



NEW MEXICO
FINANCE AUTHORITY

2013 Annual Report





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I. Introduction

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Financing Your Future, Believing in New Mexico

Message from Nann M. Winter, Chair



Thirty-one meetings. That's how many times the New Mexico Finance Authority Board and its Audit Committee met between July 2012 and June 2013. And, that is exactly how many meetings it took for the Finance Authority to recover its Standard & Poor's pre-2011-audit rating status of "AAA/AA Affirmed; Stable Outlook." Ten more meetings and five months later, Standard & Poor's upgraded the Finance Authority's hallmark Public Project Revolving Fund (PPRF) Subordinate Liens from AA to AA+.

But that's not all ... the Authority's lines of credit were restored (March 2013), the 2011 and 2012 audits were completed (February, May 2013) and infrastructure funding in the second half of Fiscal Year 2013 soared to nearly seven times what had been loaned in the first half of FY 2013. As I write this message, the 2013 financial audit has been submitted to the State Auditor and is expected to be released before its December 15, 2013 due date.

It gets better. The Finance Authority Board approved governing charters for each of its committees, established a Disclosure Committee and updated its By-laws, something that hadn't been done since the Legislature removed the State Investment Council member in 2011.

In November 2013, after a three month search, the Finance Authority Board voted to appoint a new Chief Executive Officer (CEO) who will assume his position in January 2014. Mr. Robert Coalter comes with decades of public project financing experience and will join the Finance Authority effective January 6, 2014. The new CEO will replace Interim CEO, John Gasparich, that is, to the extent Mr. Gasparich can be replaced. The Finance Authority and the Board will sorely miss John; his leadership for the last 15 months successfully sustained this agency against the odds.

Which is a perfect segue to address the other consummate professionals and public servants who attended those 31 meetings and put this agency back in the business of providing low-cost financial services to other New Mexico public entities. Vice-Chair Paul Gutierrez (who recently left us for a Washington-D.C. lobbying position) provided reason and institutional knowledge; Secretary Tom Clifford (Department of Finance and Administration) provided sound judgment and an uncanny eye for detail; Ricky Bejarano, Audit Committee Chair, provided much more than his Certified Public Accountancy, he brought his no-nonsense observations and a get-it-done work ethic. Donna Trujillo, the Finance Authority's CFO since October 2012, simply put ...stepped into a fiscal nightmare and managed to complete and deliver no less than 3 financial audits in 12 months.

In FY 2014, it is projected that the Finance Authority's PPRF will loan approximately \$250 million, more than any other year prior to 2012. The accomplishments noted in this message and the projected magnitude of the NMFA's 2014 contribution to New Mexico's economy could not have been accomplished but for the strength of its policies, the quality of its programs and the integrity and energy of its Board members and employees. In closing, my work here is done. Thank you for the opportunity to serve New Mexico.

A handwritten signature in dark ink, appearing to read "Nann M. Winter".

Nann M. Winter, Chair
New Mexico Finance Authority
July 16, 2012 – December 2013



II. General Information

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Financing Your Future, Believing in New Mexico



NEW MEXICO FINANCE AUTHORITY

BOARD MEMBERS

Nann Winter, *Chair*

Partner

Stelzner, Winter, Warburton, Flores, Sanchez & Dawes, PA

Ryan Flynn, *Vice Chair*

Cabinet Secretary

New Mexico Environment Department

William Fulginiti, *Secretary*

Executive Director

New Mexico Municipal League

Katherine Ulibarri, *Treasurer*

Vice President for Finance & Operations

Central New Mexico Community College

Thomas Clifford, *Member*

Cabinet Secretary

New Mexico Department of Finance & Administration

Blake Curtis, *Member*

Chief Executive Officer

Curtis & Curtis, Inc.

Steve Kopelman, *Member*

Executive Director

New Mexico Association of Counties

Jon Barela, *Member*

Cabinet Secretary Designate

New Mexico Economic Development Department

David Martin, *Member*

Cabinet Secretary

New Mexico Energy, Minerals & Natural Resources Department

Terry White, *Member*

Chief Executive Officer

Sunwest Trust Inc.

Jerry L. Jones, *Member*

Chief Executive Officer

Stolar Research Corporation



NEW MEXICO FINANCE AUTHORITY

NMFA STAFF

Interim Chief Executive Officer
John P. Gasparich

Senior Accountant II
Robert Spradley

Director of Water Resources
Jana Amacher

Chief Administrative Officer
Dora Mae Cde Baca

Senior Accountant II
Lorraine Valdez

Sr. Program Administrator/ WTB
Angela Quintana

Executive Assistant/Records Mgr.
Connie Marquez-Valencia

Senior Accountant I
Richard Garcia

Sr. Program Administrator/DW
Ryan Helton

Director of IT
John Holton

Senior Accountant I
Joanne Johnson

Sr. Program Administrator/DW
Todd Johansen

Information Security Analyst
Mona Killian

Accountant III
Lisa Marquez

Sr. Administrative Assistant
Yolanda Valenzuela

IT Systems Analyst
Charles Parker

Accountant II
Bambi Russom

Chief Lending Officer
Zach Dillenback

Administrative Support Specialist II
Mark Dalton

Accountant I
Celina Sandoval

Sr. Lending Officer
Darlaina Chapman

Administrative Support Specialist I
Helen Poston

Chief of Programs
Marquita D. Russel

Sr. Lending Officer
E.J. Peinado

General Counsel
Dan Opperman

Director of Commercial Lending
John Brooks

Sr. Lending Officer
David Mahooty

Assistant General Counsel
Bryan Otero

Commercial Lender
Sanjiv Doreswamy

Lending Officer
Adam Johnson

Paralegal
Rachael Lujan

Commercial Credit Analyst
Jolene Meadows

Lending Officer
Donna Maestas

Chief Financial Officer
Donna Trujillo

Sr. Program Admin. LGPF/Colonias
Jim Perry

Sr. Administrative Assistant
Gloria Castillo

Controller
Robert Brannon

Sr. Administrative Assistant
Theresa Garcia

Chief Financial Strategist
Michael Zavelle

Director of Loan Operations
Leslie Medina

Director of Business Development
Rick Martinez

Investment Manager
Mark Lovato



III. NMFA Overview

2013 Annual Report



Financing Your Future, Believing in New Mexico

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.

For the first nine months of fiscal year 2013, the Finance Authority was unable to issue PPRF bonds while a Special Audit and fiscal years 2011 and 2012 audits were completed. This resulted in a temporary decrease in our PPRF lending. Despite these challenges, the Finance Authority reaffirmed its commitment to providing New Mexico's communities with affordable funding for critical infrastructure projects. Through unprecedented activity in several of the Finance Authority's other programs, including the federally funded Drinking Water State Revolving Loan Fund, the Local Government Planning Fund and the Colonias Infrastructure Project Fund, the Finance Authority continued to provide financing solutions for primary infrastructure projects to all reaches of our state.

The result was that the Finance Authority provided financing to more projects in FY 2013 than in the prior two fiscal years bringing our total number of projects financed to 1,927 and our total financings to \$2,923,619,967.



FY Year Created in Law	Program Name	Total Project Funding Provided (6/30/2013)	Total Projects Funded (6/30/2013)	Enabling Act	Statute
1992	Public Project Revolving Fund	\$ 2,303,283,709	1,176	New Mexico Finance Authority Act	6-21-6.0
1994	Primary Care Capital Fund	\$ 10,924,659	18	Primary Care Capital Funding Act	24-1C-4
1997	Drinking Water State Revolving Loan Fund	\$ 120,287,716	55	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	\$ 252,673,344	239	Water Project Finance Act	72-4A-9
2002	Local Government Planning Fund	\$ 2,224,769	83	New Mexico Finance Authority Act	6-21-6.4
2003	Economic Development Revolving Fund (Smart Money)	\$ 5,093,162	4	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	\$ 15,000	1	Water Project Finance Act	72-4A-9.1
2004	Behavioral Health Capital Fund	\$ 580,000	2	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	\$ 127,286,000	10	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)	\$ 16,697,182	17	Drinking Water State Revolving Loan Fund Act	6-21A-4
2010	Colonias Infrastructure Project Fund	\$ 11,690,114	35	Colonias Infrastructure Finance Act	6-30-1.0
2011	Collateral Support Participation Program	<u>\$ 4,054,318</u>	<u>7</u>	Statewide Economic Development Finance Act	6-25-13
Total Projects Funded		\$ 2,923,619,967	1,927		



IV. NMFA Programs and Activity

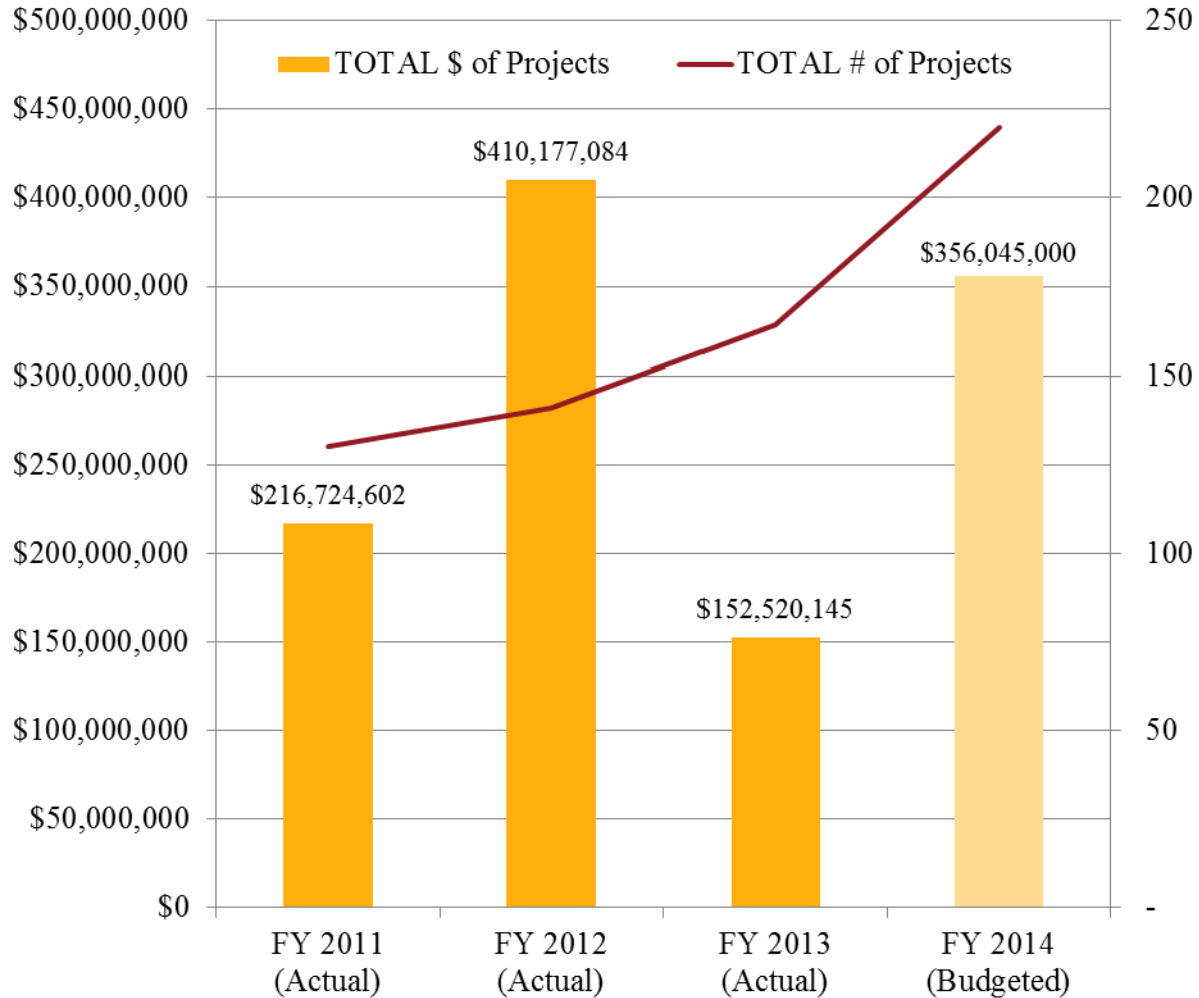
2013 Annual Report



Overview of Programs and Fiscal Year 2013 Activity

In fiscal year 2013, the Finance Authority faced challenges that temporarily curtailed its ability to make Public Project Revolving Fund loans. Despite these challenges, the Finance Authority provided financing to more projects in FY 2013 than in the previous two fiscal years. This increase in project funding is due in large part to the full implementation of the Colonias Infrastructure Program and the expansion of the Local Government Planning Fund and the Drinking Water State Revolving Loan Fund. With these tools in hand, the Finance Authority continued to serve New Mexico's communities with low-cost funding for its capital equipment and infrastructure projects and expects to continue its growth into fiscal year 2014.

The Finance Authority's program offerings can be generalized into four broad project types: Infrastructure and Capital Equipment, Water, Community Facilities and Economic Development and Transportation.



Infrastructure and Capital Equipment Projects

With its first loan in 1994, the Finance Authority became 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. The advantage is being able to offer all borrowers ‘AAA’ rates regardless of a borrower’s underlying credit. 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 2013, the PPRF’s share of the GGRT approximated \$27.45 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 healthy growing receipt of GGRT, has helped the PPRF attain higher bond ratings, lower costs of issuance to all borrowers, and give below-market interest rate loans to disadvantaged entities.

In 2011, Standard and Poor’s assigned its prestigious ‘AAA’ rating to the PPRF. 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, who are able to stretch further their limited public dollars for public projects due to lower interest rates.

PPRF Eligibility:

Applicants: Local governments, including tribal bodies and school districts

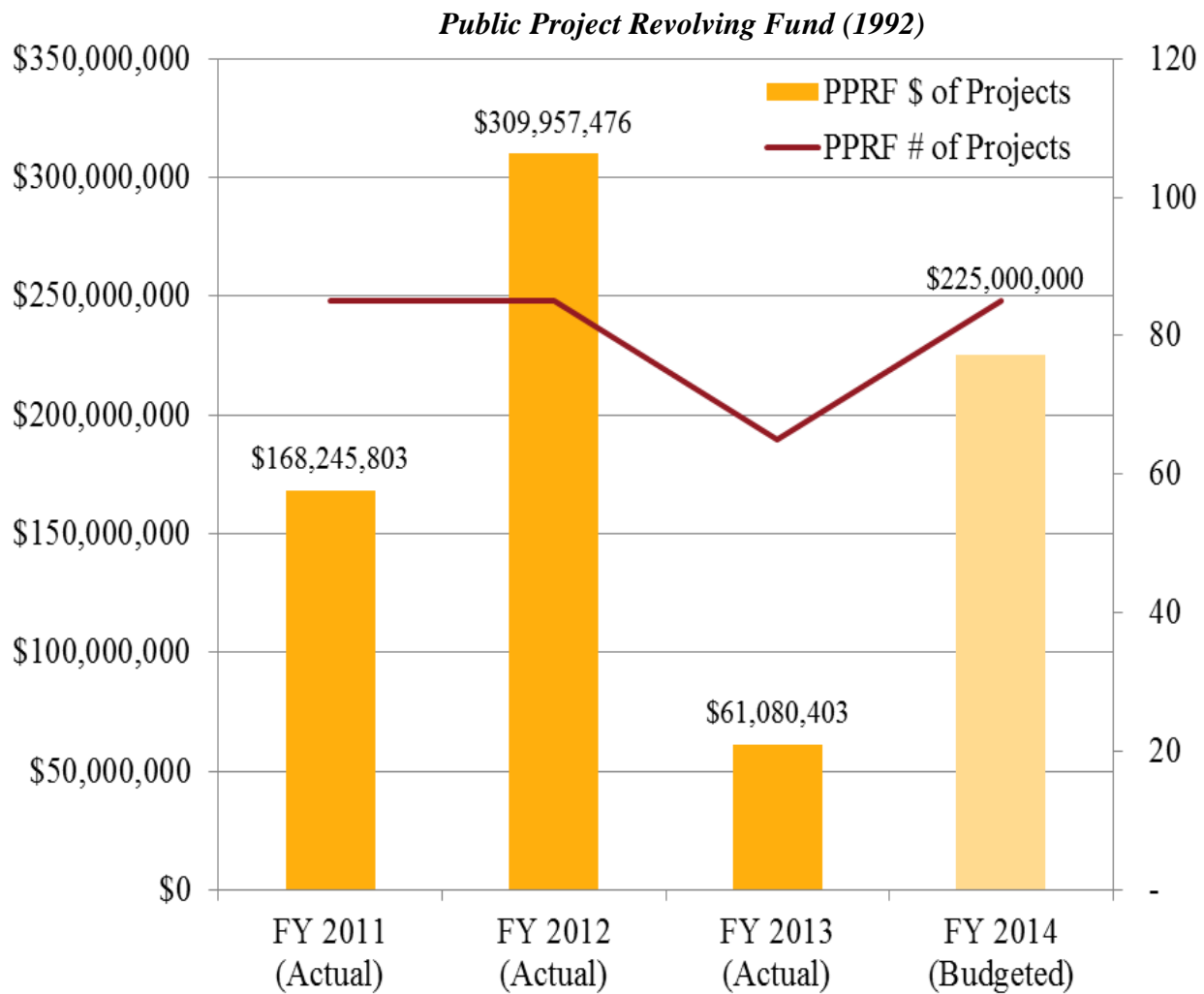
Projects: Infrastructure, Building and Capital Equipment projects

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 equaling 90% or less of the State’s median household income are eligible to receive 0% or 3% interest rates for up to \$200,000 per entity per fiscal year

PPRF activity in FY 2013 was temporarily impacted by the Finance Authority's delay in issuing bonds while the Special Audit and 2011 and 2012 fiscal year audits were completed. The result was that the PPRF was unable to finance projects exceeding \$5 million for the majority of the fiscal year. In May 2013, Standard & Poor's reaffirmed its 'AAA' rating when the Finance Authority reentered the bond market with its 2013A PPRF bond issue.

Despite the temporary lending protocols which limited PPRF loans to \$5 million or less, the Finance Authority made 65 loans totaling more than \$61 million. As of June 30, 2013, the Finance Authority has made more than 1,175 PPRF loans totaling more than \$2.3 billion.



Local Government Planning Fund

The Local Government Planning Fund was created to provide up-front capital necessary to study the feasibility of water and wastewater public projects, long term water plans, water conservation plans and economic development plans.

The 2012 Legislature amended the Local Government Planning Fund statute to broaden the types of planning that can be funded and to make the funding available solely in the form of grants. In FY 2013, the Finance Authority worked to revise its policies and establish guidance documents for each of the eligible planning document types.

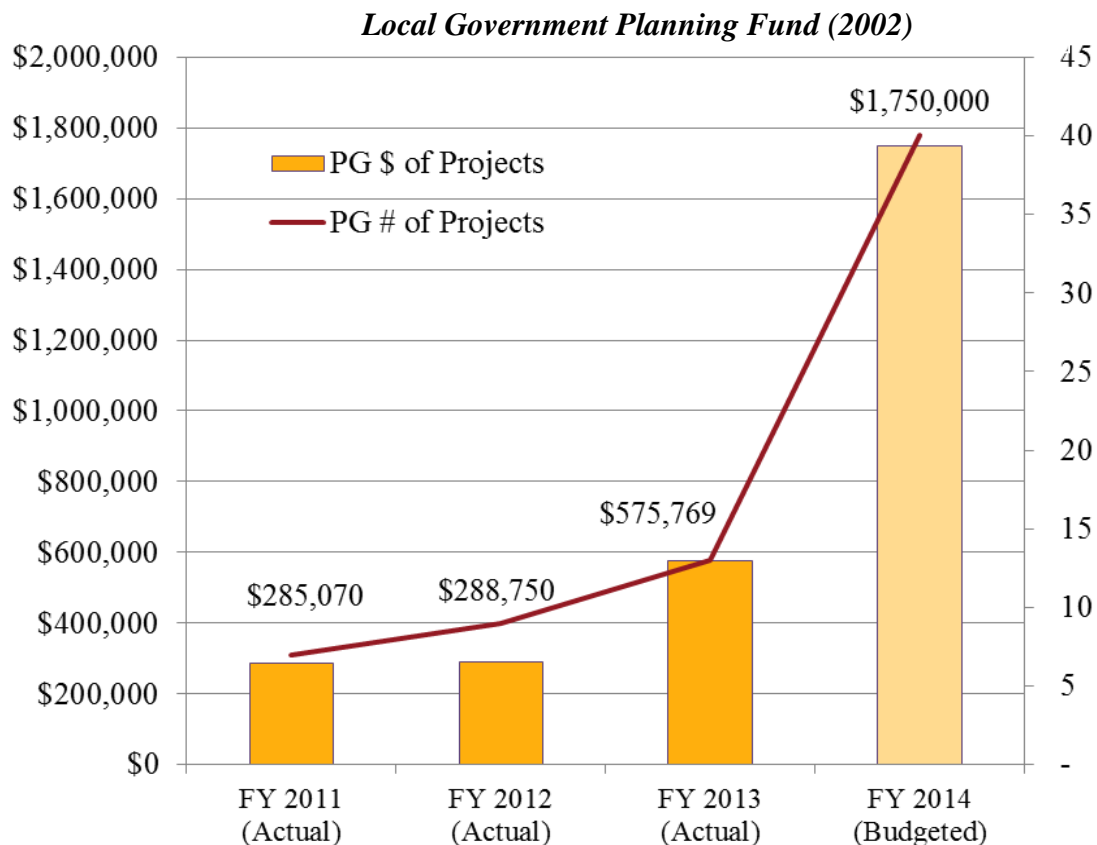
The Finance Authority continues to see a sharp increase in demand for planning dollars and, in FY 2013, closed 13 grants totaling \$575,769, double the dollar volume of FY 2012. As of June 30, 2013, the Finance Authority has funded 96 grants totaling more than \$2.8 million. With the guidance documents and new policies in place, the Finance Authority expects to see a three-fold increase in activity in FY 2014.

LGPF 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: Grants are determined using a sliding scale using the applicant's median household income and, if applicable, the rates charged for water and wastewater services relative to the applicant's wealth



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.

Following a busy FY 2012, which saw the start-up of the program, including the establishment of Board By-Laws, Rules and Regulations, Policies and Funding Criteria, the Finance Authority in FY 2013 closed 35 grants totaling nearly \$11.7 million and approved an additional 37 projects totaling more than \$16.6 million. The Colonias Infrastructure Project grants approved in FY 2013 will leverage an additional \$8.265 in federal funds, bringing the expected total federal leverage to \$14.265 million in the program's short two year history.

CIP Eligibility:

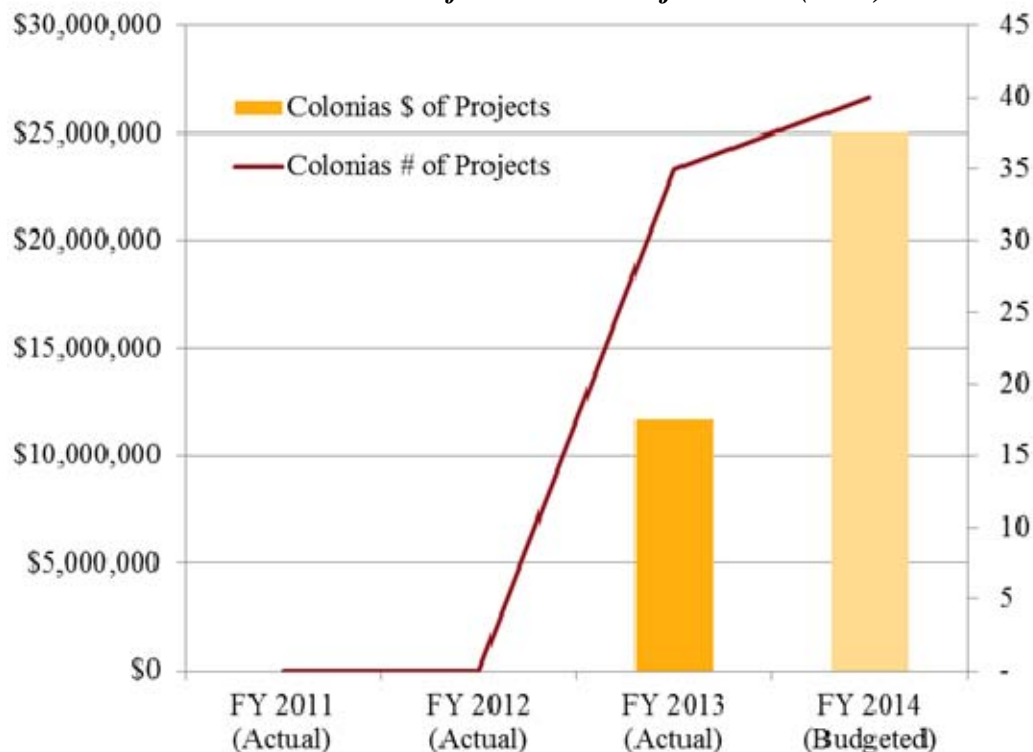
Applicants: Local governments, including Counties, Cities and mutual domestic water consumers associations. Qualified entities must be able to demonstrate adequate capacity to construct and operate the project over the long-term

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

Colonias Infrastructure Project Fund (2010)



Water Projects

Beginning in the late 1990's, the Legislature made the Finance Authority a key part of the State's efforts to improve the quality and quantity of drinking water by establishing the Drinking Water State Revolving Loan Fund. This role was strengthened in 2001, when the Legislature named the Finance Authority as administrator of the Water Trust Board, making water funding the Finance Authority's second largest area of program activity.

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 for zero or two-percent loans to drinking water systems to 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 has received \$163.6 million in federal Environmental Protection Agency ("EPA") capitalization grants, which has been matched by the Finance Authority with \$29.7 million.

In 2011, the federal government began requiring that a portion of the capitalization grants be delivered to communities with additional subsidy.

Beginning in FY 12, the Finance Authority offered this additional subsidy to its borrowers through loans with principal forgiveness determined on a sliding scale. The new funding structure continued in FY 2013 resulting in unprecedented demand for the program with the Finance Authority closing 16 loans totaling more than \$25.526 million and bringing the total loans closed to date to 72 loans totaling more than \$137 million.

DWSRLF Eligibility:

Applicants: Municipal and Community Water Systems

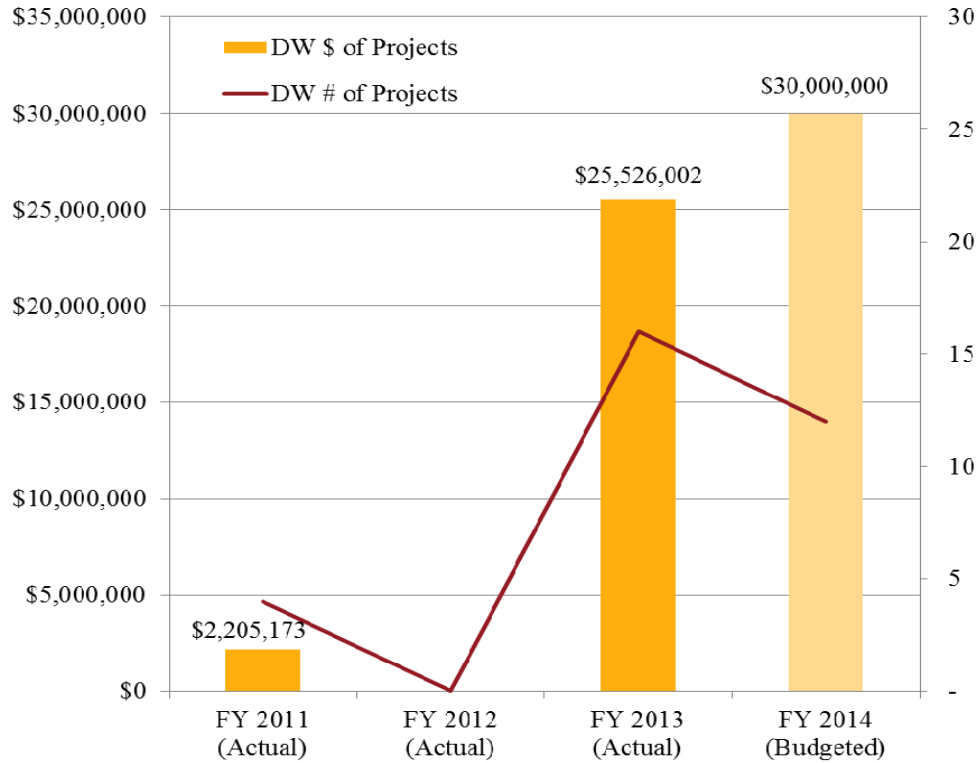
Projects Water Infrastructure and Equipment

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 are eligible to receive additional subsidies such as principal forgiveness for certain projects.

Drinking Water State Revolving Loan Fund (1997)



Backfill utilizing bedding material around the HDPE pipe. 12" HDPE WL down the Slope of the Mesa Cliff Worksite WS-21A.

4Points Laguna Water and Wastewater Project funded in part by \$23 million New Markets Tax Credit Financing.

The Water and Wastewater Grant

The Water and Wastewater Grant Fund was created by the 1999 Legislature to provide grants to legislatively authorized grant recipients. The Fund received its last appropriation in 2002 and the program funds were fully expended in FY 2009. No additional activity is expected in this program.

Water Project Fund

Pursuant to the Water Project Finance Act, the Finance Authority administers the Water Project Fund and provides administrative support to the 16-member Water Trust Board, which funds projects authorized by the legislature from annual distributions from the Water Trust Fund and 10% of the State's annual senior lien Severance Tax Bonds. 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.

In fiscal year 2013, the Water Trust Board began its work to enhance comprehensive water project policies that it established five years ago that govern the use of the Fund and provide for greater accountability. The enhanced policies provide applicants with more time to complete the application and provide more coordination amongst the Water Trust Board's seven-agency technical team that evaluates applications and recommends projects to the Water Trust Board.

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. Since its inception, the Water Project Fund has provided funding to 240 projects totaling more than \$252.67 million.

WTB Eligibility:

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

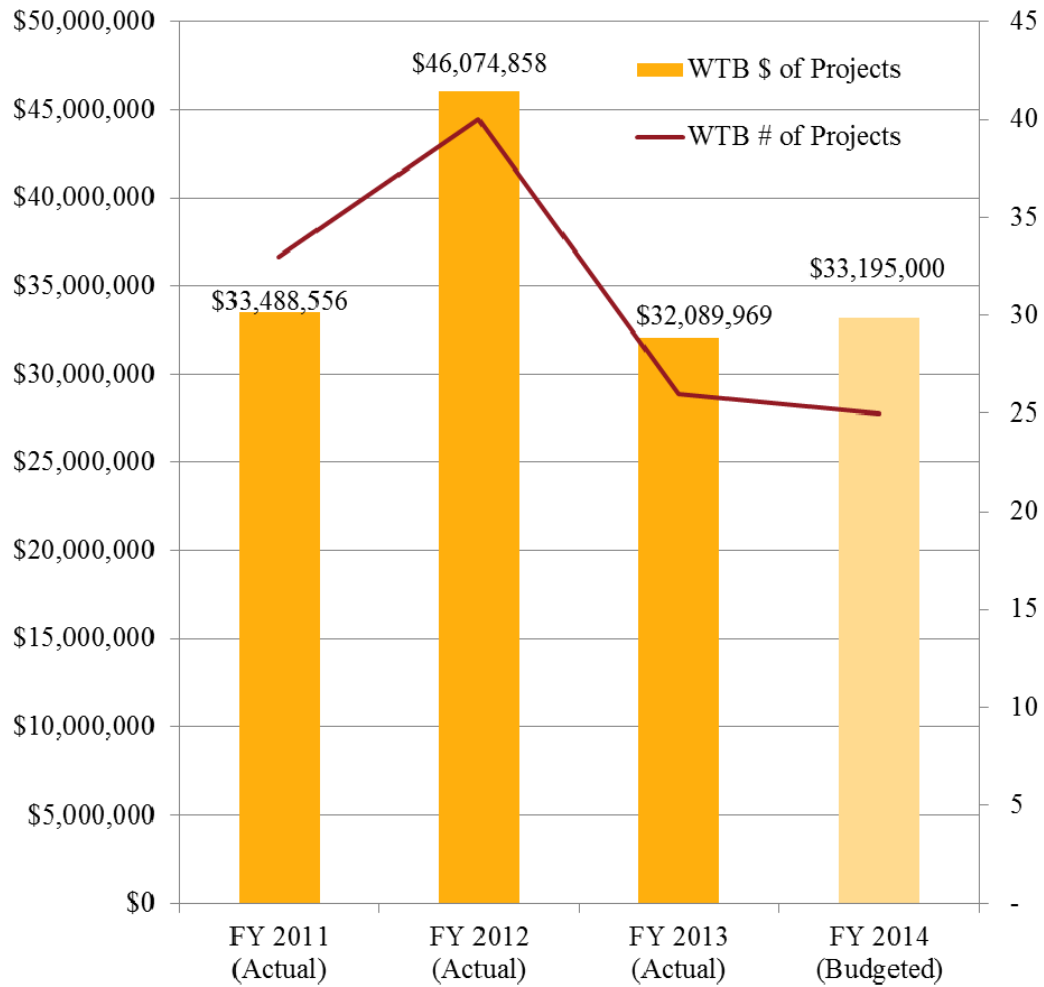
Projects: Planning and Construction funding for five types of water projects:

- 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

Water Trust Board (2001)



In 2013, Empresa, LLC, completed the construction of a 30,000 square foot grocery store on the Laguna Pueblo which replaced an antiquated store that was unable to provide a full range of healthy foods to Pueblo members and nearby communities.

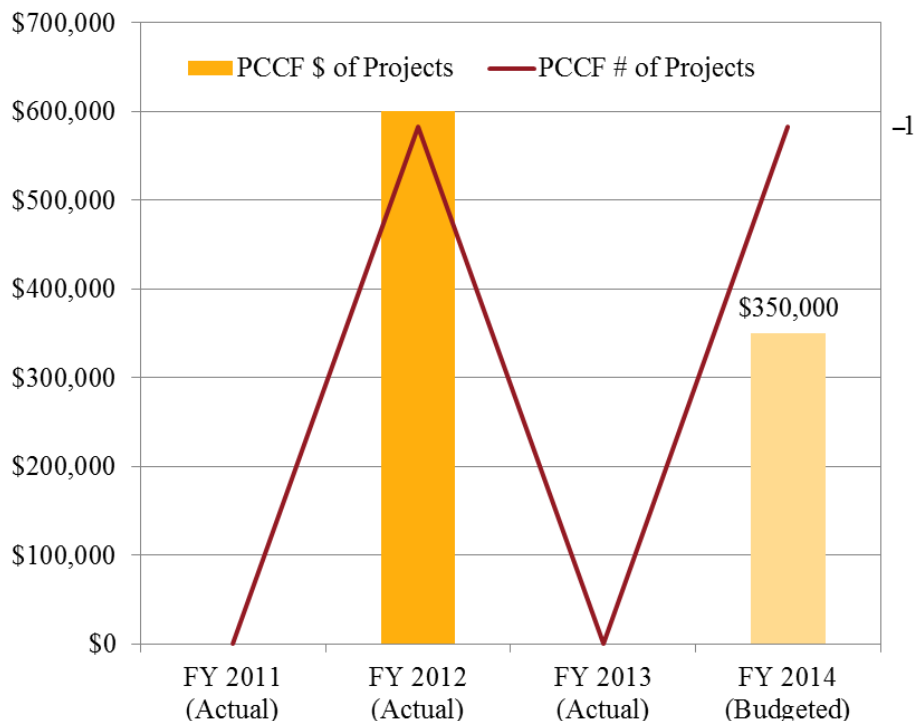
The new store, funded by a \$5,000,000 New Markets Tax Credit financing, has amenities such as larger refrigeration and freezer storage areas, a deli and other essential items that are found in modern grocery stores.

Programs for Community Facilities and Economic Development Projects

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 18 loans totaling nearly \$11 million. Clinics located in New Mexico communities such as Peñasco, Silver City, Pecos and Anthony have borrowed from the fund to expand their existing medical facilities for medical and dental services in addition to the construction of new facilities. These loans, some of which have been in repayments since 1997, have repaid more than \$5 million to the fund. In FY 2011, \$2.81 million was transferred to the State’s General Fund in support of the State’s balanced budget, leaving the Finance Authority to lend only the amounts repaid in any given year.



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.

Primary Care Capital Fund (1994)

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. With its partners at the Department of Human Services (“HSD”), the Finance Authority has funded two projects totaling \$580,000, including a \$100,000 loan to *La Familia* in Chaparral, New Mexico. In fiscal year 2013, the Finance Authority approved a \$620,000 loan to *Tri County Community Services* in Taos which is expected to close in fiscal year 2014. Approximately \$1.5 million is available for additional loans.

BHCF Eligibility:

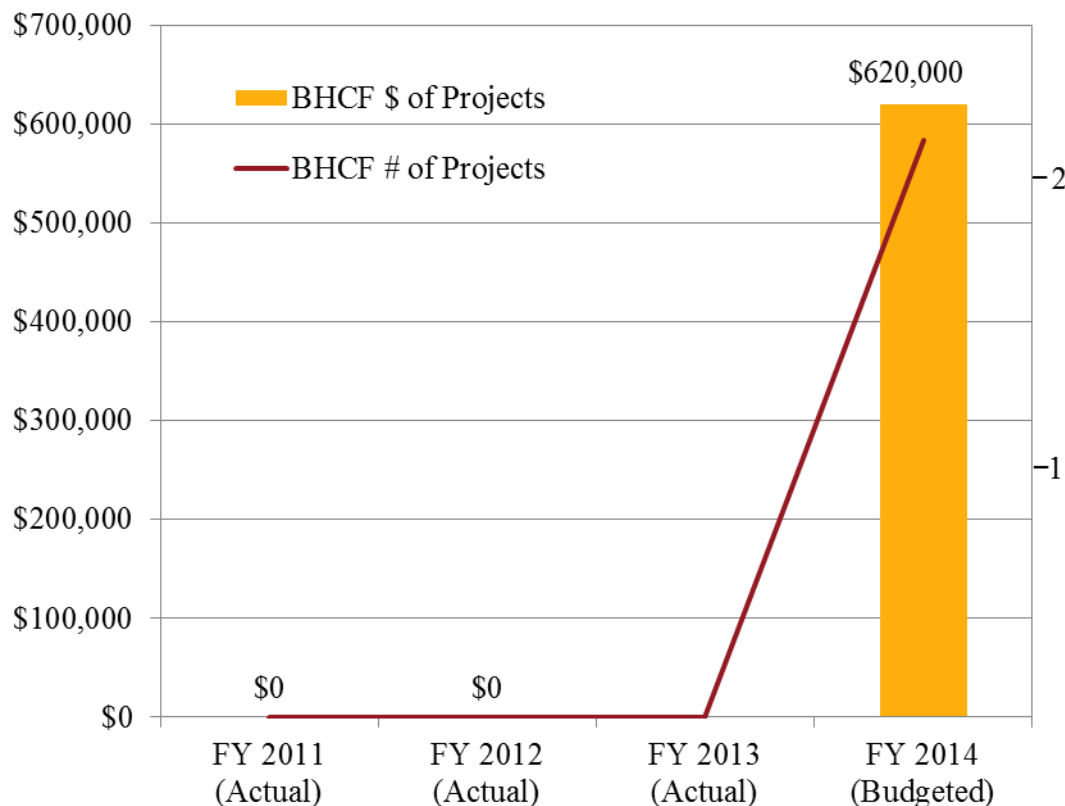
Applicants: 501(c)(3) non-profit behavioral care health providers

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.

Behavioral Health Capital Fund (2004)



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.

In FY 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 meet the timing needs dictated by the federal funds while providing business-friendly loans to expanding New Mexico’s businesses.



In fiscal year 2013, the Finance Authority partnered with Los Alamos National Bank to fund a \$500,000 purchase order line of credit to STAR Cryoelectronics, LLC, a Santa Fe-based manufacturer of precision sensors. The funding was provided through the Collateral Support Participation Program, made possible by the State Small Business Credit Initiative.

Smart Money Loan Participation

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. In FY 2013, the Finance Authority funded the purchase of a loan participation with Bank of the Rio Grande to help finance the renovation of a building on Las Cruces' Main Street. The former furniture store was renovated and is being used by New America School, a new charter school that provides education to students who are not native English speakers. The curriculum is offered in day and night courses so that adults who had not been able to graduate from high school are able to get a high school education.

Through June 30, 2013, the Finance Authority has purchased four loan participations from New Mexico community banks. The Finance Authority's first Smart Money project, an \$850,000 participation with Bank 34 to fund the construction and equipping of PreCheck, Inc.'s Alamogordo facility, repaid in full during fiscal year 2013.

Smart Money Eligibility:

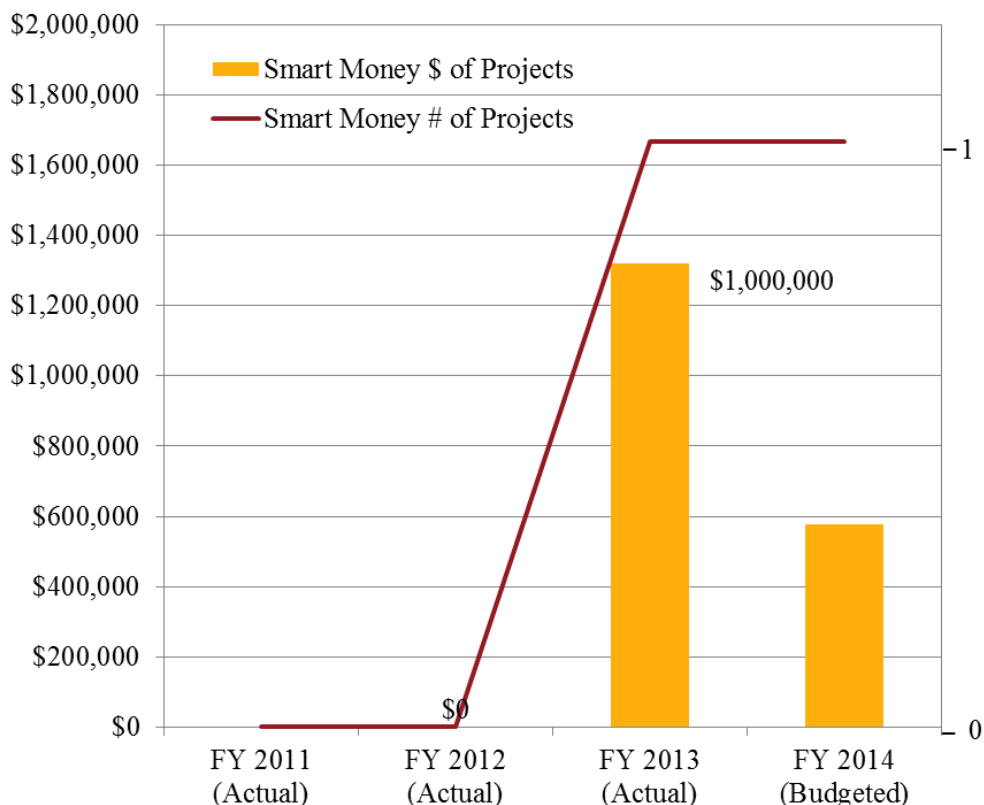
Applicants: Businesses and Non-Profit Corporations

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

Smart Money Loan Participation (2006)



Collateral Support Participation Program

This new program uses 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 2013, the Finance Authority and NMEDD funded five projects totaling nearly \$1.8 million. Also during fiscal year 2013, the two projects approved in fiscal year 2012 were constructed and occupied, creating more than 60 permanent, full time jobs. The Finance Authority expects many more of these projects over the next several years as the SSBCI money is invested and reinvested in New Mexico's small businesses.

Collateral Support Eligibility:

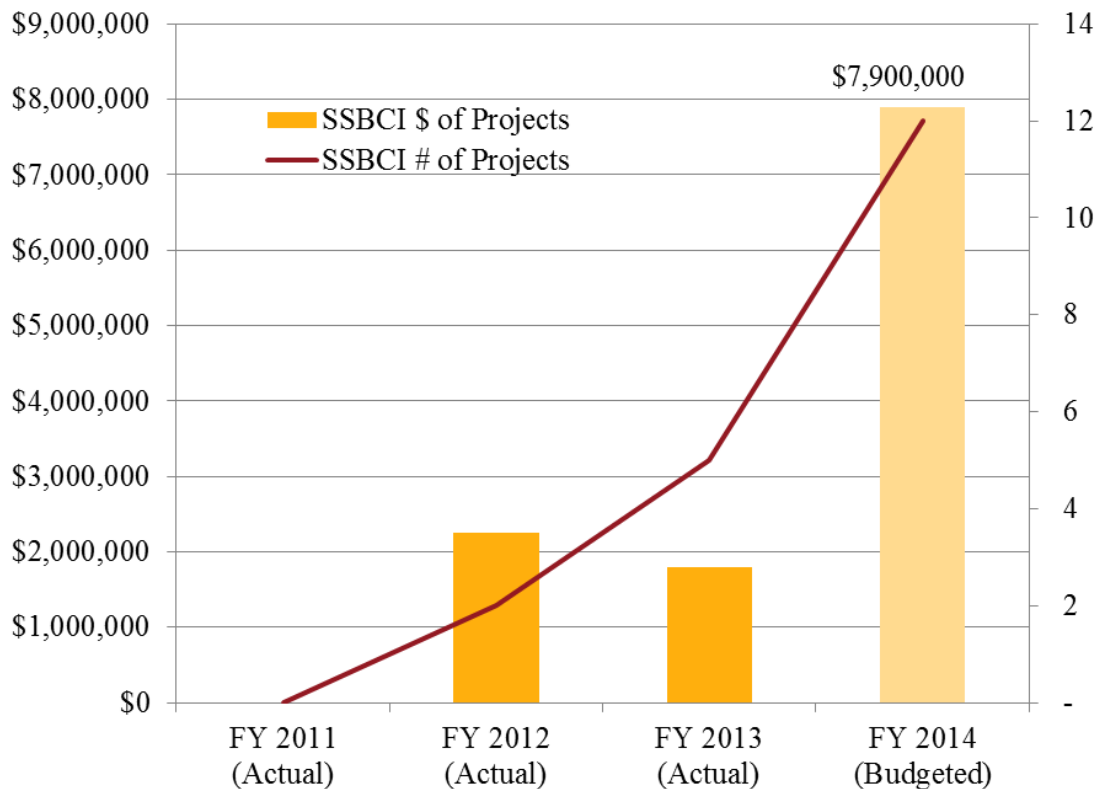
Applicants: Businesses and Non-Profit Corporations

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

Collateral Support Participation (2011)

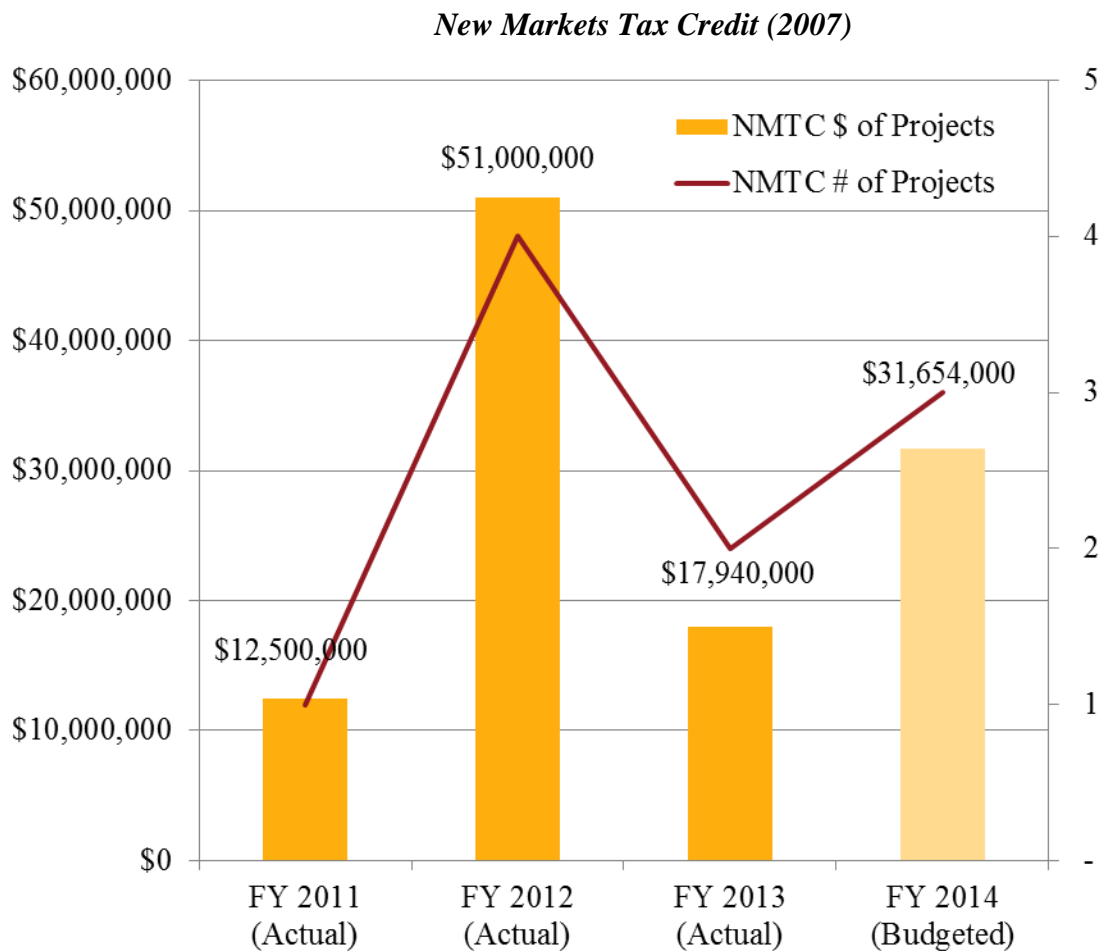


New Markets Tax Credits

In 2007, the Finance Authority formed a subsidiary for-profit company 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 and \$46 million in 2011. 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.

To date, the Finance Authority has funded 11 community and economic development projects totaling more than \$140.3 million



Friedman Recycling of Albuquerque, funded in part by \$15 million in New Markets Tax Credit financing closed by the Finance Authority in fiscal year 2013, at its ribbon cutting in June 2013.

Through its contract with Friedman Recycling, the City of Albuquerque expects to more than double its current rate of recycling and recovering annually an estimated 30,000 tons of materials that would otherwise be landfilled. The project will extend the life of the landfill and reduce the long-term liability of maintaining buried trash for generations.



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.

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.

TRANSPORTATION AND OTHER BOND 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.

Local Government Transportation Fund

The Finance Authority administers the Local Government Transportation Fund which was created by the 2007 Special Legislature to provide funding for 116 local government transportation projects totaling more than \$180 million as well as engineering and design services incurred by NMDOT for the projects funded from the Fund. The funding for this program is made up of a \$25 million appropriation from the General Fund and up to \$150 million in proceeds realized from the issuance of Severance Tax Bonds. Through June 30, 2012, the Fund has received a total \$101.7 million in funding which has resulted in 88 projects being certified by NMDOT to proceed. It is expected that all the certified projects will be completed by June 2012.

Local Transportation Infrastructure Fund

Created by the 2005 Legislature, the Local Transportation Infrastructure Fund provides grants to transportation projects that are not eligible for Federal funding and whose needs have not been met by the existing Local Government Road Fund.

The Finance Authority provides the funding for this program through the dedication of the fees earned by the Authority for managing NMDOT its bonds. Projects are recommended to the Finance Authority through a prioritization list supplied annually by the NMTDOT. To date, the Fund has only been utilized to provide the matching funds required under Local Government Transportation Fund legislation. In fiscal year 2013, the Finance Authority funded the last of the projects recommended by NMDOT, bringing the total funding 21 projects totaling more than \$4.7 million.

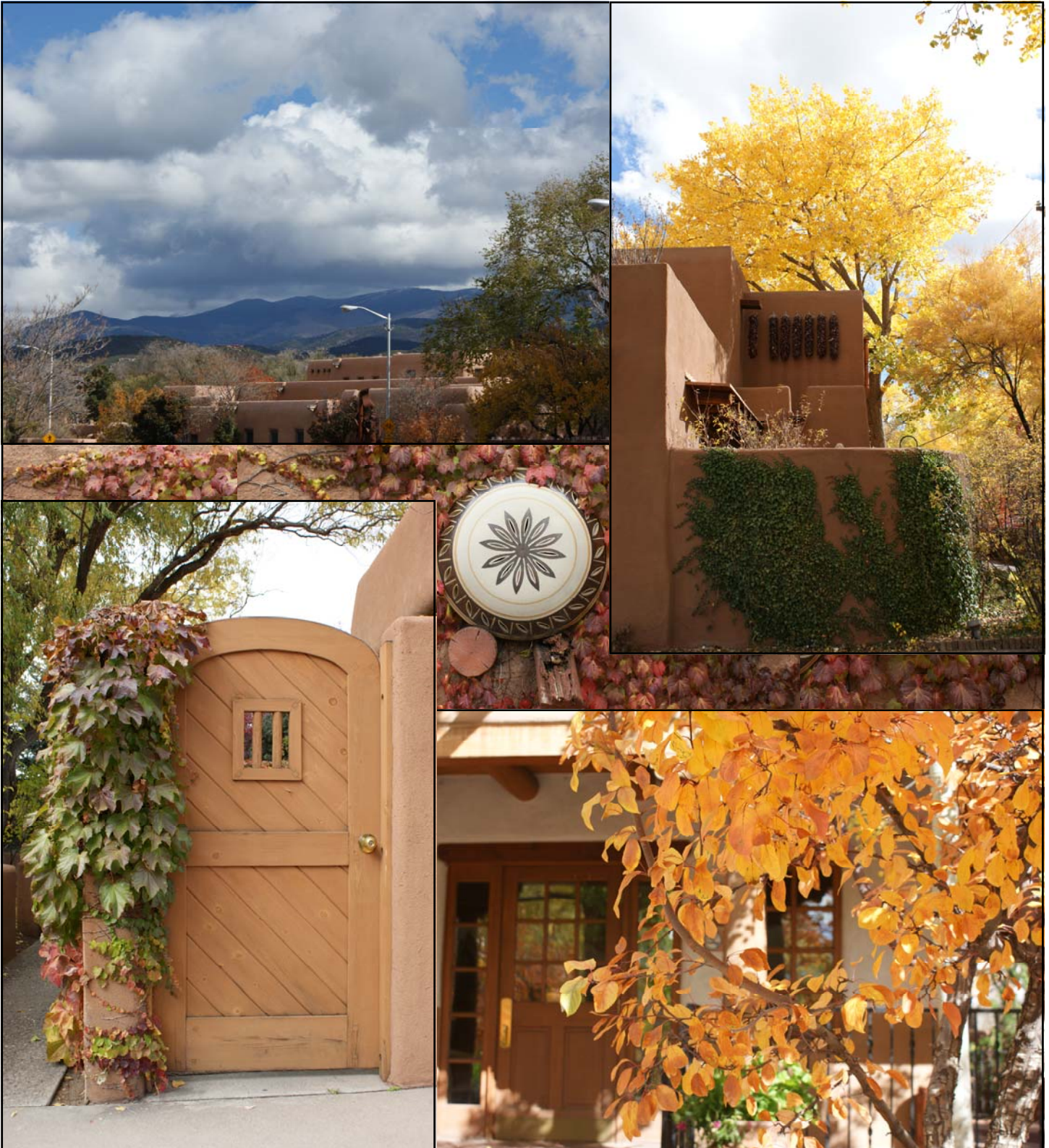
Other Programs “Stand-Alone” Bonds

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

2013 Annual Report



Financing Your Future, Believing in New Mexico

NEW MEXICO FINANCE AUTHORITY
REVENUE AND EXPENSE BUDGETS
FISCAL YEARS ENDED JUNE 30, 2013 AND 2014

	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Budget	FY 2013 Projected	Percentage Change FY 2014 Budget over FY 2013 Budget	FY 2014 Budget	Percentage Change FY 2014 Budget over FY 2013 Projected
<u>REVENUES</u>							
Appropriation revenue	\$ 34,842,554	\$ 43,146,845	\$ 40,462,000	\$ 29,749,380		\$ 39,011,924	
Interest income from loans	55,572,510	54,459,612	54,427,750	54,036,515		54,580,750	
Interest income from investments	805,923	436,384	917,000	139,403		418,000	
Administration fee revenue	6,808,876	7,352,753	4,831,000	3,485,736		4,782,051	
Grant revenue	42,924,828	41,883,216	41,900,000	52,692,050		55,117,000	
Total Revenues	\$ 140,954,691	\$ 147,278,810	\$ 142,537,750	\$ 140,103,084	8.0%	\$ 153,909,725	9.9%
<u>EXPENDITURES</u>							
Operating Expenses							
Personnel services	\$ 4,184,572	\$ 3,976,586	\$ 4,889,213	\$ 3,934,858		\$ 4,750,000	
Professional services	2,212,384	2,520,763	2,435,013	4,081,958		2,489,475	
Operating costs	1,476,455	1,551,350	1,244,219	1,112,574		1,328,970	
Total - Operating Expenses	\$ 7,873,411	\$ 8,048,699	\$ 8,568,445	\$ 9,129,390	0.0%	\$ 8,568,445	-6.1%
Non-Operating Expenses							
Bond/Loan interest Expense	\$ 59,521,640	\$ 53,964,438	\$ 55,901,500	\$ 56,321,498		\$ 53,867,650	
Bond Issuance Expense	697,665	1,272,046	1,500,000	58,300		1,500,000	
Grant Expense	53,887,305	42,063,551	34,445,000	47,246,711		40,787,000	
Total non-operating expenses	\$ 114,106,610	\$ 97,300,035	\$ 91,846,500	\$ 103,626,510	4.7%	\$ 96,154,650	-7.2%
Total fiscal year expenses	\$ 121,980,021	\$ 105,348,734	\$ 100,414,945	\$ 112,755,900	4.3%	\$ 104,723,095	-7.1%
Excess (deficit) revenues over expenses	\$ 18,974,670	\$ 41,930,076	\$ 42,122,805	\$ 27,347,184		\$ 49,186,630	
Transfer to other agencies	24,481,147	8,725,047	8,905,000	4,757,187		9,535,000	
Excess (deficit) revenues over expenses	\$ (5,506,477)	\$ 33,205,029	\$ 33,217,805	\$ 22,589,996		\$ 39,651,630	

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.

NEW MEXICO FINANCE AUTHORITY
REVENUE AND EXPENSE BUDGET BY PROGRAM
FISCAL YEAR ENDED JUNE 30, 2014

	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	\$ 39,011,924	\$ 26,300,130	\$ -	\$ -	\$ -	\$ -	-	\$ -	8,822,794	\$ -	\$ 1,089,000	\$ -	\$ -	\$ 2,800,000
Interest income on loans	54,580,750	52,500,000	-	1,050,000	-	-	-	-	50,000	30,000	20,000	126,000	750	804,000
Interest income on investments	418,000	225,000	25,000	100,000	51,000	-	-	-	10,000	2,000	-	-	-	5,000
Administration fee revenue	4,782,051	3,036,000	404,181	175,000	60,000	-	-	1,105,870	-	-	1,000	-	-	-
Grant revenue	55,117,000	-	4,000,000	10,900,000	36,717,000	3,500,000	-	-	-	-	-	-	-	-
Total Revenues	\$ 153,909,725	\$ 82,061,130	\$ 4,429,181	\$ 12,225,000	\$ 36,828,000	\$ 3,500,000	\$ -	\$ 1,105,870	\$ 8,882,794	\$ 32,000	\$ 1,110,000	\$ 126,000	\$ 750	\$ 3,609,000
EXPENDITURES														
Operating Expenses														
Personal services and benefits	4,750,000	2,346,002	181,290	606,866	440,697	195,490	178,232	354,367	297,080	107,086	13,027	19,928	9,936	
Contractual costs	2,489,475	1,369,172	156,333	94,210	509,300	106,478	61,780	120,035	45,955	25,214	250	650	100	
Other Costs	1,328,970	688,731	66,558	126,826	134,550	50,194	47,377	124,568	68,734	19,296	819	1,069	249	
Total - Operating Expenses	\$ 8,568,445	\$ 4,403,904	\$ 404,181	\$ 827,901	\$ 1,084,547	\$ 352,162	\$ 287,388	\$ 598,969	\$ 411,768	\$ 151,596	\$ 14,096	\$ 21,646	\$ 10,285	\$ -
Non-Operating Expenses														
Bond interest expense	\$ 53,722,650	\$ 52,822,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,500	\$ -	\$ -	\$ 804,000
Bond issuance expense	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-
Grant expense	40,787,000	-	5,000,000	2,300,000	29,387,000	3,500,000	600,000	-	-	-	-	-	-	-
Contract for service expense	145,000	-	-	-	-	-	-	-	-	-	10,000	135,000	-	-
Total Non-Operating Expenses	\$ 96,154,650	\$ 54,322,150	\$ 5,000,000	\$ 2,300,000	\$ 29,387,000	\$ 3,500,000	\$ 600,000	\$ -	\$ -	\$ -	\$ 106,500	\$ 135,000	\$ -	\$ 804,000
Total Expenses	\$ 104,723,095	\$ 58,726,054	\$ 5,404,181	\$ 3,127,901	\$ 30,471,547	\$ 3,852,162	\$ 887,388	\$ 598,969	\$ 411,768	\$ 151,596	\$ 120,596	\$ 156,646	\$ 10,285	\$ 804,000
Excess (Deficit) revenues over expenses	\$ 49,186,630	\$ 23,335,076	\$ (975,000)	\$ 9,097,099	\$ 6,356,453	\$ (352,162)	\$ (887,388)	\$ 506,901	\$ 8,471,026	\$ (119,596)	\$ 989,404	\$ (30,646)	\$ (9,535)	\$ 2,805,000
Transfer to other agencies	9,535,000	500,000	-	2,500,000	3,730,000	-	-	-	-	-	-	-	-	2,805,000
Excess (Deficit) revenues over expenses	\$ 39,651,630	\$ 22,835,076	\$ (975,000)	\$ 6,597,099	\$ 2,626,453	\$ (352,162)	\$ (887,388)	\$ 506,901	\$ 8,471,026	\$ (119,596)	\$ 989,404	\$ (30,646)	\$ (9,535)	\$ -
Activity - New Financings														
Number of Projects	219	85		12	25	40	40	3	12	1	1			
\$ amount of financings	355,899,000	225,000,000		30,000,000	33,195,000	25,000,000	1,750,000	31,654,000	7,900,000	800,000	600,000			
Activity - Loans Outstanding														
Number of Loans	1,013	685	3	42	157	46	30	10	6	5	3	18	1	7
\$ amount of loans outstanding	1,767,484,000	1,343,000,000	2,200,000	68,768,000	169,880,000	18,488,000	1,400,000	124,346,000	5,596,000	4,605,000	676,000	3,500,000	25,000	25,000,000

New Mexico Finance Authority
Cash Flow Budget by Program
Fiscal Year Ending June 30, 2014

	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	\$ 200,000,000	\$ 200,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Funds Received - NMTC	31,654,000	-	-	-	-	-	-	31,654,000	-	-	-	-	-	-
Loan principal repayments	101,508,800	92,709,000	-	3,600,000	1,000,000	-	-	-	0	25,000	63,000	439,000	4,800	3,668,000
Loan Interest repayments pledged to bond payments	52,430,000	51,500,000	-	-	-	-	-	-	-	-	-	126,000	-	804,000
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Severance Tax Bonds	39,243,453	-	4,000,000	-	31,743,453	3,500,000	-	-	-	-	-	-	-	-
- Water Trust Fund	4,000,000	-	-	-	4,000,000	-	-	-	-	-	-	-	-	-
- Federal Funds	10,550,000	-	-	10,550,000	-	-	-	-	-	-	-	-	-	-
Appropriation Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- GGRT	27,550,130	27,550,130	-	-	-	-	-	-	-	-	-	-	-	-
- Cigarette Tax	3,889,000	-	-	-	-	-	-	-	-	-	1,089,000	-	-	2,800,000
- State Small Business Credit Initiative	8,411,025	-	-	-	-	-	-	-	8,411,025	-	-	-	-	-
- Other	4,250,000	250,000	-	2,000,000	-	-	2,000,000	-	-	-	-	-	-	-
Total cash inflows from financing activities:	483,486,408	372,009,130	4,000,000	16,150,000	36,743,453	3,500,000	2,000,000	31,654,000	8,411,025	25,000	1,152,000	565,000	4,800	7,272,000
Outflows from financing activities:														
Bond Principal Repayments	(94,456,000)	(90,663,000)	-	-	-	-	-	-	-	-	(125,000)	-	-	(3,668,000)
Bond Interest Repayments	(53,722,650)	(52,822,150)	-	-	-	-	-	-	-	-	(96,500)	-	-	(804,000)
Costs of Issuance Expenses	(1,500,000)	(1,500,000)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation from PPRF for other programs	(6,400,000)	(6,400,000)	-	-	-	-	-	-	-	-	-	-	-	-
Deposits to reserve funds	(3,547,530)	(3,547,530)	-	-	-	-	-	-	-	-	-	-	-	-
Deposits to revolving fund	(565,000)	-	-	-	-	-	-	-	-	-	-	(565,000)	-	-
Projects funded as grants	(40,787,000)	-	(5,000,000)	(2,300,000)	(29,387,000)	(3,500,000)	(600,000)	-	-	-	-	-	-	-
Loans Funded	(284,762,000)	(225,000,000)	-	(15,000,000)	(3,808,000)	-	-	(31,654,000)	(7,900,000)	(800,000)	(600,000)	-	-	-
Payments to Other Agencies	(9,535,000)	(500,000)	-	(2,500,000)	(3,730,000)	-	-	-	-	-	-	-	-	(2,805,000)
Total cash outflows from financing activities	(495,275,180)	(380,432,680)	(5,000,000)	(19,800,000)	(36,925,000)	(3,500,000)	(600,000)	(31,654,000)	(7,900,000)	(800,000)	(821,500)	(565,000)	-	(7,277,000)
Net cash inflows (outflows) from financing activities	(11,788,772)	(8,423,550)	(1,000,000)	(3,650,000)	(181,547)	-	1,400,000	-	511,025	(775,000)	330,500	-	4,800	(5,000)
Cashflows from operating activities:														
Cash inflows from operating activity:														
Interest included in repayments of equity loans	2,150,750	1,000,000	-	1,050,000	-	-	-	-	50,000	30,000	20,000	-	750	-
Loan principal repayments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on investments	418,000	225,000	25,000	100,000	51,000	-	-	-	10,000	2,000	-	-	-	5,000
Administrative processing fees	4,782,051	3,036,000	404,181	175,000	60,000	-	-	1,105,870	-	-	1,000	-	-	-
Appropriation revenue	411,769	-	-	-	-	-	-	-	411,769	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Federal funds	350,000	-	-	350,000	-	-	-	-	-	-	-	-	-	-
- State funds	973,547	-	-	-	973,547	-	-	-	-	-	-	-	-	-
Total cash inflows from operating activities	9,086,117	4,261,000	429,181	1,675,000	1,084,547	0	0	1,105,870	471,769	32,000	21,000	0	750	5,000
Cash outflows from operating activity:														
Salary and benefits	(4,750,001)	(2,346,002)	(181,290)	(606,866)	(440,697)	(195,490)	(178,232)	(354,367)	(297,080)	(107,086)	(13,027)	(19,928)	(9,936)	-
Operating expenses	(3,818,444)	(2,057,902)	(222,891)	(221,035)	(643,850)	(156,672)	(109,156)	(244,602)	(114,689)	(44,510)	(1,069)	(1,719)	(349)	-
Total cash outflows from operating activities	(8,568,445)	(4,403,904)	(404,181)	(827,901)	(1,084,547)	(352,162)	(287,388)	(598,969)	(411,769)	(151,596)	(14,096)	(21,647)	(10,285)	-
Net cash inflows/(outflows) from operating activities	517,672	(142,904)	25,000	847,099	-	(352,162)	(287,388)	506,901	60,000	(119,596)	6,904	(21,647)	(9,535)	5,000
Net Inflow (Outflow) of Cash	(11,271,100)	(8,566,454)	(975,000)	(2,802,901)	(181,547)	(352,162)	1,112,612	506,901	571,025	(894,596)	337,404	(21,647)	(4,735)	-
Beginning Cash Restricted for Program Use	123,036,089	67,315,479	832,407	25,121,869	15,992,323	(174,375)	31,848	125,516	4,350,980	1,757,765	355,008	214,884	20,792	7,091,593
Ending Cash Restricted for Program Use	\$ 111,764,989	\$ 58,749,025	\$ (142,593)	\$ 22,318,968	\$ 15,810,776	\$ (526,537)	\$ 1,144,460	\$ 632,417	\$ 4,922,005	\$ 863,169	\$ 692,412	\$ 193,237	\$ 16,057	\$ 7,091,593

ANNUAL BUDGETS
FISCAL YEARS ENDED JUNE 30

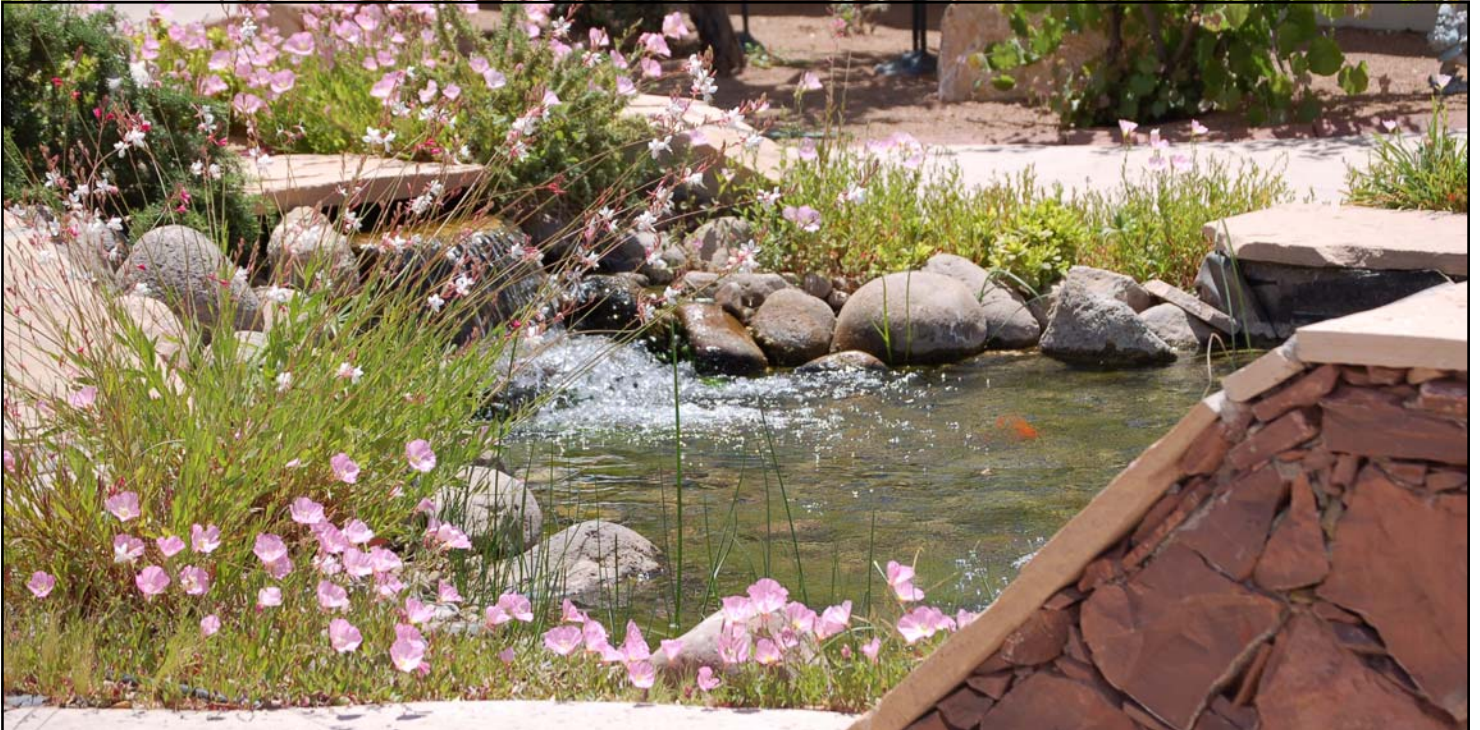
	2014 Approved Budget	2015 Projected Budget	2016 Projected Budget	2017 Projected Budget	2018 Projected Budget
<u>REVENUES</u>					
Appropriation revenues	\$ 39,011,924	\$ 34,520,000	\$ 35,382,000	\$ 36,266,000	\$ 37,180,000
Interest income on loans	54,580,750	56,349,000	58,500,000	60,743,000	63,112,000
Interest income on investments	418,000	600,000	700,000	800,000	1,000,000
Administration fee revenue	4,782,051	4,900,000	4,553,000	4,651,000	4,802,000
Grant revenue	55,117,000	52,000,000	53,500,000	55,000,000	56,500,000
Total Revenues	<u>153,909,725</u>	<u>148,369,000</u>	<u>152,635,000</u>	<u>157,460,000</u>	<u>162,594,000</u>
<u>EXPENSES</u>					
Operating Expenses					
Personnel services	\$ 4,750,000	\$ 4,908,800	\$ 5,154,240	\$ 5,411,950	\$ 5,682,550
Professional services	2,489,475	2,600,000	2,400,000	2,450,000	2,500,000
Operating costs	1,328,970	1,384,000	1,411,700	1,440,000	1,469,000
Total Operating Expenses	<u>8,568,445</u>	<u>8,892,800</u>	<u>8,965,940</u>	<u>9,301,950</u>	<u>9,651,550</u>
Non-Operating Expenses					
Bond interest expense	53,867,650	58,000,000	60,500,000	63,000,000	65,000,000
Bond issuance expense	1,500,000	1,650,000	1,750,000	1,750,000	1,900,000
Grant expense	40,787,000	36,750,000	37,500,000	36,500,000	38,000,000
Total Non-Operating Expenses	<u>96,154,650</u>	<u>96,400,000</u>	<u>99,750,000</u>	<u>101,250,000</u>	<u>104,900,000</u>
Total Fiscal Year Expenses	<u>104,723,095</u>	<u>105,292,800</u>	<u>108,715,940</u>	<u>110,551,950</u>	<u>114,551,550</u>
Excess revenues over expenditures	49,186,630	43,076,200	43,919,060	46,908,050	48,042,450
Transfer to other agencies	9,535,000	9,000,000	8,500,000	8,500,000	8,000,000
Excess revenues over expenditures	<u>\$ 39,651,630</u>	<u>\$ 34,076,200</u>	<u>\$ 35,419,060</u>	<u>\$ 38,408,050</u>	<u>\$ 40,042,450</u>
Capital Investments					
Furniture and fixtures	\$ -	\$ 25,000	\$ 25,000	\$ 125,000	\$ 25,000
Computer hardware & software	-	200,000	25,000	25,000	-
Total capital investments	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 50,000</u>	<u>\$ 150,000</u>	<u>\$ 25,000</u>

These Budgets 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 may differ materially from the forecasts contained in the forward-looking statements.



NEW MEXICO
FINANCE AUTHORITY

2014 Annual Report



Financing Your Future, Believing in New Mexico

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I. Introduction

Fiscal Year 2014 Annual Report





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

Twenty years ago, in October 1994, the Finance Authority issued \$646,000 of Certificates of Participation for 11 separate equipment acquisitions for communities across the State: from Hidalgo County to Harding County and from Lovington to Santa Fe. These 11 loans represented months of work as the Finance Authority found its footing. Since these humble beginnings, the Finance Authority has grown into a broad based financing agency for local governments, businesses and non-profits. In the past 20 years, the Finance Authority has stream-lined its application process and provided more value to its clients. However, the basic mission of the Finance Authority remains: coordination of planning and access to low-cost capital.

In 2014, the Finance Authority met its mission through the increased use of newly established programs such as the Colonias Infrastructure Program and expanded programs such as the Local Government Planning Fund and the Drinking Water State Revolving Loan Fund. With these tools in hand, the Finance Authority continued to serve New Mexico's communities with low-cost funding for its capital equipment and infrastructure projects and expects to continue its growth into fiscal year 2015.

When I joined this organization in January, I discovered the amount of potential that exists at the Finance Authority, both from an organizational perspective as well as a mission perspective. The timing of this potential could not have been better timed from a municipal market perspective. As with many things, what used to be relatively simple, has grown in complexity.

Fiscal year 2014 also marked a continuing increase in regulatory oversight. As a result of this increase in oversight, communities across New Mexico could be impacted by requirements they did not know existed. New standards for records retention by the Internal Revenue Service could mar an otherwise exemplary issuance record by small and large communities alike. The Finance Authority is poised to help New Mexico's communities meet these new demands. Our well-developed processes and experienced personnel can make the complex simple again, providing value that was not foreseen 20 years ago.

I look forward to visiting your communities and finding out how we can help you.

Robert P. Coalter
Chief Executive Officer



II. General Information

Fiscal Year 2014 Annual Report





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 Designate
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*

Chief Executive Officer
Stolar Research Corporation

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 Business
Development
Rick Martinez

Director of IT
Floyd Trujillo

Information Security Analyst
Mona Killian

Administrative Support
Specialist II
Mark Dalton

Administrative Support
Specialist I
Helen Poston

General Counsel
Dan Opperman

Assistant General Counsel
Bryan Otero

Assistant General Counsel
Mark Chaiken

Interim 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 II
Bambi Russom

Accountant II
Claudette Romero

Chief of Programs
Marquita D. Russel

Director of Commercial
Lending
John Brooks

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
Yolanda Valenzuela

Chief Lending Officer
Zach Dillenback

Sr. Lending Officer
Adam Johnson

Sr. Lending Officer
David Mahooty

Lending Officer
Donna Maestas

Lending Officer
Carmela Manzari

Sr. Administrative Assistant
Gloria Castillo

Chief Financial Strategist
Michael Zavelle

Investment Manager
Mark Lovato



III. NMFA Overview

Fiscal Year 2014 Annual Report



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.

After a challenging previous year the Finance Authority increased year over year loan closing volume by 70% in the PPRF program for over \$103 million in new projects. The Finance Authority also took advantage of available loan payoff funds to call and defease over \$115 million in outstanding debt and reduce future interest costs significantly. These savings helped the Finance Authority provide New Mexico's most critical need communities with the highest level of PPRF disadvantaged funding provided within the last five years. This focus on helping the highest needs areas of our state can also be recognized by the unprecedented activity in several of the Finance Authority's other programs, including the federally funded Drinking Water State Revolving Loan Fund, the Local Government Planning Fund and especially the Colonias Infrastructure Project Fund. The Finance Authority nearly doubled the amount of project activity in our state's Colonias and we continue to strive to provide infrastructure solutions for those in underserved communities.

The result was that the Finance Authority closed 25% more projects in FY 2014 bringing our total number of projects financed to 2,109 and our total financings to \$3,119,697,330.



FY Year Created in Law	Program Name	Total Project Funding Provided (6/30/2014)	Total Projects Funded (6/30/2014)	Enabling Act	Statute
1992	Public Project Revolving Fund	\$ 2,407,079,006	1,239	New Mexico Finance Authority Act	6-21-6.0
1994	Primary Care Capital Fund	\$ 12,124,659	19	Primary Care Capital Funding Act	24-1C-4
1997	Drinking Water State Revolving Loan Fund	\$ 138,740,622	66	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	\$ 280,556,042	266	Water Project Finance Act	72-4A-9
2002	Local Government Planning Fund	\$ 3,366,538	108	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	\$ 27,740,589	72	Colonias Infrastructure Finance Act	6-30-1.0
2011	Collateral Support Participation Program	<u>\$ 6,329,396</u>	<u>12</u>	Statewide Economic Development Finance Act	6-25-13
Total Projects Funded		\$ 3,119,697,330	2,109		



IV. NMFA Programs and Activity

Fiscal Year 2014 Annual Report



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. The advantage is being able to offer all borrowers ‘AAA’ rates regardless of a borrower’s underlying credit. 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 2014, the PPRF’s share of the GGRT approximated \$27.3 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. In 2011, Standard and Poor’s assigned its prestigious ‘AAA’ rating to the PPRF. 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, who are able to stretch further their limited public dollars for public projects due to lower interest rates.

In fiscal year 2014, the Finance Authority closed 63 loans totaling \$103,795,298, including \$4,563,351 in subsidized interest rate loans to borrowers with Median Household Incomes of less than 90% of the State’s Median Household Income. This “disadvantaged entity funding” represents a 25% increase over fiscal year 2013.

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 equaling 90% or less of the State's median household income are eligible to receive 0% or 3% interest rates for up to \$200,000 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 2014, the Finance Authority closed 12 grant agreements totaling \$531,000.

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 2014, 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 has received \$172.5 million in federal Environmental Protection Agency ("EPA") capitalization grants, which has been matched by the Finance Authority with \$31.5 million.

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. The additional subsidy drove demand for the program with FY 2013 experiencing an unprecedented 16 loan closings totaling more than \$25.5 million and FY 2014 experiencing nine loans closings totaling \$8,070,789. As a result, FY 2014 experienced unprecedented levels of construction

activity for this federal program with 20 projects under construction spending \$13.1 million, with nearly 60% this construction occurring in the spring of 2014. This strong level of construction activity is expected to continue through fiscal year 2015 as the NMFA expects to more than double the level of expenditure achieved in FY 2014. NMFA projects that it will fully expend two capitalization grants in FY 2015 bringing the program in-line with federal targets for expenditures.

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

In fiscal year 2014, the Water Trust Board amended its rules to provide applicants with more time to complete the application and provide more coordination amongst the Water Trust Board's seven-agency technical team that evaluates applications and recommends projects to the Water Trust Board. In fiscal year 2014, the Finance Authority closed 27 funding awards totaling \$27,882,698. 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

In fiscal year 2014, the Finance Authority closed 9 grants totaling \$160,000 to Acequias recommended by the Water Trust Board and authorized by the Legislature. The grants were used to fund planning and design for projects prioritized by the Interstate Stream Commission.

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. The Finance Authority did not make any new loans in FY 2014.

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. With its partners at the Department of Human Services (“HSD”), the Finance Authority made a \$620,000 loan to *Tri County Community Services* in Taos.

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 dollars. 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. In FY 2014, the Finance Authority funded a \$576,000 participation with Western Commerce Bank, representing a 15% interest in a \$3.840 million loan made to Landmark at Desert Gardens. The loan proceeds were used to purchase and renovate an assisted living facility that will house 84 residents in Hobbs.

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 2014, the Finance Authority and NMEDD funded six projects totaling \$3,275,078 through five 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 and \$46 million in 2011. 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.

Local Government Transportation Fund

The Finance Authority administers the Local Government Transportation Fund which was created by the Legislature during the 2007 Special Session to provide funding for 116 local government transportation projects totaling more than \$180 million as well as engineering and design services incurred by NMDOT for the projects funded from the Fund. The funding for this program is made up of a \$25 million appropriation from the General Fund and up to \$150 million in proceeds realized from the issuance of Severance Tax Bonds. Through June 30, 2014, the Fund has received a total \$110.4 million in funding which has resulted in 88 projects being certified by NMDOT to proceed. It is expected that all the certified projects will be completed by June 2014.

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

Fiscal Year 2014 Annual Report



NEW MEXICO FINANCE AUTHORITY
REVENUE AND EXPENSE BUDGETS
FISCAL YEARS ENDED JUNE 30, 2014 AND 2015

	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Budget	FY 2014 Projected	Percentage Change FY 2015 Budget over FY 2014 Budget	FY 2015 Budget	Percentage Change FY 2015 Budget over FY 2014 Projected
<u>REVENUES</u>							
Appropriation revenue	\$ 43,146,845	\$ 34,033,130	\$ 39,011,924	\$ 43,086,861		\$ 42,000,000	
Interest income from loans	54,459,612	52,942,880	54,580,750	50,497,139		56,143,000	
Interest income from investments	436,387	139,403	418,000	488,045		550,000	
Administration fee revenue	7,352,753	3,395,491	4,782,051	3,363,585		4,657,000	
Grant revenue	41,883,216	48,692,048	55,117,000	55,402,227		52,350,000	
Total Revenues	\$ 147,278,813	\$ 139,202,952	\$ 153,909,725	\$ 152,837,857	1.2%	\$ 155,700,000	1.9%
<u>EXPENDITURES</u>							
Operating Expenses							
Personnel services	\$ 3,976,586	\$ 3,926,740	\$ 4,750,000	\$ 4,277,611		\$ 4,650,000	
Professional services	2,520,763	2,651,079	2,489,475	2,553,744		2,700,000	
Operating costs	1,551,350	1,665,905	1,328,970	1,021,261		1,300,000	
Total - Operating Expenses	\$ 8,048,699	\$ 8,243,724	\$ 8,568,445	\$ 7,852,616	1.0%	\$ 8,650,000	10.2%
Non-Operating Expenses							
Bond/Loan interest Expense	\$ 53,964,438	\$ 55,997,227	\$ 53,867,650	\$ 54,617,605		\$ 51,731,650	
Bond Issuance Expense	1,272,046	752,792	1,500,000	1,169,823		1,500,000	
Grant Expense	42,063,551	48,828,884	40,787,000	50,056,822		44,950,000	
Total non-operating expenses	\$ 97,300,035	\$ 105,578,903	\$ 96,154,650	\$ 105,844,250	2.1%	\$ 98,181,650	-7.2%
Total fiscal year expenses	\$ 105,348,734	\$ 113,822,627	\$ 104,723,095	\$ 113,696,866	2.0%	\$ 106,831,650	-6.0%
Excess (deficit) revenues over expenses	\$ 41,930,079	\$ 25,380,325	\$ 49,186,630	\$ 39,140,991		\$ 48,868,350	
Transfer to other agencies	8,725,047	2,953,157	9,535,000	3,080,451		5,400,000	
Excess (deficit) revenues over expenses	\$ 33,205,032	\$ 22,427,168	\$ 39,651,630	\$ 36,060,540		\$ 43,468,350	

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.

NEW MEXICO FINANCE AUTHORITY
REVENUE AND EXPENSE BUDGET BY PROGRAM
FISCAL YEAR ENDED JUNE 30, 2015

	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	42,000,000	\$ 29,633,761	\$ -	\$ -	\$ 4,000,000	\$ -	-	\$ -	4,477,239	\$ -	\$ 1,089,000	\$ -	\$ -	\$ 2,800,000
Interest income on loans	56,143,000	54,291,356	-	1,050,000	-	-	-	-	135,000	30,000	30,000	126,000	750	479,894
Interest income on investments	550,000	357,000	25,000	100,000	51,000	-	-	-	10,000	2,000	-	-	-	5,000
Administration fee revenue	4,657,000	3,572,747	319,253	175,000	70,000	-	-	520,000	-	-	-	-	-	-
Grant revenue	52,350,000	-	-	12,497,071	36,352,929	3,500,000	-	-	-	-	-	-	-	-
Total Revenues	\$ 155,700,000	\$ 87,854,864	\$ 344,253	\$ 13,822,071	\$ 40,473,929	\$ 3,500,000	\$ -	\$ 520,000	\$ 4,622,239	\$ 32,000	\$ 1,119,000	\$ 126,000	\$ 750	\$ 3,284,894
EXPENDITURES														
Operating Expenses														
Personal services and benefits	4,650,000	2,295,957	130,511	584,648	438,846	219,196	220,512	366,920	267,772	80,806	12,355	24,668	7,809	
Contractual costs	2,700,000	1,394,197	145,596	156,987	519,307	109,694	112,594	167,485	77,141	8,500	7,750	650	100	
Other Costs	1,300,000	673,010	43,146	118,433	132,143	52,008	46,740	140,783	83,707	9,070	404	531	24	
Total - Operating Expenses	\$ 8,650,000	\$ 4,363,164	\$ 319,253	\$ 860,068	\$ 1,090,296	\$ 380,898	\$ 379,846	\$ 675,188	\$ 428,620	\$ 98,376	\$ 20,509	\$ 25,849	\$ 7,933	\$ -
Non-Operating Expenses														
Bond interest expense	51,731,650	\$ 51,169,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,650	\$ -	\$ -	\$ 479,894
Bond issuance expense	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-
Grant expense	44,805,000	-	-	5,380,000	34,850,000	2,975,000	1,600,000	-	-	-	-	-	-	-
Contract for service expense	145,000	-	-	-	-	-	-	-	-	-	10,000	135,000	-	-
Total Non-Operating Expenses	\$ 98,181,650	\$ 52,669,106	\$ -	\$ 5,380,000	\$ 34,850,000	\$ 2,975,000	\$ 1,600,000	\$ -	\$ -	\$ -	\$ 92,650	\$ 135,000	\$ -	\$ 479,894
Total Expenses	\$ 106,831,650	\$ 57,032,270	\$ 319,253	\$ 6,240,068	\$ 35,940,296	\$ 3,355,898	\$ 1,979,846	\$ 675,188	\$ 428,620	\$ 98,376	\$ 113,159	\$ 160,849	\$ 7,933	\$ 479,894
Excess (Deficit) revenues over expenses	\$ 48,868,350	\$ 30,822,594	\$ 25,000	\$ 7,582,003	\$ 4,533,633	\$ 144,102	\$ (1,979,846)	\$ (155,188)	\$ 4,193,619	\$ (66,376)	\$ 1,005,841	\$ (34,849)	\$ (7,183)	\$ 2,805,000
Transfer to other agencies	5,400,000	500,000	-	2,095,000	-	-	-	-	-	-	-	-	-	2,805,000
Excess (Deficit) revenues over expenses	\$ 43,468,350	\$ 30,322,594	\$ 25,000	\$ 5,487,003	\$ 4,533,633	\$ 144,102	\$ (1,979,846)	\$ (155,188)	\$ 4,193,619	\$ (66,376)	\$ 1,005,841	\$ (34,849)	\$ (7,183)	\$ -
Activity - Historical Financings														
Number of Projects	1,940	1242	117	82	266	72	108	13	12	5	3	19	1	
\$ amount of financings	3,059,450,228	2,408,231,360	7,535,538	152,360,944	280,556,042	27,740,589	3,366,538	154,286,000	6,329,396	5,669,162	1,200,000	12,124,659	50,000	
Activity - Loans Outstanding														
Number of Loans	915	653		58	147	19		13	7	4	4	9	1	
\$ amount of loans outstanding	1,344,598,170	1,087,184,239		67,239,036	21,222,996	661,350		154,286,000	3,312,527	4,681,764	1,168,302	4,822,146	19,810	

New Mexico Finance Authority
Cash Flow Budget by Program
Fiscal Year Ending June 30, 2015

	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	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Funds Received - NMTC	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan principal repayments	92,299,800	83,500,000	-	3,600,000	1,000,000	-	-	-	-	25,000	63,000	439,000	4,800	3,668,000
Loan Interest repayments pledged to bond payments	53,751,250	53,241,356	-	-	-	-	-	-	-	-	30,000	-	-	479,894
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Severance Tax Bonds	39,852,929	-	-	-	36,352,929	3,500,000	-	-	-	-	-	-	-	-
- Federal Funds	12,147,071	-	-	12,147,071	-	-	-	-	-	-	-	-	-	-
Appropriation Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Water Trust Fund	4,000,000	-	-	-	4,000,000	-	-	-	-	-	-	-	-	-
- GGRT	27,383,761	27,383,761	-	-	-	-	-	-	-	-	-	-	-	-
- Cigarette Tax	3,889,000	-	-	-	-	-	-	-	-	-	1,089,000	-	-	2,800,000
- State Small Business Credit Initiative	4,477,239	-	-	-	-	-	-	-	4,477,239	-	-	-	-	-
- Other	1,870,154	250,000	-	-	-	-	1,620,154	-	-	-	-	-	-	-
Total cash inflows from financing activities:	389,671,204	314,375,117	-	15,747,071	41,352,929	3,500,000	1,620,154	-	4,477,239	25,000	1,182,000	439,000	4,800	6,947,894
Outflows from financing activities:														
Bond Principal Repayments	(73,695,000)	(70,645,000)	-	-	-	-	-	-	-	-	(125,000)	-	-	(2,925,000)
Bond Interest Repayments	(51,731,650)	(51,169,106)	-	-	-	-	-	-	-	-	(82,650)	-	-	(479,894)
Costs of Issuance Expenses	(1,500,000)	(1,500,000)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation from PPRF for other programs	(2,300,000)	(2,300,000)	-	-	-	-	-	-	-	-	-	-	-	-
Deposits to reserve funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits to revolving fund	(565,000)	-	-	-	-	-	-	-	-	-	-	(565,000)	-	-
Projects funded as grants	(41,076,998)	-	-	(5,380,000)	(31,121,998)	(2,975,000)	(1,600,000)	-	-	-	-	-	-	-
Loans Funded	(206,487,000)	(180,000,000)	-	(13,000,000)	(3,808,000)	(525,000)	-	(4,654,000)	(4,500,000)	-	-	-	-	-
Payments to Other Agencies	(9,128,002)	(500,000)	-	(2,095,000)	(3,728,002)	-	-	-	-	-	-	-	-	(2,805,000)
Total cash outflows from financing activities	(386,483,650)	(306,114,106)	-	(20,475,000)	(38,658,000)	(3,500,000)	(1,600,000)	(4,654,000)	(4,500,000)	-	(207,650)	(565,000)	-	(6,209,894)
Net cash inflows (outflows) from financing activities	3,187,554	8,261,011	-	(4,727,929)	2,694,929	-	20,154	(4,654,000)	(22,761)	25,000	974,350	(126,000)	4,800	738,000
Cashflows from operating activities:														
Cash inflows from operating activity:														
Interest included in repayments of equity loans	2,391,750	1,050,000	-	1,050,000	-	-	-	-	135,000	30,000	-	126,000	750	-
Loan principal repayments	969,296	-	-	-	969,296	-	-	-	-	-	-	-	-	-
Interest on investments	550,000	357,000	25,000	100,000	51,000	-	-	-	10,000	2,000	-	-	-	5,000
Administrative processing fees	4,657,000	3,572,747	319,253	175,000	70,000	-	-	520,000	-	-	-	-	-	-
Appropriation revenue	379,846	-	-	-	-	-	379,846	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Federal funds	350,000	-	-	350,000	-	-	-	-	-	-	-	-	-	-
- State funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash inflows from operating activities	9,297,892	4,979,747	344,253	1,675,000	1,090,296	-	379,846	520,000	145,000	32,000	-	126,000	750	5,000
Cash outflows from operating activity:														
Salary and benefits	(4,650,000)	(2,295,957)	(130,511)	(584,648)	(438,846)	(219,196)	(220,512)	(366,920)	(267,772)	(80,806)	(12,355)	(24,668)	(7,809)	-
Operating expenses	(4,000,000)	(2,067,207)	(188,742)	(275,420)	(651,450)	(161,702)	(159,334)	(308,268)	(160,848)	(17,570)	(8,154)	(1,181)	(124)	-
Total cash outflows from operating activities	(8,650,000)	(4,363,164)	(319,253)	(860,068)	(1,090,296)	(380,898)	(379,846)	(675,188)	(428,620)	(98,376)	(20,509)	(25,849)	(7,933)	-
Net cash inflows(outflows) from operating activities	647,892	616,583	25,000	814,932	-	(380,898)	-	(155,188)	(283,620)	(66,376)	(20,509)	100,151	(7,183)	5,000
Net Inflow (Outflow) of Cash	3,835,446	8,877,594	25,000	(3,912,997)	2,694,929	(380,898)	20,154	(4,809,188)	(306,381)	(41,376)	953,841	(25,849)	(2,383)	743,000
Beginning Cash Restricted for Program Use	294,897,724	207,051,158	1,461,900	47,077,177	16,482,042	(1,132,624)	2,008,119	5,520,960	4,756,271	(604,618)	2,021,606	1,055,055	(82,245)	9,282,922
Ending Cash Restricted for Program Use	\$ 298,733,170	\$ 215,928,752	\$ 1,486,900	\$ 43,164,180	\$ 19,176,971	\$ (1,513,522)	\$ 2,028,273	\$ 711,772	\$ 4,449,890	\$ (645,994)	\$ 2,975,447	\$ 1,029,206	\$ (84,628)	\$ 10,025,922

ANNUAL BUDGETS
FISCAL YEARS ENDED JUNE 30

	2015 Approved Budget	2016 Projected Budget	2017 Projected Budget	2018 Projected Budget	2019 Projected Budget
<u>REVENUES</u>					
Appropriation revenues	\$ 42,000,000	\$ 39,520,000	\$ 40,705,600	\$ 41,925,700	\$ 43,185,000
Interest income on loans	56,143,000	56,759,000	58,500,000	60,743,000	63,112,000
Interest income on investments	550,000	600,000	700,000	800,000	1,000,000
Administration fee revenue	4,657,000	4,750,000	4,825,000	4,900,000	4,975,000
Grant revenue	52,350,000	54,000,000	56,500,000	57,500,000	59,000,000
Total Revenues	155,700,000	155,629,000	161,230,600	165,868,700	171,272,000
<u>EXPENSES</u>					
Operating Expenses					
Personnel services	\$ 4,650,000	\$ 4,750,000	\$ 4,875,000	\$ 5,000,000	\$ 5,125,000
Professional services	2,700,000	2,750,000	2,750,000	2,800,000	3,000,000
Operating costs	1,300,000	1,384,000	1,411,700	1,440,000	1,469,000
Total Operating Expenses	8,650,000	8,884,000	9,036,700	9,240,000	9,594,000
Non-Operating Expenses					
Bond interest expense	51,731,650	53,285,000	54,885,250	56,528,570	58,224,275
Bond issuance expense	1,500,000	1,500,000	1,650,000	1,700,000	1,850,000
Grant expense	44,950,000	45,900,000	48,025,000	48,875,000	50,150,000
Total Non-Operating Expenses	98,181,650	100,685,000	104,560,250	107,103,570	110,224,275
Total Fiscal Year Expenses	106,831,650	109,569,000	113,596,950	116,343,570	119,818,275
Excess revenues over expenditures	48,868,350	46,060,000	47,633,650	49,525,130	51,453,725
Transfer to other agencies	5,400,000	9,000,000	8,500,000	8,500,000	8,000,000
Excess revenues over expenditures	\$ 43,468,350	\$ 37,060,000	\$ 39,133,650	\$ 41,025,130	\$ 43,453,725
Capital Investments					
Furniture and fixtures	\$ -	\$ 25,000	\$ 25,000	\$ 125,000	\$ 25,000
Computer hardware & software	-	1,000,000	1,000,000	-	-
Total capital investments	\$ -	\$ 1,025,000	\$ 1,025,000	\$ 125,000	\$ 25,000

These Budgets 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 may differ materially from the forecasts contained in the forward-looking statements.



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 FINANCEAUTHORITY

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

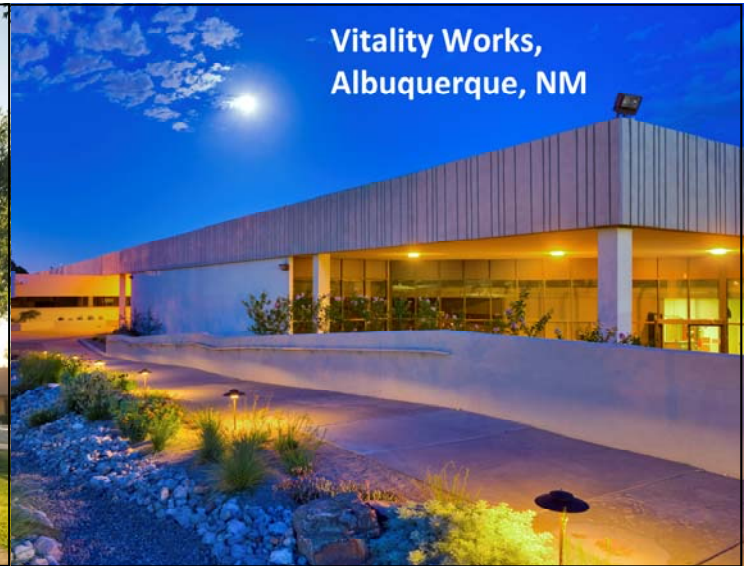
In 2003, the State Legislature authorized the issuance of \$1.585 billion in bonds to fund approximately 40 statewide transportation expansion and improvement projects. The enabling legislation named the Authority as the agent for the New Mexico Department of Transportation (NMDOT) and authorized the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

These Budgets 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 may differ materially from the forecasts contained in the forward-looking statements.