



Rating Action: Moody's assigns Aa1 to New Mexico Finance Authority's Senior Lien PPRF Revenue Bonds, Ser. 2023B; outlook stable

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New York, September 28, 2023 -- Moody's Investors Service has assigned a Aa1 rating to New Mexico Finance Authority's approximately \$159 million Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2023B. Moody's maintains the Aa1 rating on the authority's outstanding senior lien parity debt. Post issuance, the authority will have \$1.1 billion of senior lien and \$332 million of subordinate lien revenue bonds outstanding. The outlook is stable.

RATINGS RATIONALE

The Aa1 senior lien rating reflects the high default tolerance and adequate debt service coverage provided by the sum of legally separate and pledged loan agreement revenues and governmental gross receipt taxes (GGRT). The rating also incorporates the large pool of borrowers, average credit quality of the borrower pool, and modest concentration as the five largest borrowers account for 23% of the senior lien portfolio. The rating further incorporates the very strong governance of the pool program which is actively and professionally managed and includes a specific department responsible for oversight of loan credit quality and analysis. The senior lien pledge has satisfactory legal provisions, including individual as well as cross-collateralized debt service reserve funds. The authority can intercept pledged revenues sufficient to cover approximately 50% of the senior lien portfolio.

RATING OUTLOOK

The stable outlook reflects our expectation that GGRT revenue will remain resilient through periods of economic volatility. GGRT revenue has historically been very stable, including during the coronavirus pandemic and, in combination with loan agreement revenue, will continue to provide strong default tolerance and adequate debt service coverage on both the senior and subordinate lien obligations.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Significant improvement in the weighted average credit quality of the pool participants
- Continued growth in GGRT revenue that results in materially stronger debt service coverage

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Material and sustained declines in GGRT collections
- Deterioration of the default tolerance of the program or erosion of weighted average credit quality of the pool participants

LEGAL SECURITY

The bonds are payable solely from the special revenue 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 revenue, and additional revenue received by the authority that are designated as funds pledged by the indenture. GGRT revenue is collected based on statewide utility usage.

USE OF PROCEEDS

Proceeds from the sale of the Series 2023B bonds will be used to finance or refinance 22 projects ranging in size from \$122 million to \$212,000.

PROFILE

The New Mexico Finance Authority 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 is governed by an 11 member board and served by 64 employees.

METHODOLOGY

The principal methodology used in this rating was Public Sector Pool Programs and Financings Methodology published in April 2020 and available at <https://ratings.moodys.com/rmc-documents/66017>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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