Special Assessment Districts
- ❑ Fairgrounds/Rodeos
- ❑ Museums
- ❑ Community Centers
- ❑ Golf Courses
- ❑ Housing
(Teacherages/Workforce)
- ❑ Quality of Life Projects
- ❑ Refunding

- ◆ Loans range from \$10,000 to more than \$100,000,000
- ◆ No application, origination, closing or administrative fees
- ◆ Disadvantaged funding – zero and two percent interest rates to those with Median Household Incomes that are less than the State’s MHI
- ◆ PPRF loans rely on a pledge of an ‘enduring’ revenue stream for security, coverage and loan cash flow.
- ◆ As of June 30, 2020, NMFA has made:
 - 1,814 loans from the PPRF totaling more than \$4.0 billion
 - 832 disadvantaged rate loans totaling over \$99.4 million – most at 0%

- ◆ Federal loan program that provides low-cost loans and limited principal forgiveness for drinking water projects. Since 1997, NMFA has made 142 loans totaling \$216.2 million. Last Year:
 - ❑ lowered the interest rates on this program; loans to municipalities are now made at 0% and 1%
 - ❑ broadened eligibility for Disadvantaged Entity Status
 - ❑ extended the repayment terms up to 30 years for all loans

- ◆ Must be on Priority List to access funds.
 - ❑ SFY 2021 Priority List published on July 1, 2020 and updated twice throughout the year. Next available update is Spring 2021.
 - ❑ Project Interest Form by October 1, 2020 through the NMED DWB SWIM portal <https://swim.water.web.env.nm.gov/>

Water Project Fund

- ◆ By statute, there are five types of projects that can be funded through the Water Project Fund:
 - Storage, conveyance and delivery of water to end users;
 - Implementation of Federal Endangered Species Act of 1973 collaborative programs;
 - Restoration and management of watersheds;
 - Flood prevention; and
 - Water conservation or recycling, treatment or reuse of water as provided by law.

- ◆ Awarded more than \$400 million since 2002 to 389 projects

- ◆ WTB 2021 cycle is underway. Applications are open from September 8th – October 8th. Contact wtbadmin@nmfa.net immediately to submit your notice of intent

- ◆ NMFA staff have been working from home since mid-March
 - Established on-line portal for making payments electronically
- ◆ Have seen increased demand for PPRF
 - Experienced crazy municipal bond market
 - PPRF offering more economic value than ever before
- ◆ Established Essential Services Working Capital Program
- ◆ Small Business Recovery Act of 2020
 - Created \$400 million Small Business Recovery Loan Fund
 - Created \$50 million Emergency Economic Relief Fund
- ◆ Received \$35 million New Markets Tax Credit award, bringing total to \$321 million
 - Created NMTC Small Loan Pool for projects less than \$4 million

- ◆ In January 2020, NMFA eliminated fees for the PPRF program, making it more valuable to a broader group of local governments.
- ◆ 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.
- ◆ The PPRF is a top-rated issuer:
 - Senior Lien: Standard & Poor's AAA (April 2011) and Moody's Aa1
 - Subordinate Lien: S & P AAA (July 2017) and Moody's Aa2
- ◆ Delegation law enacted in 2017 ensured that NMFA could issue bonds when market timing was advantageous which allowed NMFA and underwriters to monitor markets and enter the market with little effort

- ◆ Massive disruptions to the municipal bond market in mid-March:
 - Week of March 16, record-setting \$12.2 billion in bond outflows
 - Week of March 23, bond fund outflows reached \$13.7 billion
 - Contrast first ten weeks of 2020: bond fund inflows totaled \$10 billion (\$1 billion per week). Bond fund outflows moderated to \$750 million during the week of March 30 as the market steadied.

- ◆ PPRF 2020A bonds: originally scheduled to be sold on March 24, 2020; ultimately sold April 6, 2020 with exceptional results
 - \$32.3 million received \$80 million in orders validating strong national investor perception as a safe and worthwhile investment.
 - PPRF 2020B bonds sold on June 17th in the amount of \$81 million with \$218.5 million in orders received.

- ◆ Contrast with sale of the pre-pandemic PPRF 2019D bonds (sold on 9/19/19) in the amount of \$53.3 million with the sale \$15.9 million under subscribed.
 - Restrained investor response to the PPRF 2019A bonds - investors love the credit but hate the tight pricing.
 - During the pandemic period, investors continued to love the credit and in terms of pricing, investors love the credit.
- ◆ \$100 million PPRF 2020C bond sale slated for September 16th
- ◆ 2019D, 2020A, 2020B, 2020C bonds were (or will be) sold with delegated authority.
- ◆ As a result of competitive interest rates and low fees, NMFA anticipated increased demand for the foreseeable future.

Essential Services Working Capital Program

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- ◆ In April, the NMFA established through emergency rule making the Essential Services Working Capital Program.
- ◆ ESWCP provides short terms working capital loans to health care and other critical service providers to help meet the demands resulting from the health crisis and Emergency Health Orders.
- ◆ Program was capitalized with \$12 million of unobligated operating funds.
- ◆ Loans of up to \$1 million is available to both for-profit or not-for profit organizations. Loan amounts are based upon the borrowing capacity and financial viability of the essential service provider or business. Local governments are not eligible for the loan program.

- ◆ Term loans with maturities of up to five years;
- ◆ Lines of credit of up to one year, after which time the line may be converted to a term loan and repaid over a period not to exceed five years;
- ◆ Secured by receivables and other available personal property of the borrower;
- ◆ Interest rate at 1%; interest paid monthly;
- ◆ Due to the limited funding, retail businesses are not eligible.
- ◆ This is a loan program. Grant dollars are not available through this program.

- ◆ Funding may be used only for operating expenses such as supplies, payroll, utilities and rent. Purchases of capital equipment or facility renovations are not eligible.
- ◆ There are no application or closing fees.
- ◆ Essential Service Providers that received PPP loans are still eligible for funding if the business can demonstrate financial capacity to repay the loans.
- ◆ Loans will be secured with a lien on all available business assets at the highest lien available. Note that the value of the collateral must exceed the amount of loan.

◆ Eligible Services Providers and Businesses include:

- ❑ Rural hospitals
- ❑ Behavioral health providers
- ❑ Substance abuse providers
- ❑ Dentists
- ❑ Child Care
- ❑ Health walk-in health facilities
- ❑ Residential health care businesses whose revenues are primarily derived from the provision of medical care
- ❑ Pharmacies
- ❑ Medical supplies and equipment manufacturers and providers
- ❑ Medical and wholesale and distribution
- ❑ Research facilities
- ❑ Manufacturing facilities retooling to serve PPE and COVID-safe practice needs

- ◆ Small Business Recovery Act created during the 2020 Special Session; signed into law by on July 7th.
- ◆ The Act creates two programs in the NMFA and funds them with investments of the Severance Tax Permanent Fund:
 - **Emergency Economic Relief Program** -- \$50 million program that provides revenue replacement loans to cities and counties that experienced decline of at least 10% in GRT in the 4th quarter
 - Given lag between GRT collections and distributions, not clear yet of actual need for program.
 - **Small Business Recovery Loan Fund** (“SBRLF”), a \$400 million program that provides loans to small businesses that experienced financial hardship due to the public health

- ◆ The Small Business Recovery Act defines “Qualifying Small Business” as a business or nonprofit corporation that:
 - ❑ closed or reduced operations due to the public health order, and
 - ❑ had annual gross revenue of less than \$5 million as determined by its 2019 federal income tax return, and
 - ❑ experienced a 30% decline in monthly gross receipts or monthly revenue in each of April and May of 2020 (as compared to the same months in 2019).
 - ❑ Is determined by NMFA to be creditworthy, e.g., that the business must not have been subject to a collection effort or charge-off in 2019 by any telecommunications, utility or rent/mortgage creditor

- ◆ For-profit businesses (sole proprietor, partnership, corporation, limited liability company, etc.) must be at least 80% owned and controlled by one or more NM residents; Nonprofits must be organized as either 501(c)(3) or 501(c)(6)

<u>Loan Amount:</u>	Two times the monthly average expenses, not to exceed \$75,000.
<u>Interest Rate:</u>	½ of <i>WSJ Prime</i> , fixed (currently 1.625%).
<u>Collateral:</u>	None. Personal guarantees not required.
<u>Terms:</u>	3-year loans.
<u>Repayment:</u>	Interest only, paid annually. Principal due at maturity. May be extended for three years.

- ◆ Small Business Recovery Loan Fund applications opened August 5th, 29 days from the date the bill was signed into law. First loan closed August 7th.
- ◆ Applications are accepted through an online application at www.nmfinance.com until December 31, 2020.
- ◆ Applications are processed on a first-come, first-served basis.
- ◆ Submitted applications are reviewed by enrolled Loan Servicers who determine whether the application is complete and accurate; their findings are reported to NMFA.

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