

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aa1 to NMFA, NM's Senior Lien PPRF Revenue Bonds, Ser 2020A

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New York, March 09, 2020 -- Moody's Investors Service has assigned a Aa1 senior rating to the New Mexico Finance Authority's (NMFA) upcoming sale of \$30 million Senior Lien Public Project Revolving Fund (PPRF) Revenue and Refunding Bonds, Series 2020A. We maintain the Aa1 senior rating on \$910.9 million in outstanding parity obligations. The outlook is stable.

RATINGS RATIONALE

The Aa1 senior rating reflects the authority's high default tolerance, inclusive of both loan agreement revenues and governmental gross receipt taxes (GGRT), coupled with the average credit quality of the borrower pool. NMFA's senior lien pool is diverse and large, but does exhibit some concentration in the top five borrowers. The authority has satisfactory legal provisions, including cross-collateralized debt service reserve funds and individual debt service reserve funds, as well as the ability to intercept the pledged revenues of around two-thirds of the portfolio. Management remains strong and sophisticated.

RATING OUTLOOK

The stable outlook reflects our expectations that GGRT, which is a statewide tax, will increase over the mid-term, as New Mexico's economy continues to benefit from oil and gas production, which has spurred residential and commercial development. Stability of the GGRT revenues is necessary to maintain high default tolerance on senior lien bonds.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Trend of significant growth in GGRT revenues bolstering cash flow and coverage
- Significant improvement in the credit worthiness of the loan pools
- Diversification of the top five borrowers

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Sustained declines in GGRT collections
- Erosion of creditworthiness in the borrower pool

LEGAL SECURITY

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

USE OF PROCEEDS

Proceeds from the series 2020A bonds will reimburse 10 loans, and refund series 2010A-1 and series 2010B-1 for net present value savings.

PROFILE

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

governed by an 11 member board.

METHODOLOGY

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

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