

Rating Action: Moody's assigns Aa1 to NMFA, NM's Senior Lien PPRF Revenue Bonds, Ser 2019D

29 Aug 2019

New York, August 29, 2019 -- Moody's Investors Service has assigned a Aa1 senior rating to the New Mexico Finance Authority's (NMFA) upcoming sale of \$55.4 million Senior Lien Public Project Revolving Fund (PPRF) Revenue Bonds, Series 2019D. We maintain the Aa1 senior rating on \$878.2 million in outstanding parity obligations. The outlook is stable.

RATINGS RATIONALE

The Aa1 senior rating reflects the average credit quality of the authority's large and diverse pool of borrowers. Senior lien default tolerance is very high, inclusive of both loan agreement revenues and governmental gross receipt taxes (GGRT). The rating further incorporates NMFA's strong governance structure and legal provisions, including multiple debt service reserve funds held by trustee.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Erosion of creditworthiness in the loan pools
- Sustained declines in GGRT collections

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 2019D bonds will reimburse 40 loans ranging from \$339,000 to \$9.1 million.

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. In July 2019, the governor appointed five new members.

METHODOLOGY

The principal methodology used in this rating was U.S. Municipal Pool Program Debt published in March 2013.

Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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