



NEW MEXICO
FINANCE AUTHORITY

2022 Annual Report



Advancing New Mexico by financing impactful, well-planned projects





Governor Michelle Lujan Grisham and Members of the New Mexico Legislature:

The past year has brought an interesting combination of the old and new at NMFA. In 2022, we strengthened the Public Project Revolving Fund, our flagship program, continued our work in helping businesses across the state recover from the pandemic, and launched the Cannabis Microbusiness Program, an innovative loan program designed to help small businesses compete in this fast-growing new market.

Staff members have been reconnecting face-to-face with existing clients and establishing relationships with new clients in all parts of New Mexico. The challenges of quickly creating three recovery programs to aid New Mexico small businesses during the pandemic have also been opportunities for NMFA to develop and implement new systems using innovative technology.

On the immediate horizon is the implementation of three additional new programs created in the 2022 Regular Session of the Legislature: the Opportunity Enterprise Revolving Fund, the Venture Capital Program, and the Charter Schools Facilities Fund. Each program targets a specific need for capital investment, and each will go online in 2023.

NMFA has grown significantly over recent years in terms of programs offered and the staffing they require. As a result, we have initiated a two-year project with our independent internal auditor, BDO-USA, to thoroughly assess our business risks, update our policies, increase our internal capacities, and document our operating procedures. We expect the results to include higher levels of operating efficiencies and better integration of our business processes.

We now have a portfolio of 17 public and private lending and grant programs, which enable us to serve a market that includes 33 counties, 106 municipalities, 23 tribes and pueblos, 89 school districts, and more than 1,500 water districts and associations.

We are immensely grateful to the NMFA Board and staff for their hard work, compassion, and dedication to service. We thank you for your advocacy and your partnership and look forward to working together in FY 2023 and beyond to create economic opportunity for all in New Mexico.

On behalf of the Board of Directors and staff, we are pleased to present the New Mexico Finance Authority FY 2022 Annual Report.

Katherine Miller

Chair

Marquita D. Russel

Chief Executive Officer



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NMFA Board of Directors

Katherine Miller
Chair

Martin Abran Suazo
Member

Ronald J. Lovato
Member

Steve Kopelman
Vice Chair
Executive Director
New Mexico Counties

Sarah Cottrell Propst
Cabinet Secretary
New Mexico Energy,
Minerals, and Natural
Resources

Deborah Romero
Cabinet Secretary
New Mexico Department of
Finance and Administration

Alicia Keyes
Cabinet Secretary
New Mexico Economic
Development Department

James Kenney
Cabinet Secretary
New Mexico Environment
Department

A.J. Forte
Executive Director
New Mexico Municipal
League

Andrew J. Burke
Member

Dr. Olin Cleve McDaniel
New Mexico Tech

NMFA Management

Marquita D. Russel
Chief Executive Officer

Adam Johnson
Chief of Program Operations

Dan Opperman
Chief Legal Officer

Dora Mae CdeBaca
Chief Administrative Officer

Michael Zavelle
Chief Financial Strategist

Bryan Otero
Deputy Counsel and
Compliance Officer

Oscar S. Rodriguez
Chief Financial Officer

John Brooks
Chief of Lending and Credit

Paul Romero
Chief Technology Officer

NMFA Staff

| | | | |
|---|---|--|--|
| Chief Executive Officer Marquita Russel | Chief Financial Strategist Michael Zavelle | Chief Financial Officer Oscar Rodriguez | Chief of Program Operations Adam Johnson |
| Chief Administrative Officer Dora Mae Cde Baca | Chief Financial Strategist Lawrence Pierce | Controller Norman Vuylsteke | Program Operations Associate Tyler Espino |
| Executive Assistant/ Records Custodian Connie Marquez | Tax Policy and Portfolio Manager Bradley Fluetsch | Managing Director, Investments Mark Lovato | Managing Director, Public Programs Michael Vonderheide |
| Office Manager Mark Dalton | Chief Legal Officer Dan Opperman | Senior Accountant EnABLE Lucas Elliott | Senior Program Administrator Angela Quintana |
| Senior Administrative Assistant Joe Maldonado | Compliance Officer and Deputy General Counsel Bryan Otero | Senior Accountant Robert Spradley | Senior Program Administrator Todd Johansen |
| Senior Administrative Assistant Deborah Larranaga | Associate Counsel Susan Pittard | Lead Accounts Receivable Romana Speight | Senior Program Administrator Susan Rodriguez |
| Board Administrator Cherise Martinez | Paralegal/Compliance Asst. Charlotte Larragoite | Senior Accountant Joanne Johnson | Senior Program Administrator Theresa Garcia |
| Policy and Capital Strategist Ryan Marie Decker | Legal Secretary Kryshana Madrid | Accountant Deborrah Hatt | Program Administrator Alysia Sanchez |
| Communications and Outreach Manager Lynn Taulbee | Chief of Lending and Credit John Brooks | Accountant Janice Wassenaar | Program Administrator Mary Finney |
| Chief Technology Officer Paul Romero | Lead Finance Manager Ron Cruz | Accountant Carmen Caballero-Martinez | Program Administrator Neyli Tovar |
| System Analyst Brenda Garcia | Lead Finance Manager Carmela Manzari | Accountant Krystal Hurtado | Program Administrator Teresa Miller |
| System Analyst Audi Roedel | Regional Finance Manager Ryan Olguin | Managing Director, Client Services Leslie Medina | System Integrator/ Developer George Elam |
| Network Administrator Sean Endler | Regional Finance Manager Martin Ortega | Funding Coordinator Rio Trujillo | |
| Database Analyst Anthony Silva | Regional Finance Manager Mark Montoya | Funding Coordinator Delanne Reichard | |
| | Credit Analyst Aaron Kayser | Funding Coordinator Jolin Anaya | |

Overview

The New Mexico Legislature created the New Mexico Finance Authority (NMFA) in 1992 as a mechanism for accessing low-cost capital for New Mexico cities, counties and certain departments of state government. The enabling statute created NMFA's flagship Public Project Revolving Fund (PPRF) as the primary vehicle to accomplish this financing objective. As authorized by statute, NMFA issues PPRF bonds to replenish the funds it lends 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.

Through the years, NMFA has become a reliable source of financing for a broad range of projects. Building upon the success with the PPRF, the Legislature broadened NMFA's financing options to include targeted programs for vital water and wastewater projects as well as transportation, community facilities, economic development projects, and—during the COVID-19 pandemic—business recovery assistance. With existing lending capabilities and innovative technology to take on new projects and programs, NMFA has become an organization that is looked to when needs in the state are identified and new initiatives are created.



Statutory Authority

| Active? | Funded? | FY | Program Name | Enabling Act | Statute |
|---------|----------|------|--|--|-----------|
| ✓ | ✓ | 1992 | Public Project Revolving Fund | New Mexico Finance Authority Act | 6-21-6.0 |
| ✓ | • | 1994 | Primary Care Capital Fund | Primary Care Capital Funding Act | 24-1C-4 |
| ✓ | ✓ | 1997 | Drinking Water State Revolving Loan Fund | Drinking Water State Revolving Loan Fund Act | 6-21A-4 |
| | | 1999 | Water and Wastewater Grant Fund | New Mexico Finance Authority Act | 6-21-6.3 |
| ✓ | annually | 2001 | Water Project Fund | Water Project Finance Act | 72-4A-9 |
| ✓ | ✓ | 2002 | Local Government Planning Fund | New Mexico Finance Authority Act | 6-21-6.4 |
| ✓ | • | 2003 | Economic Development Revolving Fund (Smart Money) | Statewide Economic Development Finance Act | 6-25-6.1 |
| | | 2003 | Child Care Revolving Loan Fund | Child Care Facility Loan Act | 24-24-4.0 |
| | | 2004 | Acequia Project Fund | Water Project Finance Act | 72-4A-9.1 |
| ✓ | • | 2004 | Behavioral Health Capital Fund | Behavioral Health Capital Funding Act | 6-26-4 |
| | | 2005 | Energy Efficiency and Renewable Energy Bonding Act | New Mexico Finance Authority Act | 6-21D-5 |
| | | 2005 | Local Transportation Infrastructure Fund | New Mexico Finance Authority Act | 6-21-6.8 |
| ✓ | • | 2006 | New Markets Tax Credit | Statewide Economic Development Finance Act | 6-25-6.1 |
| | | 2007 | Local Government Transportation Fund | New Mexico Finance Authority Act | 6-21-6.12 |
| ✓ | annually | 2010 | Colonias Infrastructure Project Fund | Colonias Infrastructure Finance Act | 6-30-8 |
| ✓ | | 2011 | Collateral Support Participation Program | Statewide Economic Development Finance Act | 6-25-13 |
| ✓ | • | 2021 | Essential Services Working Capital Program | Statewide Economic Development Finance Act | 6-25-13 |
| ✓ | ✓ | 2021 | New Markets Tax Credit Small Loan Pool | Statewide Economic Development Finance Act | 6-21-6.12 |
| ✓ | ✓ | 2021 | Small Business Recovery Loan Fund | Small Business Recovery and Stimulus Act | 6-32-3 |
| ✓ | | 2021 | New Mexico LEDA Recovery Grants | Local Economic Development Act | 5-10-16 |
| ✓ | ✓ | 2022 | Cannabis Microbusiness Program | Local Economic Development Act | 6-25-13 |
| ✓ | ✓ | 2022 | Venture Capital Fund | Venture Capital Program Act | 6-33-3 |
| ✓ | ✓ | 2022 | Charter School Facility Revolving Fund | Charter School Facility Improvements Act | 6-21-6.16 |
| ✓ | ✓ | 2022 | Opportunity Enterprise Fund | Opportunity Enterprise Act | 6-34-12 |



Public Infrastructure and Capital Equipment Programs

Public Project Revolving Fund

Local Government Planning Fund

Colonias Infrastructure Project Fund

Drinking Water State Revolving Loan Fund

Water Project Fund



Public Project Revolving Fund

The Public Project Revolving Fund (PPRF) was created by the New Mexico Legislature in 1992 to assist a wide range of public entities throughout the state in accessing the capital markets at low or below-market interest rates. The PPRF is NMFA's largest program in terms of loans funded per year and loan receivables and accounted for most of NMFA's financial activity in FY 2022, including 82.5% of operating revenue and 84.3% of the total loan portfolio of \$1.9 billion.

Since its inception thirty years ago, the PPRF has served a wide variety of borrowers and project types throughout New Mexico. The PPRF is used to finance and refinance public projects such as infrastructure improvements, road projects, water system upgrades, fire and law enforcement equipment, public buildings, hospitals and healthcare facilities, electric and broadband utilities, and quality of life projects, among others. This diversity of projects, coupled with the annual receipt of the Governmental Gross Receipts Tax, helps the PPRF attain the highest bond ratings, which allows NMFA to provide low costs of issuance for borrowers and subsidized interest rates on loans to disadvantaged entities. NMFA is able to pass along the low interest rates it receives to its borrowers, which is particularly important during this time of rising interest rates. With low interest rates and no additional fees, public entities realize significant savings over the life of the loan which allows them to maximize their limited public dollars to use on projects and services that are important to their communities.

In FY 2022, NMFA funded 92 PPRF projects totaling \$249.6 million. Since the inception of the PPRF through June 30, 2022, NMFA has made 2,050 loans totaling \$4.46 billion.

Public Project Revolving Fund (PPRF) Eligibility:

Applicants: Local governments, including tribal entities and charter schools

Projects: Infrastructure, building and capital equipment projects

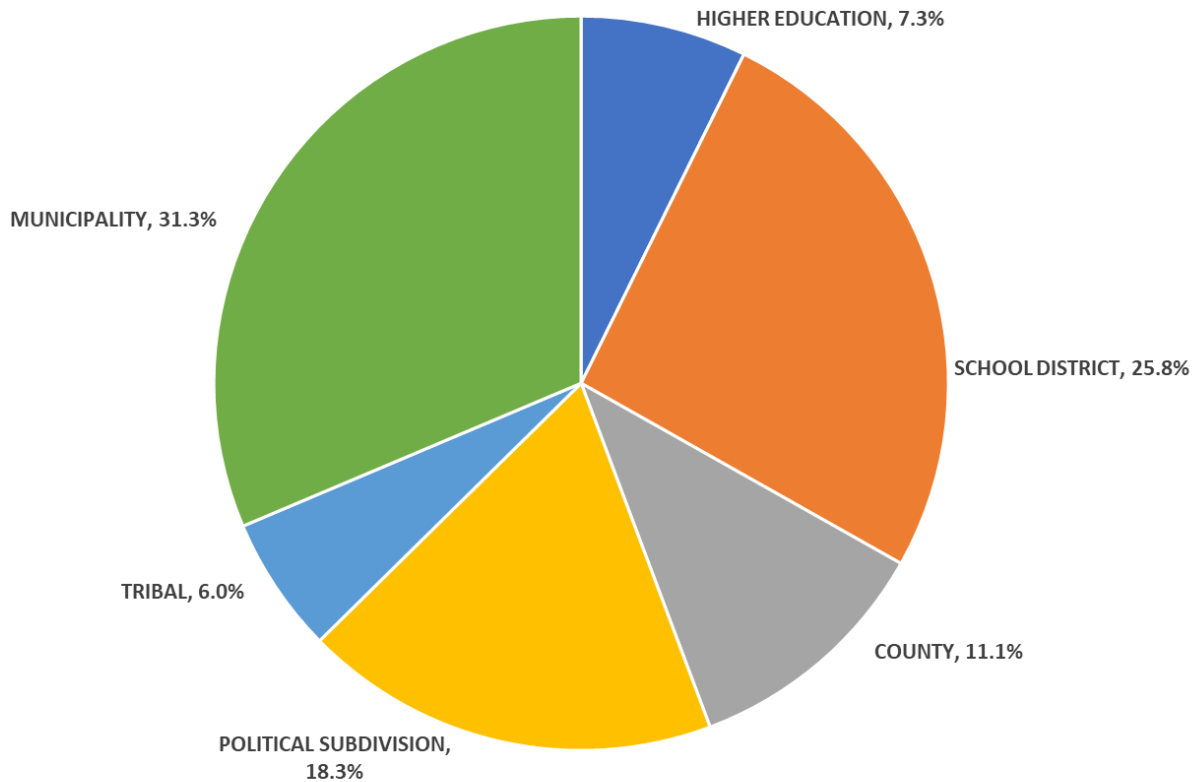
Terms: Loans of up to 30 years, based upon the useful life of the project, offered at low, fixed interest rates

Other: Entities in communities 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, subject to availability of funds

PPRF Loan Portfolio

PPRF LOAN PORTFOLIO AS OF 06/30/22

PPRF LOANS OUTSTANDING = \$1,631,080,443



PPRF Share of NMFA

| | <u>PPRF</u> | <u>Total NMFA</u> | <u>% PPRF</u> |
|-------------------|-----------------|-------------------|---------------|
| Total Assets | \$2.2 billion | \$2.9 billion | 78.1% |
| Net Position | \$312.6 million | \$618.9 million | 50.5% |
| Operating Revenue | \$44.2 million | \$53.6 million | 82.5% |
| Total Revenue | \$81.6 million | \$183.5 million | 44.5% |

PPRF Project Profile: Gallup-McKinley County School District

*“The Teacherage Housing has been essential for attracting and retaining teachers.”
- Jvanna L. Hanks, II, Deputy Superintendent, GMCS*

NMFA was pleased to partner with the Gallup-McKinley County School District on projects that will alleviate the shortage of teachers in their district by providing better access to housing for teachers. The teacherages are an important component of recruiting and retaining teachers in the Gallup-McKinley County School District (GMCS), where available housing is very limited and home prices and rents are high.

In 2021, NMFA provided \$5,215,000 in financing for a teacherage project of 16 new stick-built homes and ten mobile homes for teachers in Ramah, NM. In 2022, NMFA provided \$24,749,995 in financing for a teacherage project of a new 152-unit apartment complex in Gallup to provide teachers teaching in Gallup with housing.



Ramah teacherage homes under construction



Mock-up of 152-unit complex for new teacherage in Gallup

- GMCS serves nearly **12,000 students in 32 schools.**
- GMCS is geographically the largest school district in the state, covering an area of **4,857 square miles.**
- 30% of GMCS students are English-language learners.
- 100% of GMCS students qualify for free or reduced-price lunch.

Using NMFA’s Public Project Revolving Fund to finance its new teacherage in Gallup **saved the Gallup-McKinley School District an estimated \$2.6 million** in total issuing and debt service costs.

Local Government Planning Fund

The Local Government Planning Fund provides financing for 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 FY 2022, NMFA closed 30 grant agreements totaling \$1,423,240.

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, asset management 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: Grants are made on a sliding scale

"I wanted to express and share my appreciation in working with staff of the New Mexico Finance Authority. I have applied for several planning grants and working with Susan Rodriguez and staff has been an easy and stress-free environment. I have found that the NMFA staff are always willing to help and guide you through the whole process, no matter what you are applying for. I recently applied for a Metropolitan Redevelopment Act (MRA) planning grant for the city of Clovis and was approved to expand the MRA; this project is in process. The planning grant being approved enabled the city of Clovis to move forward and that document was completed by Consensus Planning. I wish I could name everyone at NMFA, however, I want to thank the entire organization and staff at NMFA. Thank you for helping us move New Mexico forward."

- Raymond Mondragon, Eastern Plains Council of Government

Colonias Infrastructure Project Fund

In 2010, the New Mexico Legislature adopted the Colonias Infrastructure Act (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 provide funding for infrastructure development to Colonia-recognized communities for projects that improve quality of life and encourage economic development. In FY 2022, NMFA closed 36 projects totaling \$19,482,093.

Colonias Infrastructure Project Fund 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: Planning, design, 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 NMFA 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). The DWSRLF provides low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico to protect drinking water quality and the public health.

The DWSRLF is a federal program, managed by NMFA on behalf of the State of New Mexico. The program is funded through a federal capitalization grant that has historically averaged \$8 million annually. The State is required to match 20 percent of the federal grant. The primary use of the DWSRLF is to provide below-market-rate loans for 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, NMFA uses 4 percent of the capitalization grant to fund the management of the program. To date, NMFA's DWSRLF program has received \$227 million in federal Environmental Protection Agency capitalization grants, matched by NMFA with \$46 million in state match and \$84 million in interest and loan repayments.

Since 2011, the terms of the federal capitalization grants required that NMFA deliver a portion of the funds with an additional subsidy to the borrower. NMFA provides the additional subsidy through low-cost loans with principal forgiveness determined on a sliding scale. In FY 2022, NMFA closed seven projects totaling \$17,351,386.

Drinking Water State Revolving Loan Fund Eligibility:

Applicants: Municipal and community water systems

Projects: Water infrastructure and equipment

Terms: Loans of up to 30 years are offered at fixed, below-market interest rates

- Disadvantaged public entities: 0%
- Community water systems: 0.01%
- 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 in 2001, NMFA provides administrative support to the 16-member Water Trust Board and manages the Water Project Fund on its behalf.

Water Project Fund

NMFA makes loans and grants for projects recommended by the Water Trust Board and authorized by the Legislature. 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.

The Water Project Fund annually receives 9% of senior Severance Tax Bond (STB) proceeds as well as a distribution from the Water Trust Fund. These monies are used to fund a variety of water projects recommended by the Water Trust Board and authorized by the Legislature. The Water Trust Board anticipates an increase in funding over the next few years, which will help finance more water projects in New Mexico. Recent changes to the Water Trust Board policies are designed to help more applicants qualify for funding.

In FY 2022, NMFA closed 32 funding agreements totaling \$68,670,000. Water Trust Board awards are 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 of qualified projects recommended by the Water Trust Board and authorized by the Legislature. Qualified projects include:

- 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 from award

Community Facilities and Economic Development Programs

NMFA has been active in the financing of private facilities since the Legislature established the Primary Care Capital Fund in 1994. With the creation of the Statewide Economic Development Finance Act in 2003, the Legislature made NMFA a key partner in economic development. Currently, NMFA actively offers seven funding programs in this area.

Primary Care Capital Fund

Behavioral Health Capital Fund

Smart Money Loan Participation Program

Cannabis Microbusiness Program

Essential Services Working Capital Program

New Markets Tax Credit Program

New Markets Tax Credit: Small Loan Pool Program



Primary Care Capital Fund

The Primary Care Capital Fund (PCCF) was created by the Legislature in 1994 with an initial appropriation of \$5 million to be used as a revolving loan fund. In cooperation with the New Mexico Department of Health (NMDOH), NMFA initially made low-cost loans to nonprofit providers only. In FY 2019, Governor Lujan Grisham signed into law the Local Government Primary Care Clinic Funding bill which allows primary care clinics owned by counties and municipalities to apply for funds as well. To date, NMFA and NMDOH have funded 19 loans totaling approximately \$11.5 million; no new loans were made in FY 2022. NMFA currently has four active loans for a total of \$653,038.

PCCF Eligibility:

Applicants: Primary care health clinics, either 501(c)(3) nonprofit organizations or clinics owned by counties or municipalities

Projects: Building and capital equipment acquisitions

Terms: Loans of up to 20 years are offered at a 3% interest rate, fixed

Other: Borrowers who provide care to sick or medically indigent patients at free or reduced fees are eligible to receive forgiveness for up to 20% of their annual principal and interest payments through a contract-for-services negotiated with NMDOH.



Behavioral Health Capital Fund

Tailored after the successful Primary Care Capital Fund, this program was created in 2004 to provide low-cost capital to nonprofit behavioral health clinics in rural and underserved areas of the state. This small loan program was capitalized by NMFA with \$2.5 million and initially provided below-market-rate loans to nonprofit behavioral healthcare providers only. In FY 2019, Governor Lujan Grisham signed into law the Local Government Behavioral Health Clinic Funding bill which increased access to the fund by eliminating the asset cap on nonprofit organizations and by allowing behavioral health clinics owned by counties and municipalities to apply for the funds as well as nonprofit organizations. To date, NMFA has funded six loans totaling approximately \$3,795,000; one BHCF loan was made in FY 2022 for \$565,000. NMFA currently has four active BHCF loans for a total of \$1,833,789.

BHCF Eligibility:

Applicants: Behavioral health providers, either 501(c)(3) nonprofit organizations or clinics owned by counties or municipalities

Projects: Building and capital equipment acquisitions

Terms: Loans of up to 20 years are offered at a fixed interest rate of 3%

Other: Borrowers who provide care to sick and medically indigent patients at free or reduced fees may be eligible to receive up to 20% of their annual principal and interest payments reduced through a contract-for-services agreement negotiated with Human Services Department.



Statewide Economic Development Finance Act

The Statewide Economic Development Finance Act (SWEDFA) was enacted into law in 2003 and authorizes NMFA to issue bonds, make loans and provide loan and bond guarantees on behalf of private entities, including businesses and nonprofit corporations, from the Economic Development Revolving Fund. SWEDFA partners NMFA with the New Mexico Economic Development Department (NMEDD) in creating and operating financing programs that help stimulate the economy through job creation and business growth, particularly in rural and underserved areas of New Mexico. To date, NMFA has implemented several programs that help stimulate the economy and create jobs, including the Collateral Support Program, Smart Money Program, and New Markets Tax Credit Program.

The first program implemented under SWEDFA was a loan participation program funded by a net appropriation of \$5.1 million in State funds. This program remains active, and funds are available for new investments.

From FY 2012 through FY 2017, under a Memorandum of Understanding with NMEDD, NMFA administered the Collateral Support Participation program with approximately \$8 million in federal State Small Business Credit Initiative (SSBCI) funds made available through the federal Small Business Jobs Act. Through this program, NMFA partnered with banks to support small business lending that helped entrepreneurs start or expand their businesses, thereby creating and retaining jobs for New Mexicans. Under the Collateral Support Participation program, NMFA invested approximately \$8.3 million through 16 loan participations.



Smart Money Loan Participation Program

The Smart Money Loan Participation Program creates greater access to capital throughout rural and underserved areas of New Mexico by allowing NMFA to purchase up to 49% of loans originated, underwritten, and serviced by local banks at low, fixed interest rates. To date, NMFA has purchased participations totaling \$6,420,705 in six loans across the State, with its latest participation made in September 2019. No Smart Money loans were made in FY 2022.

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: NMFA 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



Cannabis Microbusiness Program

The Cannabis Microbusiness Program was created in FY 2022 to provide access to affordable capital to help some of New Mexico's smallest businesses get a start in the state's new recreational cannabis industry. A total of \$5 million in funding is available and most loans are expected to be \$50,000 - \$150,000. The maximum loan size is \$250,000. In FY 2022, NMFA closed one Cannabis Microbusiness Loan for a total of \$250,000.

Cannabis Microbusiness Program Eligibility:

Applicants: New Mexico businesses licensed by the Cannabis Control Division as a cannabis producer microbusiness or an integrated cannabis microbusiness

Projects: Building, equipment, agricultural inputs, and working capital

Terms: Loan terms are a maximum of five years. Loans of \$100,000 or less with terms of three years or less will have a fixed interest rate of 2%. Loans over \$100,000 and loans that have a term of more than three years will have a fixed interest rate of 3%.

Other: Collateral is required to secure the loan. Personal guarantees are required from anyone who owns more than 10% of the business. Applications are accepted on a rolling basis.

Essential Services Working Capital Program

The Essential Services Working Capital Program (ESWCP) was an emergency loan program created in 2020 that provided short-term working capital loans to healthcare entities and other critical service providers whose operating funds were insufficient to meet the demand resulting from the COVID-19 pandemic and related Public Health Emergency Orders. In FY 2022, one ESWCP loan was closed for a total dollar amount of \$150,000. This was the last loan of the ESWCP program.

New Markets Tax Credit Program

In 2007, with the explicit authorization of the Legislature, NMFA 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. Since 2007, the U.S. Department of Treasury has awarded Finance New Mexico six NMTC allocation awards totaling \$321 million, \$35 million of which was awarded in FY 2020. Under the NMTC program, subsidiaries of Finance New Mexico lend to private for-profit and nonprofit organizations to spur job creation and development activities in low-income areas of New Mexico.

The purpose of the NMTC Program aligns with the goals of 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 credits 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 access to low-cost capital, with flexible lending criteria and the potential to convert portions of NMTC loans to equity. In FY 2022, three NMTC loans were closed for a total of \$28,000,000.

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 rates, with interest-only payments 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.

New Market Tax Credit Small Loan Pool Program

Created in FY 2020, the new Small Loan Pool program was strategically designed to respond to market needs. The initial New Markets Tax Credit program meets the market segment for loans above \$4 million but does not include smaller eligible projects under \$4 million. The Small Loan Pool program was created in response to these needs and is designed to take on more risks than the current participation programs.

The Small Loan Pool program provides small businesses and small-scale developers with access to affordable, flexible capital through non-traditional lenders. The goal of the NMTC Small Loan Pool program is to provide flexible financing at advantageous terms for eligible projects between \$500,000 and \$4 million to qualified businesses located in low-income communities that have historically lacked access to credit. In FY 2022, Finance New Mexico closed on three NMTC Small Loan Pool transactions totaling \$3,592,500.

NMTC Small Loan Pool Eligibility:

Applicants: For-profit and not-for-profit entities located in federally designated low-income census tracts

Projects: Real Estate Development, Building and Infrastructure, Working Capital Financing, Equipment Financing

Terms: Seven-year interest-only payments with a balloon payment at maturity. The interest rate is approximately 3.75%



Recovery Programs

Small Business Recovery Loan Fund

LEDA Business Recovery Grant Program

CARES Relief Grant Program



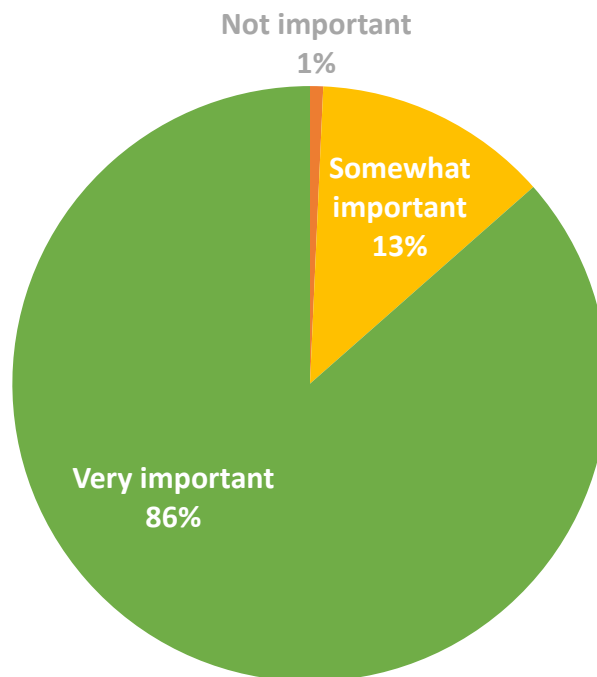
Recovery Programs

NMFA administered several business recovery programs created to help New Mexico businesses recover from the effects of the COVID-19 pandemic. In response to the COVID-19 health emergency, the State of New Mexico set aside \$800 million for economic recovery loan and grant programs. NMFA implemented the new programs, conducted awareness campaigns to ensure businesses across New Mexico knew about the programs and had access to them, and deployed much-needed funds to small businesses throughout the state.

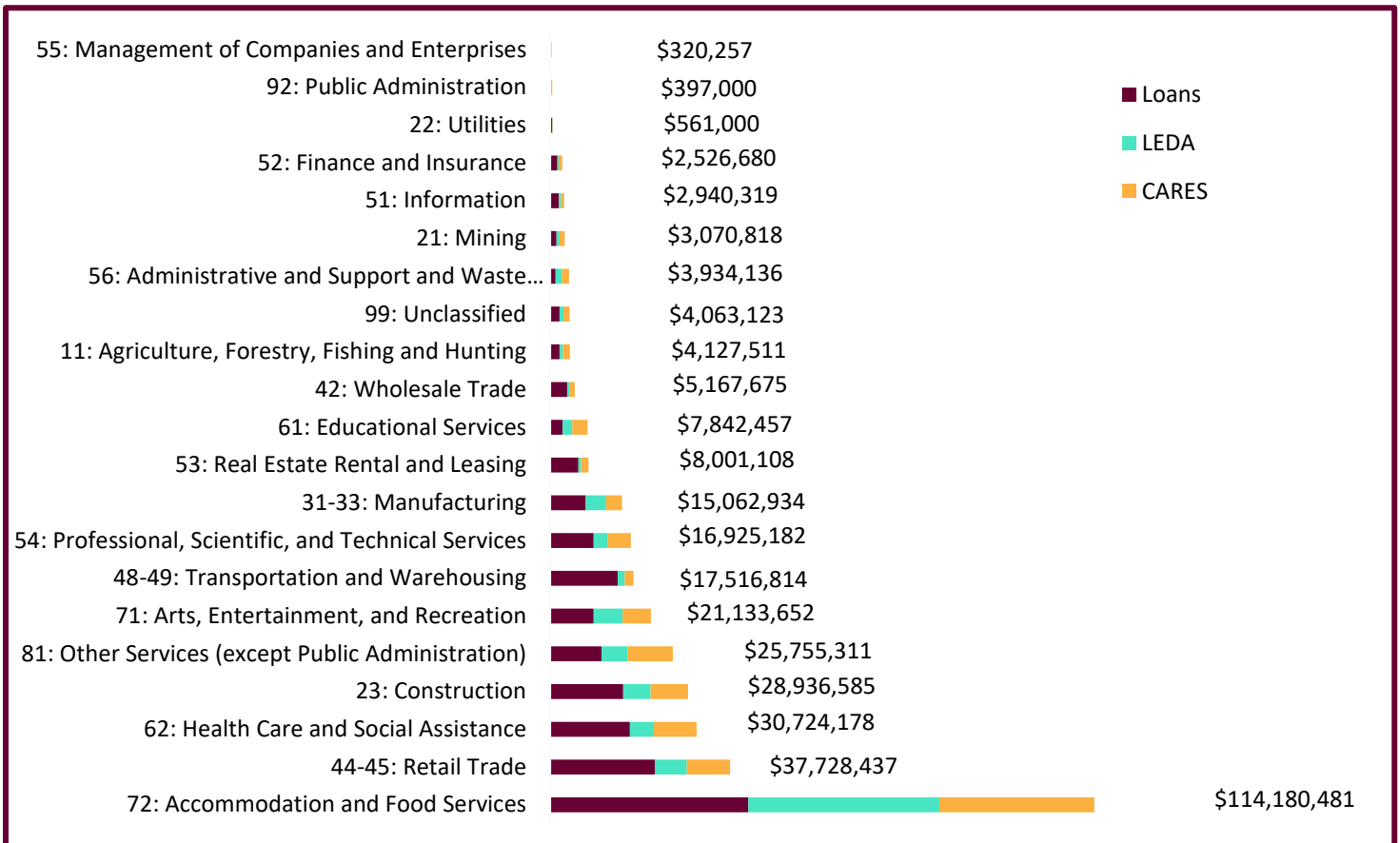
As of August 9, 2022, NMFA administered financial assistance to **9,531 businesses** across all three programs in the amount of **\$344 million**. 1,420 business participated in more than one program or by receiving assistance for more than one location.

- **2,347 businesses received Small Business Recovery Loans for \$160.2 million**
- **1,871 businesses received a LEDA Business Recovery Grant Award for \$86.9 million**
- **6,733 businesses received a Small Business CARES Relief Grant for \$96.9 million**

**Businesses receiving Recovery Loans or Grants were asked:
"How important was the financial support to keeping the business open?"**



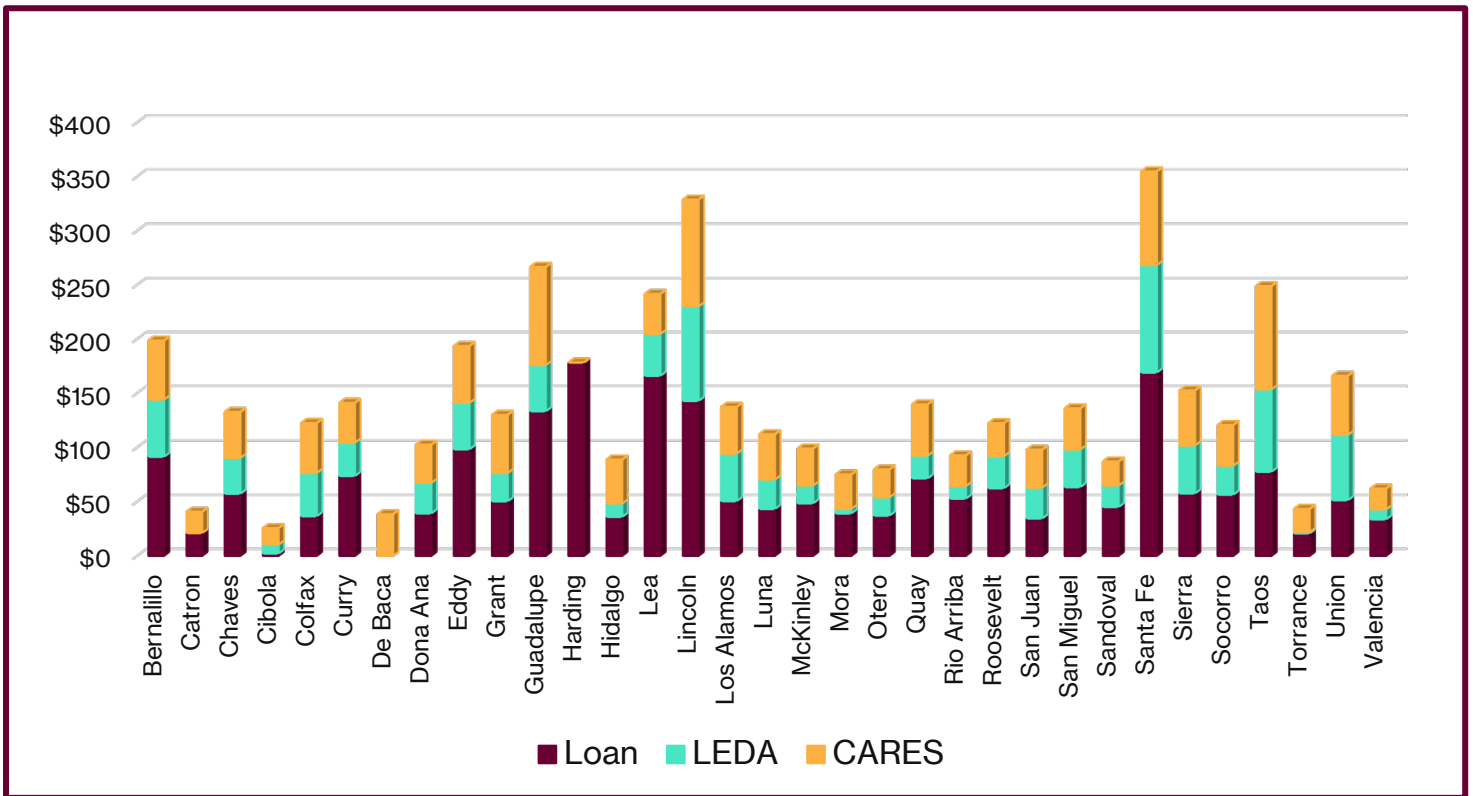
Total Recovery Assistance (loans and grants) by Industry



“The application process was relatively easy, and we are grateful to have received grant money to pay toward the building rent for our bricks and mortar store! This windfall will enable us to hire more people and grow our small business.”

- Las Cruces small business owner

Total Recovery Assistance (loans and grants) per capita by County



“There’s no doubt that the COVID-19 pandemic was the hardest time our business has been through. Being closed, having appointments limited and weddings postponed hurt. But funding from the NM Finance Authority helped us during those toughest times. Grant money from NMFA has helped with bills that didn’t stop, even when business did. I am so grateful to NMFA for all the help they gave us and the service they provided to help keep this small business open.”

- Albuquerque small business owner

Small Business Recovery Loan Fund

Originally enacted by the New Mexico Legislature during the 2020 first Special Session, and expanded in the 2021 Regular Session, the Small Business Recovery Loan Fund makes available \$500 million to provide loans to businesses that experienced financial hardship due to the COVID-19 pandemic. Loan amounts are up to \$150,000 with flexible terms, providing businesses with extra assistance while they recover from the pandemic.

As of August 9, 2022, 2,347 small businesses in New Mexico have received financial assistance from the Small Business Recovery Loan Fund for a total of \$160.2 million in loan funds.

Small Business Recovery Loan Fund Eligibility:

Applicants: Businesses with an annual net revenue of less than \$5 million in 2019 or 2020 that experienced a “substantial disruption” or “substantial decline in gross revenue.” For-profit businesses must be at least 51% owned by New Mexicans or employ at least ten New Mexico residents on a full-time basis. Nonprofit organizations must be designated as 501(c)3, 501(c)6, 501(c)8, 501(c)19, or 501(c)(23).

Expenses: Ordinary business expenses, including capital expenses; making adaptations or improvements necessary to protect the public health; and developing or growing e-commerce capacities. For businesses with employees, a maximum of 20% may be used for owner compensation. For businesses with no employees, a maximum of 50% may be used for owner compensation.

Terms: Fixed interest rate of half the *Wall Street Journal* prime rate. Ten-year term with no interest accruing and no payments due the first year, and interest-only payments in the second and third year. Monthly payments of principal and interest in years four through ten. No penalty or fee for prepayment. Businesses that received a loan under the original terms are eligible to refinance their loan for updated terms and a larger loan amount.

Total Funding: \$500 million

Funding Source: New Mexico Severance Tax Permanent Fund

Other: Application open until December 31, 2022

LEDA Business Recovery Grant Program

Enacted by the New Mexico Legislature during the 2021 Regular Session and signed into law by Governor Michelle Lujan Grisham, the LEDA Recovery Grants Legislation allocated \$200 million in funds to provide grants to New Mexico businesses that experienced financial hardship due to the COVID-19 pandemic and met specific job creation requirements. NMFA administered the LEDA Business Recovery Grant Program, which opened in May 2021 and closed in December 2021 for most applicants. A set-aside funding round for businesses that were not allowed to operate at the time the law was signed ended on June 30, 2022.

1,871 New Mexico businesses received a LEDA Business Recovery Grant Award for a total of \$86.9 million in grant funds.

LEDA Business Recovery Grant Program Eligibility:

Applicants: New Mexico businesses with at least one but fewer than 75 full-time or part-time employees that experienced a drop in revenue between comparable quarters in 2019 and 2020.

Expenses: Rent, lease, or mortgage payments on the building occupied by the business.

Terms: Grant reimbursements depend upon the applicant meeting job creation requirements.

Total Funding: \$200 million

Other: Application closed on December 31, 2021, for most businesses.

CARES Relief Grant Program

The Small Business CARES Relief Grants were authorized by the State of New Mexico in the November 2020 Special Session and were funded by \$100 million in Federal CARES stimulus funds. Because the funds needed to be allocated before the end of 2020, the application period was open December 7, 2020 – December 18, 2020. NMFA received 14,136 grant applications from New Mexico businesses totaling \$156 million in funding requests. Grants were awarded to 6,733 businesses throughout New Mexico, with 60% of the funds provided to businesses in urban areas and 40% of the funds to businesses in rural areas of the state. The businesses receiving grants include restaurants, hotels, retail stores, nonprofit organizations, manufacturing companies, accountants, and many more in communities large and small throughout New Mexico. The smallest grant was \$2,000 and the largest grant was \$50,000. The average grant size was \$14,388.



Upcoming Programs

Opportunity Enterprise Revolving Fund

Venture Capital Program

Charter School Program



On the Horizon

Three new programs were created in the 2022 Regular Session of the Legislature for NMFA to administer. NMFA is in the process of designing these programs, all of which are expected to be online in the fourth quarter of FY 2023.

Opportunity Enterprise Revolving Fund

The Opportunity Enterprise Act was created by the New Mexico Legislature in 2022 to increase economic activity in the state by providing financing for new or existing facilities to attract businesses to New Mexico communities and allow existing businesses to expand their operations.

The Act creates a 12-member Opportunity Enterprise Review Board and creates within NMFA the Opportunity Enterprise Revolving Fund. Pursuant to the Act, the Opportunity Enterprise Review Board will recommend to NMFA projects that alleviate the lack of adequate commercial facilities in New Mexico and advance the economic development goals of the state. NMFA will use the \$70 million Opportunity Enterprise Revolving Fund to finance the acquisition, construction, renovation and equipping of buildings.

Venture Capital Program

The Venture Capital Program Fund was created by the New Mexico Legislature in 2022 to enhance economic development activities of the state and create new job opportunities by making investments in venture private equity funds or New Mexico businesses for start-up, expansion, product or market developments, recapitalization, or early-stage development.

The \$35 million Venture Capital Program allows NMFA to invest in project that attract and retain early-stage businesses while meeting job creation and other economic development goals.

Charter School Program

The Charter School Facility Improvements bill creates a new \$10 million program for charter schools. NMFA expects to implement this new program in FY 2023 to help charter schools improve their facilities.



Condensed Statements of Net Position – NMFA Combined

| | 2022 | 2021 | Net Increase / (Decrease) | Percentage Increase / (Decrease) |
|---|----------------------|----------------------|------------------------------|--|
| Assets | | | | |
| Cash and cash equivalents | | | | |
| Unrestricted cash - unassigned | \$ 2,204,745 | \$ 9,719,468 | \$ (7,514,723) | -77.3% |
| Unrestricted cash - assigned | 5,882,939 | 6,000,000 | (117,061) | -2.0% |
| Restricted Cash | 409,083,722 | 397,582,399 | 11,501,323 | 2.9% |
| Loans receivable, net of allowance | 1,914,748,494 | 1,781,545,124 | 133,203,370 | 7.5% |
| Unrestricted investments | 9,316,714 | - | 9,316,714 | 0.0% |
| Restricted investments | 517,199,580 | 515,364,555 | 1,835,025 | 0.4% |
| Due from other funds | - | - | - | 0.0% |
| Other Receivables | 9,634,780 | 10,009,972 | (375,192) | -3.7% |
| Capital Assets, net of accumulated depreciation | 2,881,807 | 1,863,831 | 1,017,976 | 54.6% |
| Other Assets | 129,929 | 556,059 | (426,130) | -76.6% |
| Total Assets | 2,871,082,710 | 2,722,641,408 | 148,441,302 | 5.5% |
| Deferred Outflows of Resources | | | | |
| Deferred loss on refunding, non-capital assets | 593,621 | 643,643 | (50,022) | -7.8% |
| Total Deferred Outflows of Resources | 593,621 | 643,643 | (50,022) | -7.8% |
| Liabilities | | | | |
| Bonds payable | 1,485,712,432 | 1,428,438,844 | 57,273,588 | 4.0% |
| Undisbursed loan proceeds | 347,723,364 | 307,626,399 | 40,096,965 | 13.0% |
| Advanced loan payments | 91,620,716 | 88,002,415 | 3,618,301 | 4.1% |
| Accounts payable, accrued payroll and compensated absences | 1,115,628 | 1,463,035 | (347,407) | -23.7% |
| Other liabilities | 324,089,244 | 300,735,814 | 23,353,430 | 7.8% |
| Total Liabilities | 2,250,261,384 | 2,126,266,507 | 123,994,877 | 5.8% |
| Deferred Inflows of Resources | | | | |
| Deferred gain on refunding, non-capital assets | 2,554,033 | 3,129,303 | (575,270) | -18.4% |
| Deferred FNM Loan Origination Fees | - | 59,712 | (59,712) | -100.0% |
| Deferred Inflows of Resources | 2,554,033 | 3,189,015 | (634,982) | -19.9% |
| Net Position | | | | |
| Net investment in capital assets | 2,881,807 | 1,863,831 | 1,017,976 | 54.6% |
| Restricted for program commitments | 598,476,868 | 576,246,230 | 22,230,638 | 3.9% |
| Unrestricted | 17,502,239 | 15,719,468 | 1,782,771 | 11.3% |
| Total Net Position | 618,860,914 | 593,829,529 | 25,031,385 | 4.2% |

Condensed Statements of Revenue, Expenses and Changes in Net Position – NMFA Combined

| | 2022 | 2021 | Net Increase / (Decrease) | Percentage Increase / (Decrease) |
|--|-----------------------|-----------------------|------------------------------|--|
| Operating Revenue | | | | |
| Interest on loans | \$ 47,851,592 | \$ 51,507,874 | \$ (3,656,282) | -7.1% |
| Administrative fees revenue | 7,975,365 | 5,535,056 | 2,440,309 | 44.1% |
| Interest on investments | (2,213,157) | 475,458 | (2,688,615) | -565.5% |
| Total Operating Revenues | 53,613,800 | 57,518,388 | (3,904,588) | -6.8% |
| Operating Expenses | | | | |
| Bond interest expense | 43,634,059 | 42,455,410 | 1,178,649 | 2.8% |
| Grants expense | 78,473,940 | 128,973,973 | (50,500,033) | -39.2% |
| Loan financing pass-through | 10,396,391 | 3,488,596 | 6,907,795 | 198.0% |
| Salaries and benefits | 6,903,037 | 6,044,261 | 858,776 | 14.2% |
| Bond issuance costs | 1,109,926 | 1,207,923 | (97,997) | -8.1% |
| Professional services | 7,511,275 | 4,837,099 | 2,674,176 | 55.3% |
| Other operating costs | 1,804,768 | 1,879,902 | (75,134) | -4.0% |
| Provision for loan losses | (233,644) | 123,133 | (356,777) | -289.7% |
| Interest expense | 488,063 | 500,768 | (12,705) | -2.5% |
| Depreciation expense | 970,882 | 181,846 | 789,036 | 433.9% |
| Total Operating Expenses | 151,058,697 | 189,692,911 | (38,634,214) | -20.4% |
| Net Operating Loss | (97,444,897) | (132,174,523) | 34,729,626 | -26.3% |
| Non-operating Revenue (Expenses) | | | | |
| Appropriation revenue | 41,396,672 | 37,023,150 | 4,373,522 | 11.8% |
| Grants revenue and transfers from State | 88,468,565 | 132,520,910 | (44,052,345) | -33.2% |
| Reversions and transfers to State | (7,388,955) | (24,317,906) | 16,928,951 | 69.6% |
| Net Non-Operating Revenue | 25,031,385 | 145,226,154 | (120,194,769) | -82.8% |
| Increase (Decrease) in Net Position | 25,031,385 | 13,051,631 | 11,979,754 | 91.8% |
| Net Position, Beginning of Period | \$ 593,829,529 | \$ 580,777,898 | \$ 13,051,631 | 2.2% |
| Net Position, End of Period | \$ 618,860,914 | \$ 593,829,529 | \$ 25,031,385 | 4.2% |



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