

RatingsDirect®

Summary:

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

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Table Of Contents

Rating Action

Stable Two-Year Outlook

Credit Opinion

Summary:

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

Credit Profile

US\$30.03 mil sr ln pub proj revolving fd rev and rfdg bnds ser 2020A due 06/01/2040

Long Term Rating AAA/Stable New

New Mexico Fin Auth SRFPOOL (National)

Unenhanced Rating AAA(SPUR)/Stable Affirmed

Rating Action

S&P Global Ratings assigned its 'AAA' rating to the New Mexico Finance Authority's (NMFA) series 2020A senior-lien public project revolving fund (PPRF) revenue and refunding bonds. S&P Global Ratings also affirmed its 'AAA' rating on the authority's previously issued senior- and subordinate-lien bonds. Bond proceeds will reimburse funds for 10 loans made under the PPRF program and refund the outstanding 2010A-1 and 2010B-1 senior-lien PPRF bonds.

Because we view securitizations backed by pools of public-sector assets as highly sensitive to country risk, the rating on the securitization is capped at two notches above the sovereign. However, no specific sovereign default stress is applied, given the U.S. sovereign rating is 'AA+'. The outlook is stable.

Stable Two-Year Outlook

The stable outlook reflects our expectation for continued stable borrower credit quality and timely borrower loan repayment, coupled with steady government gross receipt taxes (GGRT) revenues. Neither the enterprise risk nor the financial risk profile scores are likely to change given our opinion of the stability of revenues; therefore, we do not anticipate a negative rating action in the short or medium term.

However, should there be a sizable reduction in over-collateralization provided by GGRT or if management begins to experience either delinquent or defaulted loan repayments, then we would likely lower the ratings.

Credit Opinion

The rating reflects our view of the combination of a very strong enterprise risk profile score, an extremely strong financial risk profile score, and additional positive factors resulting from the following:

- A very strong enterprise risk score, supported by the state's statutory authority for the program;
- An extremely strong financial risk score due primarily to annual coverage generated from loan repayments and GGRT, supported by strong financial management policies and practices; and

- The application of final adjustments outlined in criteria for exceptionally low default and delinquency rates, coupled with the ability of cash flows to withstand minimal recovery and maintain the minimum loss coverage score to achieve the 'AAA' rating.

The very strong enterprise risk score is the result of a low industry risk score, which is characteristic of all public finance long-term municipal pool programs, and a very strong market position, reflecting the enabling legislation that created the authority and the current management structure, along with ongoing support provided by the state through the disbursements of its GGRT. In 1992, the New Mexico legislature established the authority, which coordinates the planning and financing of state and local public projects. The authority is composed of 11 members, who serve as the governing body. An executive committee provides oversight and direction relating to the authority's operations.

The extremely strong financial risk profile results from the program's ability to absorb a very high level of defaults. This is due to ongoing GGRT revenue and the availability of \$32.7 million in the common debt service reserve fund and \$32.7 million in the supplemental credit reserve fund. Loan revenues plus GGRT revenues are projected to provide annual senior-lien debt service coverage of at least 1.3x. The excess coverage is then available to cover subordinate-lien debt service, although annual subordinate-lien loan revenue alone is projected to provide just over 1.0x coverage of subordinate-lien debt service in the early years.

About \$941 million of senior-lien bonds (including the series 2020A bonds) and \$358 million of subordinate-lien bonds are outstanding. The entire senior- and subordinate-lien loan portfolio consists of 935 loans to about 240 borrowers with aggregate loan balances outstanding of \$1.6 billion. The leading borrowers, in terms of loan amount outstanding, include the state's General Services Department (\$93 million, 6%), Rio Rancho (\$76 million, 5%), Santa Fe (\$61 million, 4%), Jicarilla Apache Nation (\$55 million, 3%), and the New Mexico Spaceport Authority (\$49 million, 3%). There have been no defaults in the program's history. As a further enhancement, about 68% of the loan payments are subject to an intercept of state funds.

In addition to loan repayments, a steady stream of GGRT revenues support the bonds. Authority management routinely projects annual receipts will remain stable. GGRTs have declined only three times in the past 20 years. Collections for 2019 reflect a 3.2% growth rate to about \$32.3 million, although an additional one-time adjustment of \$4.8 million was also received. Under a no-default scenario, these revenues are passed through the PPRF program for other authority programs.

We generally consider program management policies adequate to strong. There are 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 any timing risks, loan payments arrive monthly. In addition, approved investment guidelines match the state's investment policies.

Bond provisions

Trust estate revenues secure the senior-lien bonds, and include the authority's 75% portion of statewide GGRT collections and total payments under borrower loan agreements. The subordinate-lien bonds have a subordinate pledge of the trust estate revenues, plus specific borrower loan payments related to the subordinate-lien bonds.

Ratings Detail (As Of March 10, 2020)

Ratings Detail (As Of March 10, 2020) (cont.)

New Mexico Fin Auth sr lien pub proj revolving fund rev bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL sr lien		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL subord lien		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL subord lien		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL subord lien		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL (AMBAC)		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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