

Research

Summary:

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

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Credit Profile

US\$45.27 mil Sr ln pub proj revolving fd rev bnds ser 2024B due 06/01/2043

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' rating to the New Mexico Finance Authority's (NMFA) \$45.27 million series 2024B senior-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

Bond proceeds will reimburse 26 projects made under the PPRF program. Senior-lien bonds are secured by senior-lien revenue and a first lien on the authority's 75% portion of statewide governmental gross receipts tax (GGRT) distributions to the PPRF. The subordinate-lien bonds are secured by subordinate indenture borrower agreement revenue, plus revenue released from the senior lien, including excess senior-lien and GGRT revenue, after payment of senior-lien debt service. The senior- and subordinate-lien bonds are also secured by their respective debt service reserve funds (DSRFs). Including the series 2024B bonds, about \$1.08 billion of senior-lien bonds and \$343 million in subordinate-lien bonds will be outstanding.

Credit overview

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

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+'.

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 enabling legislation creating 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 is made up of 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 \$39.6 million in the common DSRF, as well as \$39.6 million in the supplemental credit reserve fund. Senior-lien loan repayment revenue plus GGRT revenue are projected to provide annual senior-lien DSC of approximately 1.4x throughout the life of the debt. In addition to subordinate-lien loan revenue, excess senior-lien loan and GGRT revenue are then available to cover subordinate-lien debt service, leading to projected subordinate-lien DSC of at least 2.0x and the program's overall ability to absorb a very high level of defaults.

We generally consider program management policies adequate to strong. There are formal loan application guidelines, with an evaluation of credit risks undertaken. To guard against timing risks and support credit surveillance, the majority of non-general obligation (GO) secured loan payments arrive monthly. In addition, approved investment guidelines match the state's investment policies. The authority has an updated debt management policy that provides guidelines for issuance type, timing, and oversight, among other practices.

Program characteristics

The loan portfolio consists of loans to about 244 borrowers with aggregate outstanding loan balances of \$1.8 billion versus \$1.4 billion in bonds. For the senior lien, the top ten borrowers by loan amount outstanding collectively represent about 40% of total senior-lien principal and interest outstanding. For the subordinate lien, the top ten borrowers also represent about 40% total subordinate-lien loans, with concentration with the top borrower, New Mexico General Services Department at 15%.

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 2024, the program's GGRT allocation totals \$38.1 million. GGRT collections have been on an overall growing trend, with some minor volatility in recent years; we therefore believe that a flat projection relative to the most recent year provides adequate cushion for significant declines without weakening creditworthiness. A portion of unused revenue is passed through the PPRF program for other legislatively-authorized programs.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of September 12, 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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