

RatingsDirect®

Summary:

New Mexico Finance Authority; State Revolving Funds/ Pools; Water/ Sewer

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Summary:

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Credit Profile

US\$50.515 mil subordinate lien pub proj revol fd rev bnds ser 2024A due 06/15/2044

Long Term Rating

AAA/Stable

New

New Mexico Fin Auth SRFPOOL (National)

Unenhanced Rating

AAA(SPUR)/Stable

Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to the New Mexico Finance Authority's (NMFA) \$50.5 million series 2024A subordinate-lien public project revolving fund (PPRF) revenue bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' long-term rating and underlying rating (SPUR) on NMFA's outstanding senior- and subordinate-lien bonds.
- The outlook is stable.

Security

The subordinate-lien bonds are secured by subordinate indenture borrower agreement revenue, plus revenue released from the senior lien, including excess senior-lien revenue and excess governmental gross receipts tax (GGRT) revenue, after payment of senior lien debt service. Senior-lien bonds are secured by senior lien revenue and a first lien on the authority's 75% portion of statewide GGRT distributions to the PPRF. The senior-lien and subordinate-lien bonds are also secured by their respective debt service reserve funds. Inclusive of the series 2024A subordinate-lien bonds, NMFA has about \$1.12 billion of senior-lien bonds and \$382.1 million in subordinate-lien PPRF bonds outstanding. The series 2024A subordinate-lien bond proceeds will reimburse 18 projects under the PPRF program.

Credit overview

The authority's PPRF program benefits from robust annual debt service coverage generated from loan repayments and GGRT revenue, reserves pledged to each lien, and strong financial management policies and practices. The rating is also supported by the state's statutory authority of the PPRF program and the program's allocation of 75% of the state GGRT. In addition, we believe a key credit strength is the portfolio's long history with no defaults or delinquencies, coupled with the ability of revenues and reserves to withstand large reductions in pledged revenues.

Outlook

The stable outlook reflects our expectation that the program will maintain its strong repayment performance and that as additional bonds are issued, management will sustain over-collateralization through revenue and reserves in a manner consistent with the rating level.

Downside scenario

Although unlikely, should there be a sizable reduction in over-collateralization provided by GGRT, or if management begins to experience material delinquent or defaulted loan repayments, we could lower the rating.

Credit Opinion

Enterprise risk profile: Very strong

The very strong enterprise risk score is the result of low industry risk and a very strong market position, reflecting the legislation that created the authority and the current management structure, along with ongoing support provided by the state through the disbursements of its GGRT. Established by the state legislature in 1992, the authority coordinates the planning and financing of state and local public projects; we believe this longevity is further evidence of a sound program. The authority comprises 11 members, who serve as the governing body, with an executive committee providing operational oversight and direction.

Financial risk profile: Extremely strong

The extremely strong financial risk profile results from the program's ability to absorb a very high level of defaults for each lien. This is the result of ongoing GGRT revenue and the availability of about \$36.3 million in each reserve fund. Senior-lien loan repayment revenue plus GGRT revenue are projected to provide annual senior-lien debt service coverage of at least 1.4x throughout the life of the debt. In addition to subordinate-lien loan revenue, excess senior-lien loan revenue and GGRT revenue are then available to cover subordinate-lien debt service, leading to projected subordinate-lien debt service coverage of at least 2.0x.

We generally consider the program's management policies adequate to strong. The program has formal loan application guidelines, with an evaluation of credit risks undertaken. Borrowers are required to submit annual financial statements, although not every financial report may be reviewed annually. To guard against timing risks, the majority of non-general obligation secured loan payments arrive monthly. In addition, approved investment guidelines match the state's investment policies.

Program characteristics

The loan portfolio consists of about 245 borrowers with aggregate outstanding loan balances of \$1.89 billion. About 74% of the loans outstanding (by dollar amount) are on the senior lien. For the senior lien, the top 10 borrowers by loan amount outstanding collectively represent about 43% of total senior-lien loans. For the subordinate lien, the top 10 borrowers represent about 38% of total subordinate-lien loans.

In addition to loan repayments, a steady stream of GGRT revenue supports the bonds. Authority management projects annual receipts will remain stable to growing overall. For fiscal 2023, the program's GGRT allocation totaled \$35.5 million. GGRT collections have been on an overall growing trend, with some minor volatility in recent years. Our analysis incorporates a flat projection of GGRT revenue. Under a no-default scenario, this revenue is used to make additional PPRF loans, to pay NMFA costs and expenses, and for other authorized purposes.

Rating above the sovereign

Because we view securitizations backed by pools of public-sector assets as highly sensitive to country risk, we cap the

rating on the securitization at two notches above the sovereign. However, no specific sovereign default stress is applied, given the U.S. sovereign rating is 'AA+'.

Ratings Detail (As Of April 1, 2024)		
New Mexico Fin Auth SRFPOOL		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL (AMBAC)		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth WS		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Many issues are enhanced by bond insurance.

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