

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

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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](http://www.moodys.com) for a copy of this methodology.

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