# Rating Action: Moody's assigns Aa1 SEN/Aa2 SUB to NMFA, NM's PPRF Revenue Bonds

24 May 2019

New York, May 24, 2019 -- Moody's Investors Service ("Moody's") has assigned a Aa1 senior rating to the New Mexico Finance Authority's (NMFA) upcoming sale of $45.2 million Senior Lien Public Project Revolving Fund (PPRF) Revenue and Refunding Bonds, Series 2019B. We have also assigned a Aa2 subordinate rating to $18.7 million Subordinate Lien Public Project Revolving Fund (PPRF) Revenue Bonds, Tax-Exempt Series 2019C-1 and $11.7 million Subordinate Lien Public Project Revolving Fund (PPRF) Revenue Bonds, Taxable Series 2019C-2. We maintain Aa1 senior and Aa2 subordinate ratings on outstanding parity obligations. The outlook is stable.

RATINGS RATIONALE

The Aa1 senior rating reflects the average credit quality of the Authority's large and diverse pool of borrowers and satisfactory default tolerance inclusive of the Governmental Gross Receipts Tax (GGRT), received in addition to loan agreement revenues. The rating further considers NMFA's strong governance structure and legal provisions, which include debt service reserve funds held by a trustee.

The Aa2 subordinate rating reflects the weaker credit quality of the pool participants, relative to the senior, and very strong default tolerance. While GGRT revenues flow through to the subordinate bonds, these obligations are secured by their own legally separate agreement revenues.

RATING OUTLOOK

The stable outlook reflects our expectations that GGRT collections will remain level, if not increase modestly over the mid-term, as the state's economy continues recovering from 2016's downturn in oil and gas prices. Stability of the GGRT revenues is necessary to maintain high default tolerance on both the senior and subordinate lien bonds.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Trend of significant growth in GGRT revenues bolstering cash flow and coverage

- Significant improvement in the credit worthiness of the loan pools

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Erosion of creditworthiness in the loan pools

- Sustained declines in GGRT collections

LEGAL SECURITY

The bonds are secured by and payable solely from the special revenues and funds of the authority pledged under the Indenture, including: moneys from the repayment by governmental borrowers of loans made (differentiated between senior and subordinate), certain Governmental Gross Receipts Tax revenues, and additional revenues received by the authority that are designated as funds pledged by the Indenture.

USE OF PROCEEDS

Proceeds from the Series 2019B bonds will provide three loans and refund outstanding senior lien Series 2009A and Series 2009D-1 bonds. The Series 2019C-1 and Series 2019C-2 bonds will reimburse 24 loans in total.

PROFILE

The NMFA is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality of the State. The Finance Authority was created in 1992 to coordinate the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. The authority is comprised of 11 members who also constitute the Finance Authority's board of directors and currently employs 39 people.

METHODOLOGY

The principal methodology used in these ratings was U.S. Municipal Pool Program Debt published in March 2013. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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