STANDARD & POOR'S

RATINGSDIRECT®

May 13, 2009

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
Sussan Corson, New York (1) 212-438-2014; sussan_corson@standardandpoors.com

Secondary Credit Analyst:
Matthew Reining, San Francisco (1) 415-371-5044; matthew_reining@standardandpoors.com

Table Of Contents

Rationale

Additional Designated Resources: Not Legally Pledged

Outlook

Related Research

721662 | 301136011

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$29.8 mil sr ln pub proj revolving fd rev bnds ser 2009B due 06/01/2039		
Long Term Rating	AA+/Stable	New
US$18.19 mil sr ln pub proj revolving fd rev bnds ser 2009A due 06/01/2038		
Long Term Rating	AA+/Stable	New
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating, and stable outlook, to New Mexico Finance Authority's (the authority) senior-lien public project revolving fund revenue bonds series 2009A and 2009B.

In addition, Standard & Poor's affirmed its 'AA+' long-term rating and underlying rating on the authority's bonds outstanding.

Program features include what we view as:

- A large borrower pool of governmental entities;
- The program's currently good (1.31x) maximum annual debt service coverage (DSC) by cash flow streams that can withstand our default tolerance tests relative to the program's diversity at the 'AA' rating category;
- The formalized policies that define the program's loan management and debt management practices, including enhanced systems and portfolio control in the past few years;
- A history of no defaults among borrowers and the good overall annual growth trends in the authority's share of pledged governmental gross receipt tax (GGRT) revenues; and
- The program's adequate bond provisions, including an additional bonds test (ABT) that discounts governmental gross receipt tax revenues and loan repayments.

Offsetting factors in Standard & Poor's opinion include:

- Some concentration in the leading borrowers and the largest governmental gross receipt tax revenue generators; and
- The potential that additional loans could outpace GGRT revenue growth, which could lead to diminishing coverage levels.

Trust estate revenues (including the authority's 75% portion of statewide governmental gross receipt tax collections) and aggregate payments under borrower loan agreements secure the bonds. Various revenue streams secure the loan agreements. These primarily include municipal, state, and governmental gross receipt taxes (37% of loan principal); net system revenue pledges (26%); general obligation ad valorem taxes (14%); and miscellaneous local special taxes

(19%). As the program continues, various other revenue streams will secure the loan agreements. The state's general services department has recently begun to use the program for building projects and management expects loan demand to pick up again as several large projects seek funding from the program, including the spaceport, a hospital in Albuquerque, and some of the largest utilities in the state.

Fiscal 2012 pledged loan repayments and governmental gross receipt tax revenues received in fiscal 2008 cover maximum annual DSC on parity debt outstanding and the series 2009A and 2009B bonds by 1.31x. Officials estimate coverage could fall to 1.18x maximum annual DSC, assuming continued governmental gross receipts tax growth of 1% per year and a projected $200 million per year of annual issuance in the next five years, although the authority indicates it could issue more than $200 million in some years. Given the information provided on the current loan portfolio, and the authority's plans to target minimum equity levels within the fund as well as to maintain similar types and quality of loans in the pool, we deem this DSC sufficient for an 'AA+' rating.

Authority officials will use series 2009A bond proceeds to reimburse a total of 22 loans to various local entities and fund one $5.6 million loan to the city of Alamogordo. In addition, the series 2009B bond proceeds will fund two loans made on a simultaneous basis for the city of Angel Fire and the city of Rio Rancho improvement districts.

The ABT allows for further debt issuances if annual governmental gross receipt taxes, divided by 1.35, plus assumed revenues from the repayment of loans and additional pledged loans, exceed 1.00x aggregate annual DSC on all bonds outstanding. Management estimates that if it were to issue down to its ABT, actual coverage would be about 1.10x. In addition, although the ABT allows for bonding against a portion of pledged GGRT revenues, management does not expect to leverage these revenues in the future, which should continue to provide additional DSC. Given that GGRTs primarily provide excess coverage for pool debt service, slower GGRT growth rates relative to additional lending could cause the coverage levels to decline.

The New Mexico Finance Authority, established in 1992, has been making pool loans since its first financing in 1995. The authority's board and criteria committee as well as the legislative oversight committee regularly review formally adopted debt and loan management policies that have improved program oversight in the past few years. In addition, management continues to evolve its technological enhancements, including the recent establishment of online application capability and a loan servicing database. Officials continue to work to integrate data systems to augment management capabilities. No pool loans have defaulted in the program's 14-year history.

Including loans not reimbursed with bonds, but which the authority pledges to provide debt service, there are more than 440 individual loans in the senior-lien pool, with a total principal of nearly $800 million due to the authority. The 10 leading obligors account for about half of total senior-lien loan principal outstanding (although some of the obligors have different pledged revenues backing several different loans). These obligors include the Albuquerque Bernalillo County Water Utility Authority (AAA), The State of New Mexico General Services Department, and Taos County.

Governmental agencies are treated as taxpayers under the state's tax administration act; since 1991, New Mexico has imposed a 5% governmental gross receipt tax on every state agency, institution, or political subdivision (excluding school districts and licensed health care service providers) for the sale of personal property, events admissions, refuse services, sewage services, water sales, and parking services. The entities pay the tax in the month following that in which the taxable event occurs. Overall, the authority's governmental gross receipt tax revenue has increased by a 5% annual average between fiscals 2003 and 2008 to $21.4 million in fiscal 2008, although officials estimate a slower 1% year-over-year growth in fiscal 2009. In fiscal 2007, the 10 leading governmental gross receipt tax generators accounted for 56% of the total, including Albuquerque Bernalillo County Water Utility Authority (19%), and the cities of Albuquerque (8%), Santa Fe (7%), and Las Cruces (5%). The authority does not have the 10 leading payer collections for fiscal 2008.

Additional Designated Resources: Not Legally Pledged

Although no debt service reserve exists for these bonds and there is no legally pledged pooled cash, the authority has additional resources available to boost liquidity for the program. As of April 30, 2009, a contingent liquidity account funded with excess revenues that flow through the program held almost $30 million, or about 40% of maximum annual debt service in fiscal 2012, which is down slightly from a level of $31 million as of October 2009 due to management's conservative write-down of an estimated investment loss. This fund is not legally pledged to the payment of the bonds; however, management's intention is to use this fund to provide additional cushion for funding program needs or to pay debt service.

Outlook

The stable outlook reflects what Standard & Poor's views as the authority's ability to maintain good coverage levels and strong policies that dictate loan selection for the senior-lien pool. The stable outlook also reflects the expectation that management will continue to use its leverage prudently to maintain adequate coverage and maintain similar quality of loans currently included within the senior-lien program.

Related Research

USPF Criteria: "Long-Term Municipal Pools," Oct. 19, 2006

Ratings Detail (As Of May 13, 2009)		
New Mexico Fin Auth sr lien pub proj revolv fd rev bnds ser 2008A		
Long Term Rating	AA+/Stable	Affirmed
New Mexico Fin Auth pub proj revolv fd rev bnds ser 2000B dtd 09/01/2000 due 06/01/2001-2020		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien pub proj revolving fd rev bnds ser 2006B dtd 06/27/2006 due 06/01/2007-2023 2026 2036		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.

STANDARD & POOR'S

RATINGSDIRECT®

September 21, 2009

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
Sussan Corson, New York (1) 212-438-2014; sussan_corson@standardandpoors.com

Secondary Credit Analyst:
Gabriel Petek, CFA, San Francisco (1) 415-371-5042; gabriel_petek@standardandpoors.com

Table Of Contents

Rationale

Outlook

Additional Designated Resources: Not Legally Pledged

Related Research

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$44.92 mil sr Lien pub proj Revolving Fnd rev bnds (Taxable) ser 2009D-2 due 06/01/2037		
Long Term Rating	AA+/Stable	New
US$8.67 mil sr Lien pub proj Revolving Fnd rev bnds (Tax -Exempt) ser 2009D-1 due 06/01/2030		
Long Term Rating	AA+/Stable	New
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating, and stable outlook, to New Mexico Finance Authority's (the authority) series 2009D-1 tax-exempt and D-2 taxable senior-lien public project revolving fund (PPRF) revenue bonds.

In addition, Standard & Poor's affirmed its 'AA+' long-term rating and underlying rating on the authority's bonds outstanding.

Program features include what we view as:

- A large borrower pool of governmental entities;
- The program's currently good (1.29x) maximum annual debt service coverage (DSC) by cash flow streams that can withstand our default tolerance tests relative to the program's diversity at the 'AA' rating category;
- The formalized policies that define the program's loan management and debt management practices, including enhanced systems and portfolio control in the past few years;
- A history of no defaults among borrowers and the good overall annual growth trends in the authority's share of pledged governmental gross receipt tax (GGRT) revenues; and
- The program's adequate bond provisions, including an additional bonds test (ABT) that discounts GGRT revenues and loan repayments.

Offsetting factors in Standard & Poor's opinion include:

- Some concentration in the leading borrowers and the largest GGRT revenue generators; and
- The potential that additional loans could outpace GGRT revenue growth, which could lead to diminishing coverage levels.

Trust estate revenues (including the authority's 75% portion of statewide governmental GRT collections) and aggregate payments under borrower loan agreements secure the bonds. Various revenue streams secure the loan agreements. These primarily include municipal, state, and GGRT (42% of loan principal); net system revenue pledges (25%); general obligation ad valorem taxes (12%); and miscellaneous local special taxes (17%). As the program continues, various other revenue streams will secure the loan agreements.

The state's general services department has recently begun to use the program for building projects and management expects loan demand to pick up again as several large projects seek funding from the program, including a hospital in Albuquerque, and some of the largest utilities in the state.

Fiscal 2012 pledged loan repayments and GGRT revenues received in fiscal 2009 cover maximum annual DSC on parity debt outstanding and the series 2009D bonds by 1.29x. Assuming continued GGRT growth of only 1% per year and a projected $200 million per year of annual issuance in the next five years, officials estimate coverage could fall to 1.18x maximum annual DSC, However, the authority estimates an actual higher annual rate of growth for the GGRT in fiscal 2010 and intends to reimburse an additional $200 million-$300 million of financing per year in the next five years as officials expect larger entities and projects in the state to apply for loans under the PPRF program. Given the information provided on the current loan portfolio, and the authority's plans to target minimum equity levels within the fund as well as to maintain similar types and quality of loans in the pool, we deem the 1.18x DSC sufficient for an 'AA+' rating.

Authority officials will use the series 2009D-1 bond proceeds to reimburse the program for 16 separate loans to various local entities, including the Socorro Consolidated Schools and the city of Socorro. Officials will also use a portion of the series 2009D-2 bond proceeds to fund a loan to the city of Santa Fe secured by GRT and to be used for the acquisition and improvement of land, buildings, and other real property owned by the College of Santa Fe. In addition, officials will also use the series 2009D-2 bond proceeds to fund the New Mexico Highlands University loan secured by a pledge of the university's unrestricted student fees and income; the proceeds will be used to construct a new student services center. Although the New Mexico Highlands University is issuing the loan as a Build America Bond under the American Recovery and Investment Act of 2009, authority officials indicate neither the university nor the authority will assume the inclusion of the federal subsidy in the loan repayment.

The ABT allows for further debt issuances if annual GGRT, divided by 1.35, plus assumed revenues from the repayment of loans and additional pledged loans, exceed 1.00x aggregate annual DSC on all bonds outstanding. Management estimates that if it were to issue down to its ABT, actual coverage would be about 1.10x. In addition, although the ABT allows for bonding against a portion of pledged GGRT revenues, management does not expect to leverage these revenues in the future, which should continue to provide additional DSC. Given that GGRTs primarily provide excess coverage for pool debt service, slower GGRT growth rates relative to additional lending could cause the coverage levels to decline.

The New Mexico Finance Authority, established in 1992, has been making pool loans since its first financing in 1995. The authority's board and criteria committee as well as the legislative oversight committee regularly review formally adopted debt and loan management policies that have improved program oversight in the past few years. In addition, management continues to evolve its technological enhancements, including the recent establishment of online application capability and a loan servicing database. Officials continue to work to integrate data systems to augment management capabilities. No pool loans have defaulted in the program's 14-year history of making loans.

Including loans not reimbursed with bonds, but which the authority pledges to provide debt service, there are more than 430 individual loans in the senior-lien pool, with a total principal of more than $800 million due to the authority. The 10 leading obligors account for more than half of total senior-lien loan principal outstanding. These obligors include the Albuquerque Bernalillo County Water Utility Authority ('AAA'), The State of New Mexico

General Services Department, The New Mexico Spaceport Authority, the city of Santa Fe, and the New Mexico Highlands University.

Governmental agencies are treated as taxpayers under the state's tax administration act; since 1991, New Mexico has imposed a 5% GGRT on every state agency, institution, or political subdivision (excluding school districts and licensed health care service providers) for the sale of personal property, events admissions, refuse services, sewage services, water sales, and parking services. The entities pay the tax in the month following that in which the taxable event occurs.

The authority's annual GGRT revenue growth has slowed to 0.4% and 0.3% in fiscals 2008 and 2009, respectively, from 7% and 8% in fiscals 2006 and 2007, respectively. In fiscal 2008, the 10 leading GGRT generators accounted for 61% of the total, including Albuquerque Bernalillo County Water Utility Authority (23%), and the cities of Albuquerque (8%), Santa Fe (7%), and Las Cruces (5%).

Outlook

The stable outlook reflects what Standard & Poor's views as the authority's ability to maintain good coverage levels and strong policies that dictate loan selection for the senior-lien pool. The outlook also reflects the expectation that management will continue to use its leverage prudently to maintain adequate coverage and maintain similar quality of loans currently included within the senior-lien program.

Additional Designated Resources: Not Legally Pledged

Although no debt service reserve exists for these bonds and there is no legally pledged pooled cash, the authority has additional resources available to boost liquidity for the program. A contingent liquidity account funded with excess revenues that flow through the program holds about $34 million, or 41% of senior maximum annual debt service in fiscal 2012. This fund is not legally pledged to the payment of the bonds; however, management's current intention is to use this fund to provide additional cushion for funding program needs or to pay debt service. The board's policy requires a minimum annual contribution equal to 25% of the previous year's GGRT collections. The authority has also established a $75 million line of credit for additional contingent liquidity that they have not used to date.

Related Research

USPF Criteria: "Long-Term Municipal Pools," Oct. 19, 2006

Ratings Detail (As Of September 21, 2009)		
New Mexico Fin Auth sr lien pub proj revolv fd rev bnds ser 2008A		
Long Term Rating	AA+/Stable	Affirmed
New Mexico Fin Auth pub proj revolv fd rev bnds ser 2000B dtd 09/01/2000 due 06/01/2001-2020		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien pub proj revolving fd rev bnds ser 2006B dtd 06/27/2006 due 06/01/2007-2023 2026 2036		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth pub proj revolving fd rev bnds		

Ratings Detail (As Of September 21, 2009) **(cont.)**		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.

The McGraw-Hill Companies

STANDARD & POOR'S

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 1087074

October 8, 2009

New Mexico Finance Authority
207 Shelby Street
Santa Fe, NM 87501
Attention: Mr. John Duff, Chief Financial Officer

Re: ***US$37,595,000 New Mexico Finance Authority, New Mexico, Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009E, dated: Date of Delivery, due: June 1, 2019***

Dear Mr. Duff:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions,* have assigned a rating of "AA+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on

CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard & Poor's
IC

vb
enclosures
cc: Mr. Chip Pierce
Western Financial Group, LLC

STANDARD
&POOR'S

Standard & Poor's Ratings Services
Terms and Conditions
Applicable To
U.S. Public Finance Ratings

Request for a rating. Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

STANDARD
&POOR'S

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 40151305

October 8, 2009

New Mexico Finance Authority
207 Shelby Street
Santa Fe, NM 87501
Attention: Mr. John Duff, Chief Financial Officer

Re: ***New Mexico Finance Authority, Public Project Revolving Fund Revenue Bonds***

Dear Mr. Duff:

Standard & Poor's has reviewed the Standard & Poor's underlying rating (SPUR) on the above-referenced obligations. After such review, we have affirmed the "AA+" rating and stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

If you have any questions, or if we can be of help in any other way, please feel free to call or contact us at nypublicfinance@standardandpoors.com. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. We appreciate the opportunity to work with you and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard & Poor's

vb
enclosure

STANDARD & POOR'S

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 40218531

October 8, 2009

New Mexico Finance Authority
207 Shelby Street
Santa Fe, NM 87501
Attention: Mr. John Duff, Chief Financial Officer

Re: ***New Mexico Finance Authority, Public Project Revolving Fund Revenue Bonds***

Dear Mr. Duff:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have affirmed the "AA+" rating and stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:
Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

If you have any questions, or if we can be of help in any other way, please feel free to call or contact us at nypublicfinance@standardandpoors.com. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. We appreciate the opportunity to work with you and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard & Poor's /c

vb
enclosure
cc: Mr. John Duff, Chief Financial Officer
New Mexico Finance Authority

STANDARD &POOR'S

RATINGSDIRECT®

October 12, 2009

New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
Ian Carroll, San Francisco (1) 415-371-5060; ian_carroll@standardandpoors.com

Secondary Credit Analyst:
Gabriel Petek, CFA, San Francisco (1) 415-371-5042; gabriel_petek@standardandpoors.com

Table Of Contents

Rationale

Additional Designated Resources: Not Legally Pledged

Outlook

Related Research

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$37.595 mil sr Lien pub proj Revolv Fnd rev bnds ser 2009E due 06/01/2019		
Long Term Rating	AA+/Stable	New
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating and stable outlook to New Mexico Finance Authority's series 2009E taxable senior-lien public project revolving fund revenue bonds.

In addition, Standard & Poor's affirmed its 'AA+' long-term rating and underlying rating (SPUR) on the authority's bonds outstanding.

The ratings reflect what we view as the authority's:

- Large borrower pool of governmental entities;
- Currently good maximum annual debt service (MADS) coverage (1.29x) through cash flow streams that can withstand our default tolerance tests relative to the program's diversity at the 'AA' rating category;
- Formalized policies that define the program's loan management and debt management practices, including enhanced systems and portfolio control in the past few years;
- History of no defaults among borrowers and good overall annual growth trends in the authority's share of pledged governmental gross receipt tax (GGRT) revenues; and
- The program's adequate bond provisions, including an additional bonds test (ABT) that discounts governmental gross receipt tax revenues and loan repayments.

Offsetting factors in Standard & Poor's opinion include:

- Some concentration in the leading borrowers and the largest GGRT revenue generators; and
- The potential that additional loans could outpace GGRT revenue growth, which could lead to diminished coverage.

Trust estate revenues (including the authority's 75% portion of statewide governmental gross receipt tax collections) and aggregate payments under borrower loan agreements secure the bonds. Various revenue streams secure the loan agreements. These primarily include municipal, state, and governmental gross receipt taxes (42% of loan principal); net system revenue pledges (25%); general obligation ad valorem taxes (12%); and miscellaneous local special taxes (17%). As the program continues, various other revenue streams will secure the loan agreements.

The state's general services department recently began to use the program for building projects, and management expects loan demand to pick up again as several large projects -- including a hospital in Albuquerque and some of the state's largest utilities -- seek funding from the program.

Fiscal 2012 pledged loan repayments and GGRT revenues received in fiscal 2009 cover MADS on parity debt outstanding and the series 2009D bonds by 1.29x. Assuming continued GGRT growth of only 1% per year and $200 million of annual issuance in the next five years, officials estimate MADS coverage could fall to 1.18x. However, the authority estimates an actual higher annual rate of growth for the GGRT in fiscal 2010 and intends to reimburse an additional $200 million to $300 million of financing annually in the next five years, because officials expect larger entities and projects in the state to apply for loans under the program. Given the information provided on the current loan portfolio, and the authority's plans to target minimum equity levels within the fund as well as to maintain loans of similar types and quality in the pool, we deem the 1.18x MADS coverage sufficient for an 'AA+' rating.

The ABT allows for further debt issuances if annual GGRTs, divided by 1.35, plus assumed revenues from the repayment of loans and additional pledged loans exceed 1x aggregate annual debt service coverage on all bonds outstanding. Management estimates that if it were to issue down to its ABT, actual coverage would be about 1.1x. In addition, although the ABT allows for bonding against a portion of pledged GGRT revenues, management does not expect to leverage these revenues.

The New Mexico Finance Authority, established in 1992, has been making pool loans since its first financing in 1995. The authority's board and criteria committee as well as the legislative oversight committee regularly review formally adopted debt and loan management policies that have improved program oversight in the past few years. In addition, management continues its technological enhancements, including the recent establishment of online application capability and a loan servicing database. Officials continue to work to integrate data systems to augment management capabilities. No pool loans have defaulted in the program's 14-year history of making loans.

Including loans not reimbursed with bonds but for which the authority pledges to provide debt service, there are more than 430 individual loans in the senior-lien pool, with total principal of more than $800 million due to the authority. The 10 leading obligors account for over half of total senior-lien loan principal outstanding. These obligors include the Albuquerque Bernalillo County Water Utility Authority, the State of New Mexico General Services Department, the New Mexico Spaceport Authority, the City of Santa Fe, and New Mexico Highlands University.

Governmental agencies are treated as taxpayers under the state's tax administration act; since 1991, New Mexico has imposed a 5% GGRT on every state agency, institution, or political subdivision (excluding school districts and licensed health care service providers) for the sale of personal property, events admissions, refuse services, sewage services, water sales, and parking services. The entities pay the tax in the month after the taxable event.

The authority's annual GGRT revenue growth slowed to 0.4% in fiscal 2008 and 0.3% in fiscal 2009, from 7% in fiscal 2006 and 8% in fiscal 2007. In fiscal 2008, the 10 leading GGRT generators accounted for 61% of the total. These included Albuquerque Bernalillo County Water Utility Authority (23%) and the cities of Albuquerque (8%), Santa Fe (7%), and Las Cruces (5%).

Additional Designated Resources: Not Legally Pledged

Although no debt service reserve exists for these bonds and there is no legally pledged pooled cash, the authority has additional resources available to boost liquidity for the program. A contingent liquidity account funded with excess revenues that flow through the program holds roughly $34 million, or 41% of senior MADS in fiscal 2012. This fund is not legally pledged to the payment of the bonds, but management intends to use this fund to provide additional cushion for funding program needs or to pay debt service. The board's policy requires a minimum annual contribution equal to 25% of the prior year's GGRT collections. The authority has also established a $75 million line of credit for additional contingent liquidity that it has not utilized to date.

Outlook

The stable outlook reflects what Standard & Poor's views as the authority's ability to maintain good coverage and strong policies that dictate loan selection for the senior-lien pool. The stable outlook also reflects our expectation that management will continue to use its leverage prudently to maintain adequate coverage and quality of loans included in the senior-lien program.

Related Research

USPF Criteria: "Long-Term Municipal Pools," Oct. 19, 2006

Ratings Detail (As Of October 12, 2009)		
New Mexico Fin Auth sr lien pub proj revolv fd rev bnds ser 2008A		
Long Term Rating	AA+/Stable	Affirmed
New Mexico Fin Auth pub proj revolv fd rev bnds ser 2000B dtd 09/01/2000 due 06/01/2001-2020		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien pub proj revolving fd rev bnds ser 2006B dtd 06/27/2006 due 06/01/2007-2023 2026 2036		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

STANDARD
&POOR'S

Global Credit Portal
RatingsDirect®

April 16, 2010

Summary:
New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
Lisa Schroeer, Charlottesville (1) 434-220-0892; lisa_schroeer@standardandpoors.com

Secondary Credit Analyst:
Ian Carroll, San Francisco (1) 415-371-5060; ian_carroll@standardandpoors.com

Table Of Contents

Rationale

Outlook

Additional Designated Resources Are Not Legally Pledged

Related Criteria And Research

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$15.1 mil Revolv Fnd rev bnds (Sr Lien Pub Proj) ser 2010A-1 due 06/01/2019		
Long Term Rating	AA+/Stable	New
US$12.955 mil Taxable Revolv Fnd rev bnds (BABs) (Sr Lien Pub Proj) ser 2010A-2 due 06/01/2039		
Long Term Rating	AA+/Stable	New
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating, and stable outlook, to New Mexico Finance Authority's series 2010A-1 tax-exempt senior-lien public project revolving fund revenue bonds and series 2010A-2 taxable senior-lien public project revolving fund revenue bonds (Build America Bonds).

In addition, Standard & Poor's affirmed its 'AA+' long-term rating and underlying rating (SPUR), with a stable outlook, on the authority's existing bonds.

Program features include what we view as:

- A large borrower pool of governmental entities;
- The program's currently good maximum annual debt service coverage (DSC) by cash flow streams that can withstand our default tolerance tests compared to the program's diversity at the 'AA' rating category;
- The formalized policies that define the program's loan management and debt management practices, including enhanced systems and portfolio control in the past few years;
- A history of no defaults among borrowers and the good overall annual growth trends in the authority's share of pledged governmental gross receipt tax (GGRT) revenues; and
- The program's adequate bond provisions, including an additional bonds test that discounts GGRT revenues and loan repayments.

Offsetting factors in Standard & Poor's opinion include some concentration in the leading borrowers and the leading GGRT revenue generators.

Trust estate revenues, including the authority's 75% portion of statewide GGRT collections, and aggregate payments under borrower loan agreements secure the bonds and loan agreements -- These primarily include municipal, state, and GGRT (37% of loan principal), net system revenue pledges (27%), miscellaneous local special taxes (18%), and general obligation ad valorem taxes (17%). Management will not include the subsidized interest for the 2010A-2 BABs as part of the coverage revenue, but it will be available for non-DSC use after receipt.

Pledged loan repayments and the authority portion of GGRT revenues received in fiscal 2009 cover annual DSC on parity debt outstanding and the 2010 bonds by 1.33x. The GGRT is used primarily to provide excess coverage for pool debt service. Given the information provided on the current loan portfolio, and the authority's plans to target minimum equity levels within the fund, as well as to maintain similar types and quality of loans in the pool, we deem the DSC sufficient for an 'AA+' rating.

Authority officials plan to use the series 2010A-1 bonds to reimburse 35 reimbursable loans and the 2010A-2 bonds to reimburse 24 reimbursable loans that qualify for the BABs program. There are no simultaneous loans being made. Although the 2010A-2 bonds are being issued as BABs under the American Recovery and Investment Act of 2009, authority officials indicate the authority will assume the inclusion of the federal subsidy in pledge repayment revenues.

The additional bonds test allows for further debt issuances if annual GGRTs, divided by 1.35, plus assumed revenues from the repayment of loans and additional pledged loans exceed 1x aggregate annual DSC on all bonds outstanding. Management estimates that if it were to issue the bonds allowable under its additional bonds test, actual coverage would be about 1.1x. In addition, although the additional bonds test allows for bonding against a portion of pledged GGRT revenues, management does not expect to leverage these revenues, which should continue to provide additional DSC. Given GGRTs primarily provide excess coverage for pool debt service, slower GGRT growth rates compared to additional lending could cause coverage to decline.

New Mexico Finance Authority, established in 1992, has been making pool loans since its first financing in 1995. The authority's board and criteria committee, as well as the legislative oversight committee, regularly review formally adopted debt and loan management policies that have improved program oversight over the past few years. In addition, management continues to evolve its technological enhancements, including the recent establishment of online application capability and a loan-servicing database. Officials continue to work to integrate data systems to augment management capabilities. No pool loans have defaulted in the program's 14-year history of making loans.

Including loans not reimbursed with bonds, but which the authority pledges to provide debt service, there are more than 450 individual loans in the senior-lien pool with a current loan balance of about $900 million. The 10 leading obligors account for a little more than half of total senior-lien loan balance. These obligors include Albuquerque Bernalillo County Water Utility Authority; the New Mexico General Services Department; New Mexico Spaceport Authority; Santa Fe, N.M.; and Albuquerque, N.M.

Governmental agencies are treated as taxpayers under the state's tax administration act. Since 1991, New Mexico has imposed a 5% GGRT on every state agency; institution; or political subdivision, excluding school districts and licensed health care service providers, for the sale of personal property, events admissions, refuse services, sewage services, water sales, and parking services. The entities pay the tax in the month following the month in which the taxable event occurs.

The authority's share of GGRTs has experienced positive growth since 1996 for all but one year, 2002. Growth has varied: Rates were between 0% and 1% in 2008 and 2009 but were a higher 7% in 2010. Overall, we believe revenues have shown some stability. In fiscal 2008, the 10 leading GGRT generators accounted for 61% of the total, including Albuquerque Bernalillo County Water Utility Authority (23%); Albuquerque (8%); Santa Fe (7%); and Las Cruces, N.M. (5%).

Outlook

The stable outlook reflects what Standard & Poor's views as the authority's ability to maintain good coverage and strong policies that dictate loan selection for the senior-lien pool. The stable outlook also reflects our expectation that management should continue to use its leverage prudently to maintain adequate coverage and sustain a similar quality of loans currently included in the senior-lien program.

Additional Designated Resources Are Not Legally Pledged

Although no debt service reserve exists for these bonds and there is no legally pledged pooled cash, the authority has additional resources available to boost liquidity for the program. A contingent liquidity account funded with excess revenues that flow through the program holds roughly $36.9 million, or 42% of senior maximum annual debt service in fiscal 2012. This fund is not legally pledged to the payment of the bonds; management's current intention, however, is to use this fund to provide additional cushion for funding program needs or pay debt service. The board's policy requires a minimum annual contribution equal to 25% of the previous year's GGRT collections. The authority also has a $75 million line of credit for additional contingent liquidity that it has not used to date. In addition, the public project revolving fund will hold approximately $55 million after the sale of the 2010 bonds.

Related Criteria And Research

USPF Criteria: Long-Term Municipal Pools, Oct. 19, 2006

Ratings Detail (As Of April 16, 2010)		
New Mexico Fin Auth sr lien pub proj revolv fd rev bnds ser 2008A		
Long Term Rating	AA+/Stable	Affirmed
New Mexico Fin Auth sr lien pub proj revolving fd rev bnds ser 2006B dtd 06/27/2006 due 06/01/2007-2023 2026 2036		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
Lisa Schroeer, Charlottesville (1) 434-220-0892; lisa_schroeer@standardandpoors.com

Secondary Credit Analyst:
Ian Carroll, San Francisco (1) 415-371-5060; ian_carroll@standardandpoors.com

Table Of Contents

Rationale

Additional Designated Resources: Not Legally Pledged

Outlook

Related Criteria And Research

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$54.715 mil Revolv Fnd rev bnds (Sr Lien Pub Proj) ser 2010B-1 due 06/01/2035		
Long Term Rating	AA+/Stable	New
US$17.68 mil Revolv Fnd rev bnds (Sr Lien Pub Proj) ser 2010B-2 due 06/01/2040		
Long Term Rating	AA+/Stable	New
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating, with a stable outlook, to New Mexico Finance Authority's tax-exempt senior-lien series 2010B-1 public project revolving fund revenue bonds and taxable series 2010B-2 senior-lien public project revolving fund revenue bonds.

In addition, Standard & Poor's affirmed its 'AA+' long-term rating and underlying rating (SPUR) on the authority's bonds outstanding.

The ratings reflect our view of:

- A large borrower pool of governmental entities;
- The program's currently good maximum annual debt service coverage (DSC) by cash flow streams that can withstand our default tolerance tests relative to the program's diversity at the 'AA' rating category;
- The formalized policies that define the program's loan management and debt management practices, including enhanced systems and portfolio control in the past few years;
- A history of no defaults among borrowers and the good overall annual growth trends in the authority's share of pledged governmental gross receipt tax (GGRT) revenues; and
- The program's adequate bond provisions, including an additional bonds test (ABT) that discounts governmental gross receipt tax revenues and loan repayments.

Partly offsetting these factors is our view of some concentration in the leading borrowers and the largest GGRT generators.

Trust estate revenues (including the authority's 75% portion of statewide GGRT collections) and aggregate payments under borrower loan agreements secure the bonds.

Pledged loan repayments and the authority's portion of GGRT revenues received in fiscal 2010 cover annual DSC on parity debt outstanding and the 2010 bonds by 1.3x. The GGRT is used primarily to provide excess coverage for pool debt service. Given the information provided on the current loan portfolio, and given the authority's plans to target minimum equity levels within the fund as well as to maintain similar types and quality of loans in the pool, we deem the DSC sufficient for an 'AA+' rating.

Authority officials will use the proceeds of the series 2010B-1 to reimburse 15 reimbursable loans and fund portions of four simultaneous loans, and will use the proceeds of the 2010B-2 bond to fund portions of the two simultaneous loans. The simultaneous borrowers are the Eldorado Area Water and Sanitation District (approx. $6.5 million), Los Alamos County ($13 million), Kewa Pueblo ($6 million), and Isleta Pueblo ($20 million).

The ABT allows for further debt issuances if annual GGRTs, divided by 1.35, plus assumed revenues from the repayment of loans and additional pledged loans, exceed 1x aggregate annual DSC on all bonds outstanding. In addition, although the ABT allows for issuing bonds against a portion of pledged GGRT revenues, management does not expect to leverage these revenues in the future, which should continue to provide additional DSC. Given that GGRTs primarily provide excess coverage for pool debt service, slower GGRT growth rates relative to additional lending could cause the coverage levels to decline.

The New Mexico Finance Authority, established in 1992, has been making pool loans since its first financing in 1995. The authority's board and criteria committee as well as the legislative oversight committee regularly review formally adopted debt and loan management policies that have improved program oversight in the past few years. In addition, management continues to evolve its technological enhancements, including the recent establishment of online application capability and a loan servicing database. Officials continue to work to integrate data systems to augment management capabilities. No pool loans have defaulted in the program's 14-year history of making loans.

Including loans not reimbursed with bonds, but which the authority pledges to provide debt service, the senior-lien pool contains more than 450 individual loans, with a current loan balance of about $900 million. The 10 leading obligors account for a little more than half of total senior-lien loan balance. The top three obligors include the Albuquerque Bernalillo County Water Utility Authority, The State of New Mexico General Services Department, and the City of Santa Fe.

Governmental agencies are treated as taxpayers under the state's tax administration act; since 1991, New Mexico has imposed a 5% GGRT on every state agency, institution, or political subdivision (excluding school districts and licensed health care service providers) for the sale of personal property, events admissions, refuse services, sewage services, water sales, and parking services. The entities pay the tax in the month following that in which the taxable event occurs.

The authority's share of GGRT has experienced positive growth in every year since 1996 except 2002. Growth has varied, with rates of 0%-1% in 2008 and 2009 but 7.3% in 2010. Overall, we believe the revenue has shown some stability. In fiscal 2008, the 10 leading GGRT generators accounted for 61% of the total, including Albuquerque Bernalillo County Water Utility Authority (23%) and the cities of Albuquerque (8%), Santa Fe (7%), and Las Cruces (5%).

Additional Designated Resources: Not Legally Pledged

Although no debt service reserve exists for these bonds and although there is no legally pledged pooled cash, the authority has additional resources available to boost liquidity for the program. A contingent liquidity account funded with excess revenues that flow through the program holds roughly $43 million, or 45% of senior maximum annual debt service in fiscal 2012. This fund is not legally pledged to the payment of the bonds, but management intends to use this fund to provide additional cushion for funding program needs or to pay debt service. The board's policy requires a minimum annual contribution equal to 25% of the prior year's GGRT collections. Additionally the public project revolving fund will hold approximately $55 million after the sale of the 2010 bonds.

Outlook

The stable outlook reflects our view of the authority's ability to maintain good coverage levels and strong policies that dictate loan selection for the senior-lien pool. The stable outlook also reflects our expectation that management will continue to use its leverage prudently to maintain adequate coverage and maintain the quality of loans included in the senior-lien program.

Related Criteria And Research

USPF Criteria: Long-Term Municipal Pools, Oct. 19, 2006

Ratings Detail (As Of July 14, 2010)		
New Mexico Fin Auth sr lien pub proj revolv fd rev bnds ser 2008A		
Long Term Rating	AA+/Stable	Affirmed
New Mexico Fin Auth sr lien pub proj revolving fd rev bnds ser 2006B dtd 06/27/2006 due 06/01/2007-2023 2026 2036		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

STANDARD & POOR'S

Global Credit Portal
RatingsDirect®

April 14, 2011

New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
James Breeding, Dallas (1) 214-871-1407; james_breeding@standardandpoors.com

Secondary Contact:
Sussan Corson, New York (1) 212-438-2014; sussan_corson@standardandpoors.com

Table Of Contents

Rationale

Outlook

Subordinate-Lien Program

Related Criteria And Research

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$16.095 mil sr ln pub proj revolving fd ser 2011A due 06/01/2016		
Long Term Rating	AAA/Stable	New
New Mexico Fin Auth st revolv/fds pool		
Long Term Rating	AAA/Stable	Upgraded
New Mexico Fin Auth st revolv/fds pool		
Unenhanced Rating	AAA(SPUR)/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services raised its rating on New Mexico Finance Authority's senior-lien bonds outstanding to 'AAA' from 'AA+' and its rating on the authority's subordinate-lien public project revolving fund revenue bonds outstanding to 'AA' from 'AA-'. At the same time, we assigned our 'AAA' rating to the authority's series 2011A senior-lien public project revolving fund revenue bonds. With this issuance, the authority has established a common debt service reserve fund. This provides an additional layer of overcollateralization to complement the coverage levels built into the program's cash flows.

The upgrade reflects resiliency in government gross receipts taxes, the establishment of a pledged debt service reserve fund, and the maintenance of additional liquidity to provide overcollateralization.

Program features include what we view as:

- A large and diverse borrower pool of governmental entities;
- The program's currently good maximum annual debt service coverage (DSC) by cash flow streams that can withstand our default tolerance tests relative to the program's diversity at the 'AAA' rating category;
- The formalized policies that define the program's loan management and debt management practices;
- A history of no defaults among borrowers and the good overall annual growth trends in the authority's share of pledged governmental gross receipt tax (GGRT) revenues; and
- The program's adequate bond provisions, including an additional bonds test (ABT) that discounts GGRT revenues and loan repayments.

Trust estate revenues (including the authority's 75% portion of statewide GGRT collections) and aggregate payments under borrower loan agreements secure the bonds. These primarily include municipal, state, and GGRTs (26% of loan principal); net system revenue pledges (27%); general obligation ad valorem taxes (17%); and miscellaneous local special taxes (13%). The subordinate-lien bonds have a subordinate pledge of the trust estate revenues, plus specific borrower loan payments related to the subordinate-lien bonds.

Pledged loan repayments and the authority's portion of GGRT revenues estimated for fiscal 2011 cover annual DSC on parity debt outstanding and the 2011 bonds by 1.36x. Cash flows provided by the authority show coverage of not less than 1.35x through the amortization schedule. The GGRT is used primarily to provide excess coverage for pool debt service. Also, a direct or contingent intercept mechanism is in place for more than half of the loan payments due in any given year.

We understand that authority officials will use the series 2011A bonds to fund a loan to the City of Albuquerque for a refunding of certain debt related to the airport.

These bonds are issued under a new indenture that also creates a common debt service reserve fund. The fund was established with $23.2 million of cash transferred from the authority's contingent liquidity account. The indenture requires the common debt service reserve to be funded at a level directly tied to the risk groups of the loans outstanding. The ABT allows for further debt issuances if annual GGRTs, divided by 1.35, plus assumed revenues from the repayment of loans and additional pledged loans, exceed 1.00x aggregate annual DSC on all bonds outstanding. Management estimates that if it were to issue down to its ABT, actual coverage would be about 1.10x. In addition, although the ABT allows for bonding against a portion of pledged GGRT revenues, management does not expect to leverage these revenues in the future, which should continue to provide additional DSC. Given that GGRTs primarily provide excess coverage for pool debt service, slower GGRT growth rates relative to additional lending, or a decline in GGRT revenues, could cause the coverage levels to decline.

Including loans not funded with prior bond proceeds, but which the authority pledges to provide debt service coverage, there are 570 individual loans in the senior-lien pool, with a current loan balance of about $992 million. These loans secure senior-lien bonds outstanding in the amount of $879 million (including the series 2011A bonds). The 10 leading obligors account for about 45% of the total senior-lien loan balance payable. The top three obligors are the Albuquerque Bernalillo County Water Utility Authority, the State of New Mexico General Services Department, and the New Mexico Spaceport Authority.

Governmental agencies are treated as taxpayers under the state's tax administration act; since 1991, New Mexico has imposed a 5% GGRT on every state agency, institution, or political subdivision (excluding school districts and licensed health care service providers) for the sale of personal property, events admissions, refuse services, sewage services, water sales, and parking services. The entities pay the tax in the month following that in which the taxable event occurs. The authority's share of GGRT has grown since 1996 for all but one year (2002). Growth has varied, with rates between 0% and 1% in 2008 and 2009, but higher at 7.3% in 2010. In fiscal 2010, the 10 leading GGRT generators accounted for 62.9% of the total, including Albuquerque Bernalillo County Water Utility Authority (24.4%), and the cities of Albuquerque (8.6%), Santa Fe (7.8%), and Las Cruces (5.2%).

In addition to the indenture-established common debt service reserve fund, the authority also maintains a contingent liquidity account (CLA), which is funded with excess revenues that flow through the program. This account currently has a balance of approximately $19.8 million, or about 21% of senior maximum annual debt service, which is currently scheduled to occur in fiscal 2012. This fund is not legally pledged to the payment of the bonds; however, management's current intention is to use this fund to provide additional cushion for funding program needs or to pay debt service. Beginning in fiscal 2010, the board's policy is to maintain the CLA at a minimum level of $15 million, with annual contributions equal to 25% of the prior year's GGRT collections.

Outlook

The stable outlook reflects the sufficiency of current and projected program cash flows, coupled with maintenance of pledged and otherwise available revenues. The stable outlook also reflects Standard & Poor's expectation that management will continue to use leverage prudently to maintain adequate coverage and maintain similar quality of loans included within the loan programs. A significant change in the overcollateralization levels due to a reduction in revenues or reserves levels could put downward pressure on the rating.

Subordinate-Lien Program

There are 86 individual loans in the subordinate-lien pool, with a total loan balance of approximately $373 million. These loan repayments, coupled with excess revenues from the senior-lien program, support $352 million of bonds outstanding.

Assuming no defaults of loan payments securing the senior-lien bonds, excess revenues, coupled with subordinate-lien borrower loan payments provide 1.93x coverage of subordinate-lien debt service in 2011. Authority projections show coverage of no less than 1.69x through 2035. The common debt service reserve fund is not pledged to the subordinate-lien bonds, but amounts remaining in the contingent liquidity account would be available for any payment defaults. Debt service coverage could be affected by defaults by senior-lien borrowers or a decline in GGRT revenues.

New Mexico Finance Authority management has established lending criteria to analyze the credit quality of loan participants, including minimum cash flow coverage and financial and economic analysis. According to the authority's loan management policy, loans in the subordinate-lien pool backed by gross receipts taxes, fire protection and law enforcement funds, lodgers' taxes, and mill levies require, in general, 1.25x historical DSC; loans backed by GGRTs and net system revenues require historical DSC of 1.20x and 1.30x, respectively. The authority will also approve loans in the subordinate-lien pool based on DSC using forecasted revenues, but at higher minimum coverage requirements of 1.5x for most tax-backed debt and 2.0x for net-system revenue-backed debt.

Related Criteria And Research

USPF Criteria: Long-Term Municipal Pools, Oct. 19, 2006

Ratings Detail (As Of April 14, 2011)		
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AAA(SPUR)/Stable	Upgraded
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AAA(SPUR)/Stable	Upgraded
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AAA(SPUR)/Stable	Upgraded
New Mexico Fin Auth sub lien		
Unenhanced Rating	AA(SPUR)/Stable	Upgraded
New Mexico Fin Auth sr lien		
Unenhanced Rating	AAA(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

STANDARD & POOR'S

Global Credit Portal®
RatingsDirect®

July 22, 2011

Summary:
New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
James Breeding, Dallas (1) 214-871-1407; james_breeding@standardandpoors.com

Secondary Contact:
Scott D Garrigan, Chicago (1) 312-233-7014; scott_garrigan@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$44.54 mil sr ln pub proj revolving fd rev bnds (tax-exempt)ser 2011B-1 due 06/01/2036		
Long Term Rating	AAA/Stable	New
US$14.60 mil sr ln pub proj revolving fd rev bnds (taxable)ser 2011B-2 due 06/01/2031		
Long Term Rating	AAA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating, with a stable outlook, to New Mexico Finance Authority's (NMFA) series 2011B-1 and 2011B-2 senior-lien public project revolving fund revenue bonds.

With the series 2011A bonds issued earlier in 2011, the authority established a common debt service reserve fund that provides an additional layer of overcollateralization to complement the coverage levels built into the program's cash flows.

Program features include what we view as:

- A large and diverse borrower pool of governmental entities;
- The program's currently good maximum annual debt service coverage (DSC) by cash flow streams that can withstand our default tolerance tests relative to the program's diversity at the 'AAA' rating category;
- The formalized policies that define the program's loan management and debt management practices;
- A history of no defaults among borrowers and the good overall annual growth trends in the authority's share of pledged governmental gross receipt tax (GGRT) revenues; and
- The program's adequate bond provisions, including an additional bonds test (ABT) that discounts GGRT revenues and loan repayments.

Trust estate revenues (including the authority's 75% portion of statewide GGRT collections) and aggregate payments under borrower loan agreements secure the bonds. These primarily include municipal, state, and GGRTs (31% of loan principal); net system revenue pledges (27%); general obligation ad valorem taxes (17%); and miscellaneous local special taxes (13%). The subordinate-lien bonds have a subordinate pledge of the trust estate revenues, plus specific borrower loan payments related to the subordinate-lien bonds.

Pledged loan repayments and the NMFA portion of GGRT revenues estimated for fiscal 2012 cover annual DSC on parity debt outstanding and the 2011B-1 and B-2 bonds by 1.33x. Cash flows provided by the authority show coverage of not less than 1.31x through the amortization schedule. The GGRT is used primarily to provide excess coverage for pool debt service. Also, a direct or contingent intercept mechanism is in place for more than half of the loan payments due in any given year.

These bonds are the second and third series issued under a new indenture which also created a common debt service reserve fund. The fund was established with $23.2 million of cash transferred from the authority's contingent liquidity account. The indenture requires the common debt service reserve to be funded at a level directly tied to the risk groups of the loans outstanding. The balance in the common reserve fund now totals $25.5 million. The ABT allows for further debt issuances if annual GGRTs, divided by 1.35, plus assumed revenues from the repayment of loans and additional pledged loans, exceed 1.00x aggregate annual DSC on all bonds outstanding. Management estimates that if it were to issue down to its ABT, actual coverage would be about 1.10x. In addition, although the ABT allows for bonding against a portion of pledged GGRT revenues, management does not expect to leverage these revenues in the future, which should continue to provide additional DSC. Given that GGRTs primarily provide excess coverage for pool debt service, slower GGRT growth rates relative to additional lending, or a decline in GGRT revenues, could cause the coverage levels to decline.

Including loans not funded with prior bond proceeds, but which the authority pledges to provide DSC, there are 558 individual loans in the senior-lien pool, with a current loan balance of about $972.2 million. These loans secure senior-lien bonds outstanding in the amount of $886 million (including the series 2011B-1 and B-2 bonds). The 10 leading obligors account for about 45% of the total senior-lien loan balance payable. The top three obligors include the Albuquerque Bernalillo County Water Utility Authority, the State of New Mexico General Services Department, and various loans to the city of Albuquerque.

Governmental agencies are treated as taxpayers under the state's tax administration act; since 1991, New Mexico has imposed a 5% GGRT on every state agency, institution, or political subdivision (excluding school districts and licensed health care service providers) for the sale of personal property, events admissions, refuse services, sewage services, water sales, and parking services. The entities pay the tax in the month following that in which the taxable event occurs. The authority's share of GGRT has experienced positive growth since 1996 for all but one year (2002). Growth has varied, with rates between 0% and 1% in 2008 and 2009, but higher at 7.3% in 2010. In fiscal 2010, the 10 leading GGRT generators accounted for 62.9% of the total, including Albuquerque Bernalillo County Water Utility Authority (24.4%), and the cities of Albuquerque (8.6%), Santa Fe (7.8%), and Las Cruces (5.2%).

In addition to the indenture-established common debt service reserve fund, the authority also maintains a contingent liquidity account, which is funded with excess revenues that flow through the program. This account currently has a balance of about $24.0 million, or about 25% of senior maximum annual debt service, which is currently scheduled to occur in fiscal 2013. This fund is not legally pledged to the payment of the bonds; however, management's current intention is to use this fund to provide additional cushion for funding program needs or to pay debt service. Beginning in fiscal 2010, the board's policy is to maintain the contingent liquidity account at a minimum level of $15 million, with annual contributions equal to 25% of the prior year's GGRT collections.

Outlook

The stable outlook reflects the sufficiency of current and projected program cash flows, coupled with maintenance of pledged and otherwise available revenues. The stable outlook also reflects Standard & Poor's expectation that management will continue to use leverage prudently to maintain adequate coverage and maintain similar quality of loans included within the loan programs. A significant change in the overcollateralization levels due to a reduction in revenues or reserves levels could put downward pressure on the rating.

Related Criteria And Research

USPF Criteria: Long-Term Municipal Pools, Oct. 19, 2006

Ratings Detail (As Of July 22, 2011)		
New Mexico Fin Auth st revolv/fds pool		
Long Term Rating	AAA/Stable	Affirmed
New Mexico Fin Auth st revolv/fds pool		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth sub lien		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

STANDARD & POOR'S

Global Credit Portal®
RatingsDirect®

October 26, 2011

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
James Breeding, Dallas (1) 214-871-1407; james_breeding@standardandpoors.com

Secondary Contact:
Scott Sagen, Dallas (214)765-5867; scott_sagen@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$58.395 mil sr ln pub proj revolving fd rev bnds ser 2011C dtd 12/15/2011 due 06/01/2036		
Long Term Rating	AAA/Stable	New
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating, with a stable outlook, to New Mexico Finance Authority's (NMFA) series 2011C senior-lien public project revolving fund revenue bonds. Standard & Poor's also affirmed its ratings on the authority's debt outstanding.

With the series 2011A bonds issued earlier in 2011, the authority established a common debt service reserve fund that provides an additional layer of overcollateralization to complement the coverage levels built into the program's cash flows.

Program features include what we view as:

- A large and diverse borrower pool of governmental entities;
- The program's currently good maximum annual debt service coverage (DSC) by cash flow streams that can withstand our default tolerance tests relative to the program's diversity at the 'AAA' rating category;
- The formalized policies that define the program's loan management and debt management practices;
- A history of no defaults among borrowers and the good overall annual growth trends in the authority's share of pledged governmental gross receipt tax (GGRT) revenues; and
- The program's adequate bond provisions, including an additional bonds test (ABT) that discounts governmental gross receipt tax revenues and loan repayments.

Trust estate revenues (including the authority's 75% portion of statewide GGRT collections) and aggregate payments under borrower loan agreements secure the bonds. These primarily include municipal, state, and governmental gross receipt taxes (31% of loan principal); net system revenue pledges (27%); general obligation ad valorem taxes (17%); and miscellaneous local special taxes (13%). The subordinate-lien bonds have a subordinate pledge of the trust estate revenues, plus specific borrower loan payments related to the subordinate-lien bonds.

Pledged loan repayments and the NMFA portion of GGRT revenues estimated for fiscal 2012 cover annual DSC on parity debt outstanding and the 2011C bonds by 1.33x. Cash flows provided by the authority show coverage of not less than 1.31x through the amortization schedule. The GGRT is used primarily to provide excess coverage for pool debt service. Also, a direct or contingent intercept mechanism is in place for more than half of the loan payments due in any given year.

Authority officials will use the series 2011C bonds to fund a loan to Albuquerque Bernalillo County Water Utility Authority.

These bonds are the fourth series issued under a new indenture, which also created a common debt service reserve fund. The fund was established with $23.2 million of cash transferred from the authority's contingent liquidity account. The indenture requires the common debt service reserve to be funded at a level directly tied to the risk groups of the loans outstanding. The balance in the common reserve fund, following this issuance, will total $27.4 million. The additional bonds test allows for further debt issuances if annual GGRT, divided by 1.35, plus assumed revenues from the repayment of loans and additional pledged loans, exceed 1.00x aggregate annual DSC on all bonds outstanding. Management estimates that if it were to issue down to its ABT, actual coverage would be about 1.10x. In addition, although the ABT allows for bonding against a portion of pledged GGRT revenues, management does not expect to leverage these revenues in the future, which should continue to provide additional DSC. Given that GGRTs primarily provide excess coverage for pool debt service, slower GGRT growth rates relative to additional lending, or a decline in GGRT revenues, could cause the coverage levels to decline.

Including loans not funded with prior bond proceeds, but which the authority pledges to provide debt service coverage, there are 532 individual loans in the senior-lien pool, with a current loan balance of about $997.4 million. These loans secure senior-lien bonds outstanding in the amount of $897.8 million (including the series 2011C bonds). There are also about $338.2 million of subordinate-lien bonds outstanding. The 10 leading obligors account for approximately 45% of the total senior-lien loan balance payable. The top three obligors include the Albuquerque Bernalillo County Water Utility Authority, the State of New Mexico General Services Department, and the City of Albuquerque.

Governmental agencies are treated as taxpayers under the state's tax administration act; since 1991, New Mexico has imposed a 5% GGRT on every state agency, institution, or political subdivision (excluding school districts and licensed health care service providers) for the sale of personal property, events admissions, refuse services, sewage services, water sales, and parking services. The entities pay the tax in the month following that in which the taxable event occurs. The authority's share of GGRT has experienced positive growth since 1996 for all but one year (2002). Growth has varied, with rates between 0% and 1% in 2008 and 2009, but higher at 7.3% in 2010. In fiscal 2010, the 10 leading GGRT generators accounted for 62.9% of the total, including Albuquerque Bernalillo County Water Utility Authority (24.4%), and the cities of Albuquerque (8.6%), Santa Fe (7.8%), and Las Cruces (5.2%).

In addition to the indenture-established common debt service reserve fund, the authority also maintains a contingent liquidity account, which is funded with excess revenues that flow through the program. This account currently has a balance of approximately $24.0 million, or about 25% of senior maximum annual debt service, which is currently scheduled to occur in fiscal 2013. This fund is not legally pledged to the payment of the bonds; however, management's current intention is to use this fund to provide additional cushion for funding program needs or to pay debt service. Beginning in fiscal 2010, the board's policy is to maintain the contingent liquidity account at a minimum level of $15 million, with annual contributions equal to 25% of the prior year's GGRT collections.

Outlook

The stable outlook reflects the sufficiency of current and projected program cash flows, coupled with maintenance of pledged and otherwise available revenues. The stable outlook also reflects Standard & Poor's expectation that management will continue to use leverage prudently to maintain adequate coverage and maintain similar quality of loans included within the loan programs. A significant change in the overcollateralization levels due to a reduction in revenues, such as the GGRT, or reserves levels could put downward pressure on the rating.

Related Criteria And Research

USPF Criteria: Long-Term Municipal Pools, Oct. 19, 2006

Ratings Detail (As Of October 26, 2011)		
New Mexico Fin Auth st revolv/fds pool		
Long Term Rating	AAA/Stable	Affirmed
New Mexico Fin Auth st revolv/fds pool		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth sub lien		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

STANDARD & POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
James Breeding, Dallas (1) 214-871-1407; james_breeding@standardandpoors.com

Secondary Contact:
Scott D Garrigan, Chicago (1) 312-233-7014; scott_garrigan@standardandpoors.com

Table Of Contents

Rationale

CreditWatch

Related Criteria And Research

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
New Mexico Fin Auth st revolv/fds pool		
Long Term Rating	AAA/Watch Neg	Affirmed
New Mexico Fin Auth st revolv/fds pool		
Unenhanced Rating	AAA(SPUR)/Watch Neg	Affirmed
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AAA(SPUR)/Watch Neg	Affirmed

Rationale

Standard & Poor's Ratings Services has placed its 'AAA' and 'AA' ratings on New Mexico Finance Authority's senior- and subordinate-lien bonds, respectively, on CreditWatch with negative implications.

The authority issued a press release July 13, 2012, indicating that the fiscal 2011 financial results were not completed properly. While the rating on the bonds reflects multiple credit factors primarily related to borrower credit quality, collateralization levels, loan performance, and management's financial policies and practices, the potential lack of oversight or fraud regarding the authority's financial position could result in a lower rating.

Our primary concerns are the oversight related to the authority's financial position, particularly as it relates to gross receipts tax revenues, borrower loan payments, the common reserve fund and the contingent liquidity account, though the common reserve fund is held by the trustee.

Currently, the 'AAA' rating on the senior lien bonds reflects our view of the combination of a very strong enterprise risk and an extremely strong financial risk profile scores, resulting from:

- A very strong market position;
- An extremely strong loss coverage score, partially offset by the high degree of concentration in the program as a whole;
- Very low levels of defaults or delinquencies; and
- Generally strong financial policies and practices.

The 'AAA' rating also reflects our view of available overrides, given exceptionally low default and delinquency history and the ability for the program to withstand a high level of defaults well above that needed to maintain the current loss coverage score.

The 'AA' rating on the subordinate-lien bonds reflects many of the same factors. In our opinion, the differentiating credit factors are the lack of a pledged reserve fund for the subordinate-lien bonds and the ability for the defaults, delinquencies, or changes in gross receipt taxes to impact available pass-through revenues.

Trust estate revenues (including the authority's 75% portion of statewide governmental gross receipt tax collections) and total payments under borrower loan agreements secure the bonds. These primarily include net system revenue pledges (32%), municipal, state, and governmental gross receipt taxes (27% of loan principal); general obligation ad valorem taxes (13%); and miscellaneous local special taxes (13%). The subordinate-lien bonds have a subordinate pledge of the trust estate revenues, plus specific borrower loan payments related to the subordinate-lien bonds.

CreditWatch

We expect to resolve the CreditWatch placement within 90 days. Should a restatement of the fiscal 2011 audit show a considerable change to loan payment receipts or reserve levels available to cure defaults or delinquencies, we will raise or lower the ratings accordingly.

Related Criteria And Research

USPF Criteria: U.S. Public Finance Long-Term Municipal Pools, March 19, 2012

Ratings Detail (As Of July 18, 2012)		
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AAA(SPUR)/Watch Neg	Affirmed
New Mexico Fin Auth sub lien		
Unenhanced Rating	AA(SPUR)/Watch Neg	Affirmed
New Mexico Fin Auth sr lien		
Unenhanced Rating	AAA(SPUR)/Watch Neg	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

McGRAW-HILL

STANDARD
&POOR'S

Global Credit Portal®
RatingsDirect®

March 16, 2012

Summary:
New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
James Breeding, Dallas (1) 214-871-1407; james_breeding@standardandpoors.com

Secondary Contact:
Scott D Garrigan, Chicago (1) 312-233-7014; scott_garrigan@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$24.555 mil sr ln pub proj revolving fd rev bnds ser 2012A due 06/01/2038		
Long Term Rating	AAA/Stable	New
New Mexico Fin Auth st revolv/fds pool		
Long Term Rating	AAA/Stable	Affirmed
New Mexico Fin Auth st revolv/fds pool		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' rating to New Mexico Finance Authority's (NMFA) series 2012A senior-lien public project revolving fund revenue bonds. At the same time, Standard & Poor's affirmed its 'AAA' rating on the authority's senior-lien bonds outstanding. The outlook is stable.

With the 2011A bonds, NMFA established a common debt service reserve fund that provides an additional layer of overcollateralization to complement the coverage levels built into the program's cash flows.

In our opinion, program strengths include:

- A large and diverse borrower pool of governmental entities;
- The program's good maximum annual debt service coverage (DSC) by cash flow streams that can withstand our default tolerance tests relative to the program's diversity at the 'AAA' category;
- The formalized policies that define the program's loan management and debt management practices,
- A history of no defaults among borrowers and the good overall annual growth trends in the authority's share of pledged governmental gross receipt tax (GGRT) revenues; and
- Adequate bond provisions, including an additional bonds test (ABT) that discounts governmental gross receipt tax revenues and loan repayments.

Trust estate revenues (including the authority's 75% portion of statewide governmental gross receipt tax collections) and aggregate payments under borrower loan agreements secure the bonds. These primarily include municipal, state, and governmental gross receipt taxes (31% of loan principal); net system revenue pledges (28%); general obligation ad valorem taxes (14%); and local special taxes (13%). The subordinate-lien bonds have a subordinate pledge of the trust estate revenues, plus specific borrower loan payments related to the subordinate-lien bonds.

Pledged loan repayments and NMFA's portion of estimated GGRT revenues for fiscal 2012 cover annual DSC on parity debt and the 2012A bonds 1.31x. Cash flow forecasts the authority has provided show coverage of falling below this through the amortization schedule. The GGRT primarily provides excess coverage for pool debt service. Also, a direct or contingent intercept mechanism is in place for more than half of the loan payments due in any given year.

NMFA officials will use the 2012A bonds primarily to fund loans to the city of Farmington ($12.2 million) and Western New Mexico University ($10.9 million). It will lend an additional $1.5 million to seven other entities.

These bonds are the fifth series issued under a new indenture which also created a common debt service reserve fund. The fund was established with $23.2 million of cash transferred from NMFA's contingent liquidity account (CLA). The indenture requires the common debt service reserve to be funded at a level directly tied to the risk groups of the loans outstanding. The balance in the common reserve fund, following this issuance, will total $27.7 million. The additional bonds test allows for further debt issuances if annual governmental gross receipt taxes, divided by 1.35, plus assumed revenues from the repayment of loans and additional pledged loans, exceed 1x total annual DSC on all bonds outstanding. Management estimates that if it were to issue down to its ABT, actual coverage would be about 1.1x. In addition, although the ABT allows for bonding against a portion of pledged GGRT revenues, management does not expect to leverage these revenues, which should continue to provide additional DSC. Given that GGRTs primarily provide excess coverage for pool debt service, slower GGRT growth rates relative to additional lending or a decline in GGRT revenues could cause the coverage levels to decline.

Including loans not funded with previous bond proceeds but which NMFA pledges to provide DSC, there will be 534 individual loans in the senior-lien pool following this issuance, with a loan balance of about $1 billion. These loans secure senior-lien bond principal outstanding of $912.0 million (including the 2012A bonds). There are also about $338.2 million of subordinate-lien bonds outstanding. The 10 leading obligors account for about 49% of the total senior-lien loan balance payable, which is slightly higher than a year ago. The top three obligors include the Albuquerque-Bernalillo County Water Utility Authority, the City of Albuquerque, and the State of New Mexico General Services Department.

Governmental agencies are treated as taxpayers under the state's tax administration act; since 1991, New Mexico has imposed a 5% governmental gross receipt tax on every state agency, institution, or political subdivision (excluding school districts and licensed health care service providers) for the sale of personal property, events admissions, refuse services, sewage services, water sales, and parking services. The entities pay the tax in the month following that in which the taxable event occurs. The authority's share of GGRT has increased since 1996 for all but one year (2002). Growth has varied, with rates of 0%-1% in 2008 and 2009, but 7.3% in 2010 and 6.4% in 2011.

In addition to the indenture-established common debt service reserve fund, NMFA also maintains a CLA that it funds with excess revenues that flow through the program. This account has a balance of about $22.9 million, or about 23% of senior maximum annual debt service, which is to occur in fiscal 2013. This fund is not legally pledged to the bonds' payment; however, management intends to use this fund to provide additional cushion for funding program needs or to pay debt service. Beginning in fiscal 2010, the board's policy has been to maintain the CLA at a minimum of $15 million, with annual contributions equal to 25% of the previous year's governmental gross receipts tax collections.

Outlook

The stable outlook reflects our view of the sufficiency of current and projected program cash flows, coupled with maintenance of pledged and otherwise available revenues. The outlook also reflects our expectation that management will continue to use leverage prudently to maintain adequate coverage and maintain similar quality of loans included within the loan programs. A significant change in the overcollateralization levels due to a reduction in revenues, such as the GGRT, or reserves levels could put downward pressure on the rating during our two-year outlook horizon.

Related Criteria And Research

USPF Criteria: Long-Term Municipal Pools, Oct. 19, 2006

Ratings Detail (As Of March 16, 2012)		
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth sub lien		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
James M Breeding, Dallas (1) 214-871-1407; james_breeding@standardandpoors.com

Secondary Contact:
Theodore A Chapman, Dallas (1) 214-871-1401; theodore_chapman@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AAA(SPUR)/Watch Neg	Affirmed, Removed from CreditWatch

Rationale

Standard & Poor's Ratings Services has affirmed its respective 'AAA' and 'AA' ratings on New Mexico Finance Authority's senior- and subordinate-lien bonds. At the same time, Standard & Poor's removed the ratings from CreditWatch with negative implications, where they had been placed July 17, 2012. The outlook is negative, reflecting the timeline for resolution and expected receipt of additional information, which could extend beyond the typical 90-day CreditWatch timeframe. However, we will continue to monitor this situation and take any rating action as the circumstances warrant.

Although the ratings on the bonds reflect multiple credit factors primarily related to borrower credit quality, collateralization levels, loan performance, and management's financial policies and practices, the potential lack of oversight and/or fraud regarding the authority's financial position raises credit concerns. Our primary concerns continue to be the oversight related to the authority's financial position, particularly as it relates to gross receipts tax revenues, borrower loan payments, the common reserve fund, and the contingent liquidity account, though the common reserve fund is held by the trustee.

Over the past two months, the authority has taken several actions, including changes at the management level, a special forensic audit, reconfiguration of the audit and executive committees, and retention of an external auditor.

Outlook

The negative outlook reflects Standard & Poor's concern that the authority's potential lack of oversight and internal controls could result in a deterioration of credit quality. While it does not appear that funds related to the public project revenue fund bonds are affected, should a restatement of the fiscal 2011 audit show a considerable change to loan payment receipts or reserve levels available to cure defaults or delinquencies, we could lower the ratings accordingly. Also, should these management and oversight issues result in a significant reduction in the allocated government gross receipt tax revenues, we would likely lower the ratings.

Related Criteria And Research

USPF Criteria: U.S. Public Finance Long-Term Municipal Pools, March 19, 2012

Ratings Detail (As Of October 15, 2012)		
New Mexico Fin Auth st revolv/fds pool		
Long Term Rating	AAA/Negative	Affirmed, Removed from CreditWatch
New Mexico Fin Auth st revolv/fds pool		
Unenhanced Rating	AAA(SPUR)/Negative	Affirmed, Removed from CreditWatch
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AAA(SPUR)/Negative	Affirmed, Removed from CreditWatch
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AAA(SPUR)/Negative	Affirmed, Removed from CreditWatch
New Mexico Fin Auth sub lien		
Unenhanced Rating	AA(SPUR)/Negative	Affirmed, Removed from CreditWatch
New Mexico Fin Auth sr lien		
Unenhanced Rating	AAA(SPUR)/Negative	Affirmed, Removed from CreditWatch

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

STANDARD & POOR'S
RATINGS SERVICES

RatingsDirect®

New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
James M Breeding, Dallas 214-871-1407; james.breeding@standardandpoors.com

Secondary Contact:
Scott D Garrigan, Chicago 312-233-7014; scott.garrigan@standardandpoors.com

Table Of Contents

Rationale

Outlook

Enterprise Risk Profile

Financial Risk Profile

Related Criteria And Research

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$43.25 mil sr lien pub proj revolv fd rev bnds ser 2013A due 06/01/2039		
Long Term Rating	AAA/Stable	New

Rationale

Standard & Poor's Ratings Services has revised its outlook to stable from negative and affirmed its 'AAA' and 'AA' ratings on New Mexico Finance Authority's senior- and subordinate-lien public project revolving fund (PPRF) bonds outstanding. At the same time, Standard & Poor's has assigned its 'AAA' rating, with a stable outlook, to the authority's series 2013A senior-lien PPRF bonds. The outlook revision reflects the amelioration of previous credit concerns, specifically those related to financial oversight.

Standard & Poor's had placed the ratings on the authority's senior- and subordinate-lien bonds on CreditWatch with negative implications on July 17, 2012. On Oct. 15, 2012, Standard & Poor's affirmed the ratings with a negative outlook and removed them from CreditWatch. Although the ratings on the bonds reflect multiple credit factors primarily related to borrower credit quality, collateralization levels, loan performance, and management's financial policies and practices, the potential lack of oversight and/or fraud regarding the authority's financial position raised credit concerns. Primarily, these stemmed from the oversight of to the authority's financial position, particularly as it related to gross receipts tax revenues, borrower loan payments, the common reserve fund, and the contingent liquidity account.

Over the past several months, the authority has taken several actions, including changes at the management level, the completion of a special forensic audit, reconfiguration of the authority's audit committee and executive committee, and the re-release of the fiscal 2011 audit followed by the release of the fiscal 2012 audit. There is no indication that any funds related to the PPRF bond program were ever misappropriated.

The 'AAA' rating on the senior-lien bonds reflects our view of the combination of a very strong enterprise risk score and an extremely strong financial risk profile score, resulting from:

- A very strong market position,
- An extremely strong loss coverage score, partially offset by the high degree of concentration in the program as a whole, but bolstered by a history of positive growth in government gross receipt taxes (GGRTs),
- A history or very low delinquency rates and no defaults, and
- Generally strong financial policies and practices.

The 'AAA' rating assignment also reflects the application of available overrides given exceptionally low default and delinquency history and the program's ability to withstand a level of defaults well above that needed to maintain the current loss coverage score.

The 'AA' rating on the subordinate-lien bonds reflects many of the same credit strengths associated with the senior-lien bonds. However, differentiating credit factors include the lack of a pledged reserve fund for the subordinate-lien bonds and the ability for the defaults, delinquencies, or changes in gross receipt taxes to affect available pass-through revenues.

Authority officials will use the series 2013A bonds to fund four new loans and to reimburse the contingent liquidity account (CLA) for loans made in 2012. Trust estate revenues (including the authority's 75% portion of statewide GGRT collections) and aggregate payments under borrower loan agreements secure the bonds. These primarily include net system revenue pledges (32% of loan principal), municipal, state, and GGRTs at 27%; general obligation ad valorem taxes (13%); and miscellaneous local special taxes (13%). The subordinate-lien bonds have a subordinate pledge of the trust estate revenues, plus specific borrower loan payments related to the subordinate-lien bonds. The subordinate bond program is much smaller and is the authority does not expect to use it in the near term.

Outlook

The stable outlook reflects our expectation for continued stable borrower credit quality and strong borrower repayment, coupled with steady GGRT revenues. Neither the enterprise risk nor the financial risk profiles scores are likely to change given the stability of revenues; therefore, we do not anticipate any negative rating action within the two years.

Enterprise Risk Profile

The authority's 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, reflective of the authority's status and management and the ongoing support provided by the state in terms of continuous disbursements of state gross receipts taxes. The authority was established by the legislature of the State of New Mexico in 1992 and is a governmental instrumentality separate and apart from the state created to coordinate the planning and financing of state and local public projects. The authority is composed of 11 members who serve as its governing body. An executive committee provides oversight and direction relating to the authority's operations.

Financial Risk Profile

The authority's extremely strong financial risk profile results from the program's ability to absorb a very high level of defaults. This is due to a combination of ongoing GGRT revenue and the availability of funds in the common reserve fund. Additionally, following the issuance of these bonds and reimbursement to the CLA, the balance in that account will total approximately $25 million. While these funds are not technically pledged to support the bonds, they are restricted in use, available only for execution of new loans or to address delinquencies.

Following this issuance, there will be about $890 million of senior-lien bonds outstanding, supported by $970 million of loan principal. There are more than 500 loans to nearly 200 borrowers supporting the senior-lien bonds. The leading borrowers, in terms of loan amount outstanding, include Albuquerque-Bernalillo County Water Authority and certain state departments. There have been no defaults in the program's history. In addition to loan repayments, there is also a steady stream of GGRT revenues supporting the bonds. The authority is projecting annual receipts of at least $27.1 million. This represents a slight increase from fiscal 2012 totals, but equals the calendar 2012 total. GGRT receipts have only experienced one decline in the past 15 years. Under a no-default scenario and following a specified deposit to the CLA, these revenues are passed through the PPRF program for other authority programs. As a further enhancement, about 60% of the loan payments are subject to an intercept of state funds.

Regarding program management, the policies in place are generally considered adequate to strong. There are formal loan application guidelines, with an evaluation of credit risks undertaken. Borrowers are required to submit annual financial statements, though not every financial report is reviewed on annually. To guard against any timing concerns, loan payments are received monthly. Additionally, there are approved investment guidelines that match the state's investment policies.

Related Criteria And Research

USPF Criteria: U.S. Public Finance Long-Term Municipal Pools, March 19, 2012

Ratings Detail (As Of May 8, 2013)		
New Mexico Fin Auth st revolv/fds pool		
Long Term Rating	AAA/Stable	Outlook Revised
New Mexico Fin Auth st revolv/fds pool		
Unenhanced Rating	AAA(SPUR)/Stable	Outlook Revised
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AAA(SPUR)/Stable	Outlook Revised
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AAA(SPUR)/Stable	Outlook Revised
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AAA(SPUR)/Stable	Outlook Revised
New Mexico Fin Auth sub lien		
Unenhanced Rating	AA(SPUR)/Stable	Outlook Revised
New Mexico Fin Auth sr lien		
Unenhanced Rating	AAA(SPUR)/Stable	Outlook Revised

Many issues are enhanced by bond insurance.

STANDARD & POOR'S RATINGS SERVICES

RatingsDirect®

New Mexico Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
James M Breeding, Dallas (1) 214-871-1407; james.breeding@standardandpoors.com

Secondary Contact:
Scott D Garrigan, Chicago (1) 312-233-7014; scott.garrigan@standardandpoors.com

Table Of Contents

Rationale

Outlook

NMFA's Enterprise Risk Profile

NMFA's Financial Risk Profile

Related Criteria And Research

New Mexico Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$17.205 mil sr lien pub proj revolv fd rev bnds ser 2013B due 06/01/2036		
Long Term Rating	AAA/Stable	New
US$10.66 mil subord lien pub proj revolv fd rev bnds ser 2013C-2 due 06/15/2029		
Long Term Rating	AA+/Stable	New
US$3.52 mil subord lien pub proj revolv fd rev bnds ser 2013C-1 due 06/15/2028		
Long Term Rating	AA+/Stable	New
New Mexico Fin Auth sub lien		
Unenhanced Rating	AA+(SPUR)/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' rating to New Mexico Finance Authority's (NMFA) series 2013B senior-lien public project revolving fund revenue bonds. In addition, Standard & Poor's has raised its rating on the subordinate-lien bonds outstanding to 'AA+' from 'AA', reflecting the availability of a higher projected level of pass-through revenues that can provide protection against a high level of loan defaults or delinquencies, resulting from growing government gross receipt taxes (GGRT) revenues and declining debt service. At the same time, Standard & Poor's has affirmed its 'AAA' rating on the authority's senior-lien bonds outstanding.

The 'AAA' rating on the senior-lien bonds reflects our view of the combination of a very strong enterprise risk and an extremely strong financial risk profile score, resulting from:

- A very strong market position;
- An extremely strong loss coverage score, partially offset by the high degree of concentration in the program as a whole, but bolstered by a history of positive growth in GGRTs;
- A history of very low delinquency rates and no defaults; and
- Generally strong financial policies and practices.

The 'AAA' rating assignment also reflects the application of available overrides given NMFA's exceptionally low default and delinquency history and the ability for the program to withstand a level of defaults well above that needed to maintain the current loss coverage score.

Additionally, we have also assigned our 'AA+' rating to the authority's series 2013C-1 and 2012C-2 subordinate-lien public project revolving fund revenue bonds.

The 'AA+' rating on the subordinate-lien bonds reflects many of the same credit strengths associated with the senior-lien bonds. However, differentiating credit factors include the lack of a pledged reserve fund for the subordinate-lien bonds and the ability for the defaults, delinquencies, or changes in gross receipt taxes to affect available pass-through revenues.

Authority officials will use the senior- and subordinate-lien bonds to reimburse the authority for direct loans made in 2012 and 2013. Securing the senior-lien bonds are trust estate revenues (including the authority's 75% portion of statewide GGRT collections) and aggregate payments under borrower loan agreements. These primarily include net system revenue pledges (33% of loan principal); municipal, state, and GGRTs at 27%; general obligation ad valorem taxes (13%); and miscellaneous local special taxes (12%).

The subordinate-lien bonds have a subordinate pledge of the trust estate revenues, plus specific borrower loan payments related to the subordinate-lien bonds. The subordinate-lien bonds do not have access to the common debt service reserve fund.

Outlook

The stable outlook reflects Standard & Poor's expectation for continued stable borrower credit quality and timely borrower repayment, coupled with steady GGRT revenues. Neither the enterprise risk nor the financial risk profiles scores are likely to change given the stability of revenues; therefore, we do not anticipate any negative rating action in the short or medium term.

NMFA's Enterprise Risk Profile

The very strong enterprise risk score is the result of a low industry risk score, which is the characteristic of all public finance long-term municipal pool programs, and a very strong market position, reflective of the authority's status and management and the ongoing support provided by the state in terms of continuous disbursements of GGRTs. The New Mexico Legislature established NMFA in 1992 and the authority is a governmental instrumentality separate and apart from the state created to coordinate 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 NMFA'S operations.

NMFA's Financial Risk Profile

The extremely strong financial risk profile results from the program's ability to absorb a very high level of defaults. This is due to a combination of ongoing GGRT revenue and the availability of funds in the common reserve fund. Additionally, following the issuance of these bonds and reimbursement to the contingent liquidity account, the balance in that account will total about $26.4 million. Although these funds are not technically pledged to support the bonds, they are restricted in use, available only for execution of new loans or to address delinquencies.

Following this issuance, there will be about $830 million of senior-lien bonds outstanding, supported by $888 million of loan principal. There are more than 500 loans to about different 200 borrowers supporting the senior-lien bonds. The leading borrowers, in terms of loan amount outstanding, include Albuquerque-Bernalillo County Water Authority and certain departments of the state. There have been no defaults in the history of the program. In addition to loan repayments, there is also a steady stream of GGRT revenues supporting the bonds. The authority is projecting annual receipts of at least $27.4 million. GGRT receipts have only experienced one decline in the past 15 years. Under a no-default scenario, these revenues are passed through the public property revolving funds program for other NMFA programs. As a further enhancement, about 60% of the loan payments are subject to an intercept of state funds.

Additionally, following anticipated redemptions of the series 2004 bonds, maximum annual debt service will decline from nearly $98 million to slightly less than $70 million, while the amount in the common debt service reserve fund will remain more than $30 million. Management projects loan revenues plus GGRT revenues will provide annual senior-lien debt service coverage of at least 1.5x. The excess coverage is then available to cover subordinate-lien debt service, though management projects annual subordinate-lien loan revenue will provide 1.0x coverage of subordinate-lien debt service.

There is about $356 million of subordinate loan principal outstanding available to cover about $320 million of subordinate bond principal.

Regarding program management, the policies in place are generally considered adequate to strong. There are formal loan application guidelines, with an evaluation of credit risks undertaken. Borrowers are required to submit annual financial statements, though not every financial report is reviewed on an annual basis. To guard against any timing concerns, loan payments are received monthly. Additionally, there are approved investment guidelines that match the state's investment policies.

Related Criteria And Research

USPF Criteria: U.S. Public Finance Long-Term Municipal Pools, March 19, 2012

Ratings Detail (As Of October 11, 2013)		
New Mexico Fin Auth state revolv/fds pool		
Long Term Rating	AAA/Stable	Affirmed
New Mexico Fin Auth st revolv/fds pool		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth state revolving fd		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New Mexico Fin Auth sr lien		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.