

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aa1 to New Mexico Finance Authority's Senior Lien PPRF Revenue Bonds, Ser. 2024B; outlook stable

12 Sep 2024

New York, September 12, 2024 -- Moody's Ratings (Moody's) has assigned a Aa1 rating to New Mexico Finance Authority's approximately \$45.3 million Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2024B. We maintain the Aa1 rating on the authority's outstanding senior lien parity debt. After the current offering, the authority will have \$1.1 billion of senior lien and \$343 million of subordinate lien revenue bonds outstanding. The outlook is stable.

RATINGS RATIONALE

The Aa1 senior lien revenue rating reflects adequate 1.4 times debt service coverage that improves throughout maturity of the bonds and high default tolerance from the sum of legally separate pledged loan agreement and governmental gross receipts tax (GGRT) revenues; the average (A2) credit quality of the senior lien pool's participants; the large size and diversity of the senior lien loan pool with over 200 borrowers that include state government agencies, public universities, public hospitals, utility systems, special districts, municipalities (towns, villages, cities, and counties), municipal enterprises and authorities, school districts, and Native American tribal nations; and the Public Project Revolving Fund's (PPRF's) strong governance structure, including sound legal provisions and robust program management and oversight, such as formal loan underwriting criteria. The rating also incorporates the additional strength of a cross collateralized debt service reserve fund.

RATING OUTLOOK

The stable outlook reflects the strong structural elements of the pool program as well as the average credit quality of the loan pools, which are continuously monitored by strong program management and oversight practices. The outlook also reflects the generally improving trend of GGRT revenue, which, in combination with loan repayments, is expected to continue to provide high default tolerance and satisfactory coverage of senior and subordinate lien debt service.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Significant improvement in the weighted average credit quality of the pool participants to the Aa range
- Increased pledged revenues, providing stronger debt service coverage and higher default tolerance that is consistently above 45% for the senior lien bonds

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Weakened credit quality of the pool participants
- Lower default tolerance from increasing leverage or material and sustained declines in pledged revenues

LEGAL SECURITY

The senior lien revenue bonds are payable solely from the special revenue and funds of the authority pledged under the indenture, including loan repayments from senior lien borrowers, certain governmental gross receipts tax (GGRT) revenue, and additional revenues designated as funds pledged under the indenture. The GGRT is a statutorily imposed 5% tax levied on county and municipal operated services. The PPRF receives 75% of statewide GGRT.

USE OF PROCEEDS

Proceeds from the sale of the Series 2024B senior lien bonds will be used to finance 26 projects ranging in size from \$375,000 to \$8.9 million.

PROFILE

The New Mexico Finance Authority is a public body politic and corporate, separate and apart from the State of New Mexico (Aa2 stable), and constituting a governmental instrumentality of the State. The authority was created in 1992 to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects. The authority is governed by an 11-member board of directors, nine of whom are appointed by the governor. A separate 32-member committee provides oversight of the authority.

METHODOLOGY

The principal methodology used in this rating was Public Sector Pool Programs and Financings published in August 2024 and available at <https://ratings.moodys.com/rmc-documents/426425>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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