

RatingsDirect®

Summary:

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

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Summary:

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Credit Profile

US\$55.37 mil sr ln pub proj revolving fd rev bnds ser 2022B due 06/01/2042

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 2022B senior-lien public project revolving fund (PPRF) revenue and refunding bonds, to be issued at about \$55.4 million. S&P Global Ratings also affirmed its 'AAA' rating on the authority's previously issued senior- and subordinate-lien bonds. The outlook is stable.

Bond proceeds will reimburse funds for 19 projects made under the PPRF program.

The stable outlook reflects our expectation for continued stable borrower credit quality and timely borrower loan repayment, coupled with steady governmental gross receipts tax (GGRT) revenues.

Credit overview

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, and separate reserves pledged to each lien, supported by strong financial management policies and practices; and
- The application of an upward adjustment from what would otherwise be a lower rating to account for exceptionally low default and delinquency rates, coupled with the ability of cash flows, including pledged reserves, to withstand large reductions in pledged revenues to achieve the 'AAA' rating.

Due to cash flows demonstrating sufficiency via the same stress tests performed on the senior lien, the subordinate lien does not require a rating differential for subordination.

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 that the U.S. sovereign rating is 'AA+'. The outlook is stable. Furthermore, due to cash-flow sufficiency

Stable Outlook

Downside scenario

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

Enterprise risk

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. Having been 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 is composed of 11 members, who serve as the governing body, with an executive committee providing operational oversight and direction.

Financial risk

The extremely strong financial risk profile results from the program's ability to absorb a very high level of defaults. This is the result of ongoing GGRT revenue and the availability of about \$33 million in the common debt service reserve fund, as well as \$33 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 \$1.29 billion of senior- and subordinate-lien bonds are outstanding. The loan portfolio consists of about 1,010 loans to about 230 borrowers with aggregate loan balances outstanding of \$1.78 billion. About 70% of the loans outstanding by dollar amount is on the senior lien. The top five borrowers by loan amount outstanding are: the state's General Services Department (\$137 million, 8%), Rio Rancho (\$102 million, 6%), Santa Fe (\$82 million, 5%), Las Cruces (\$73 million, 4%), and Jicarilla Apache Nation (\$53 million, 3%). There have been no defaults in the program's history. As a further enhancement, about 70% 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 2022 are projected at about \$36 million. Under a no-default scenario, these revenues are passed through the PPRF program for other authority programs. Management is also using a \$36 million target for the 2023 fiscal year, which we believe provides adequate cushion for significant declines without weakening the rating.

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.

Additionally, 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 May 24, 2022)		
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.

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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