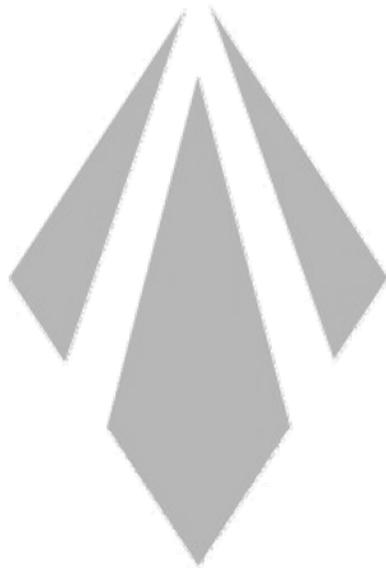


Financing Programs of the New Mexico Finance Authority



October 28, 2009

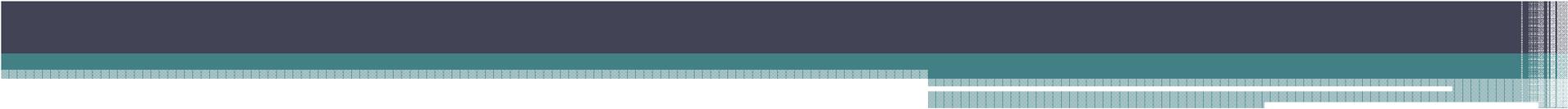
NMFA Solution Driven Approach

NMFA Financing Tools

- **General Financing Tools**
 - Public Project Revolving Fund
 - Primary Care/Behavioral Health
 - Childcare Revolving
 - Energy Efficiency (schools)
 - Planning Grants
- **Water Financing**
 - Drinking Water Revolving
 - Water Trust Board
- **Transportation Financing**
 - Local Transportation Infrastructure Fund
- **Economic Development**
 - SMART Money Initiative
 - New Markets Tax Credits
 - Planning Grants

Community Development Tools

- Special Assessment District
- Public Improvement District
- Business Improvement District
- Tax Increment District (Financing)



Outlook for Municipal Markets

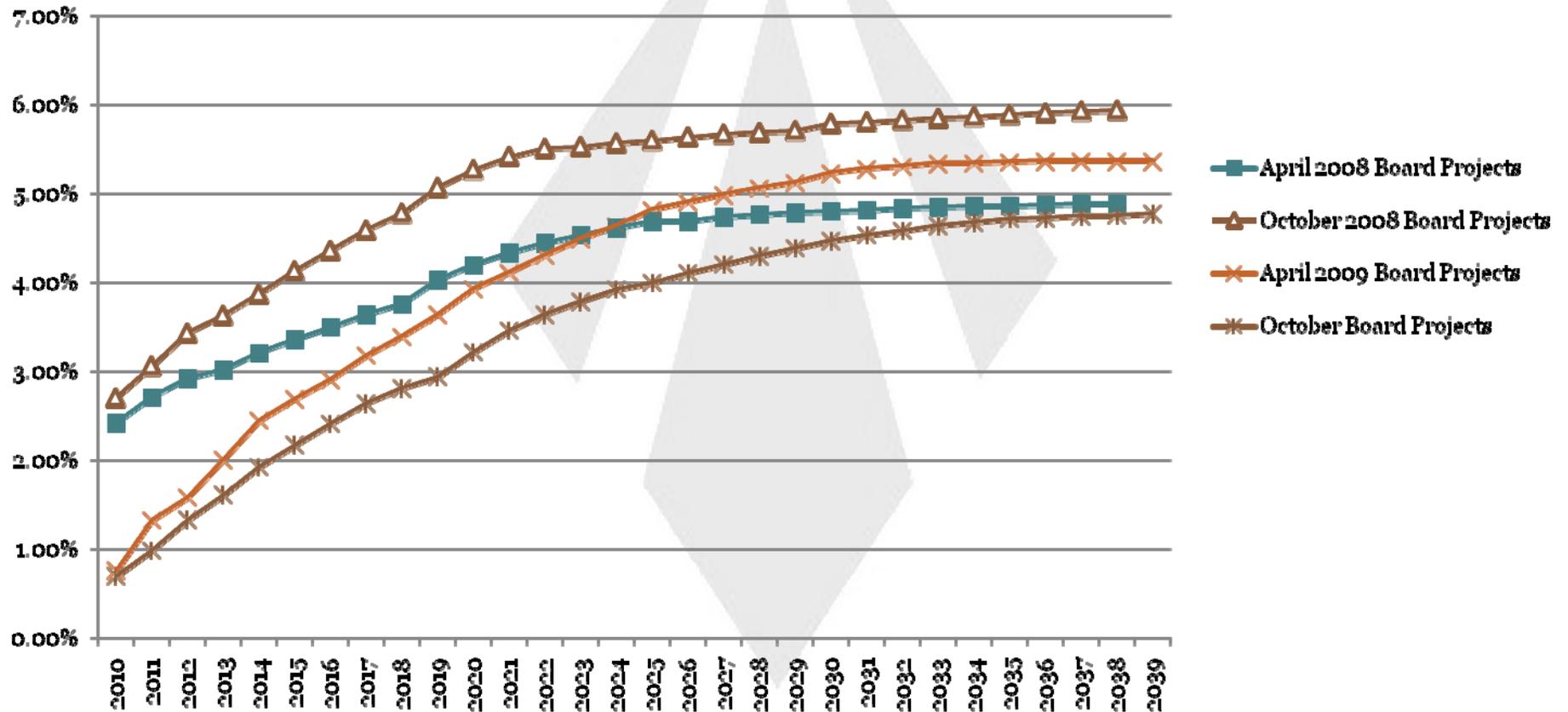
Historical Tax Exempt and Taxable Rates

Increased Importance of Credit Profile

Issuers Planning to Borrow in the Next 6 Months

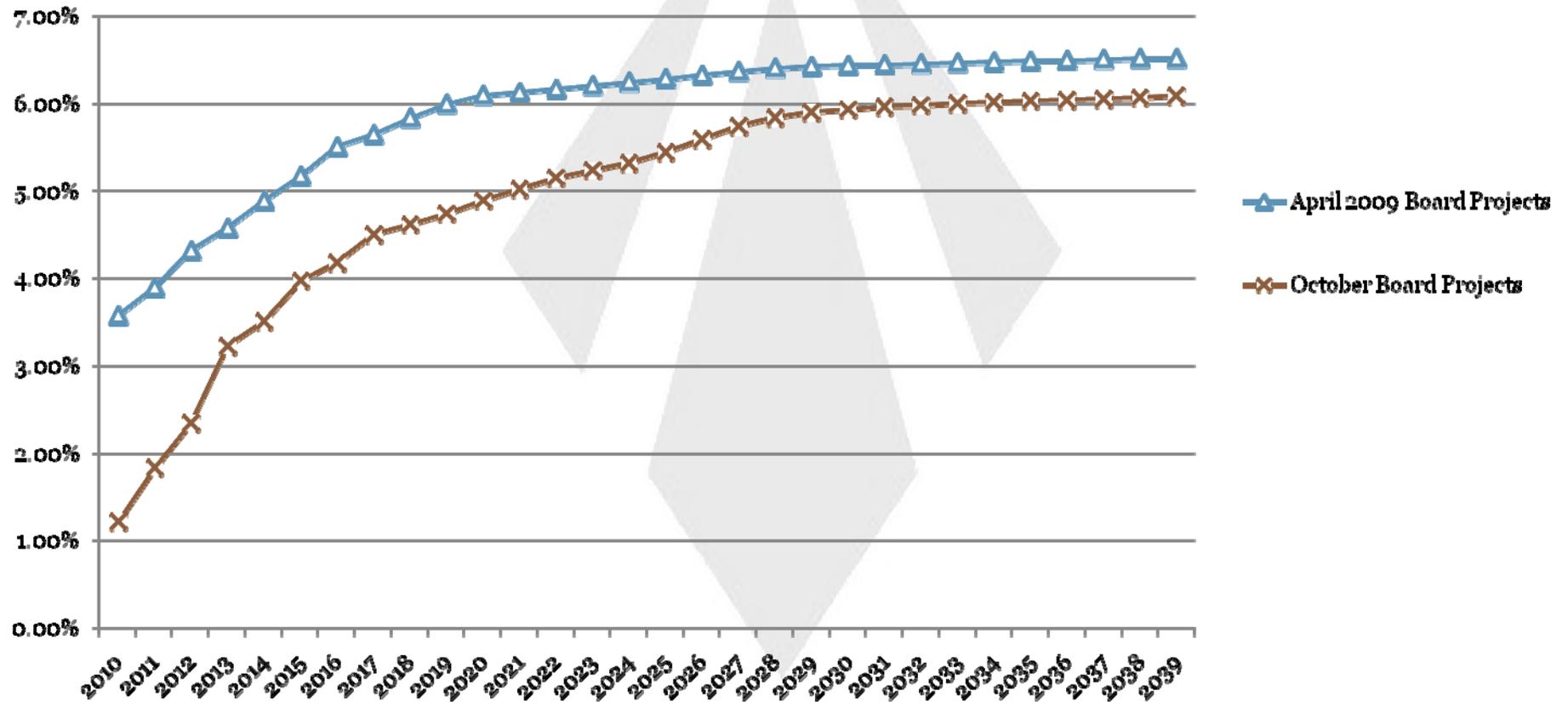
Historical Tax Exempt Rates

**Graph A: Historical Tax-Exempt AA
MMD Interest Rates**



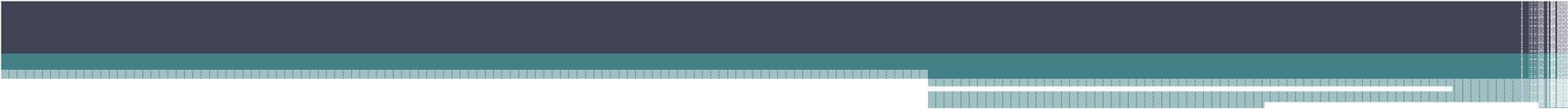
Historical Taxable Rates

Graph B: Historical Taxable AA MMD Interest Rates



Increased Importance of Credit Profile

- Rating agencies, banks, underwriting firms, and institutional investors consider a variety of factors when evaluating the credit worthiness of issuers
 - The most important factor will continue to be the strength of the revenues available to repay debt service
 - Underlying factors also remain important (reserve position, strength of the local economy, diversity of revenue base, diversity of employment base, etc)
 - Management – stability, experience, predictable decision making process
 - Importance of projects being financed (jails and schools are far more essential than sports facilities)
 - Timely financial disclosure – investors rely on issuers to provide prompt financial disclosure



NMFA Financing Tools

Debt Financing through PPRF

Community Development Tools

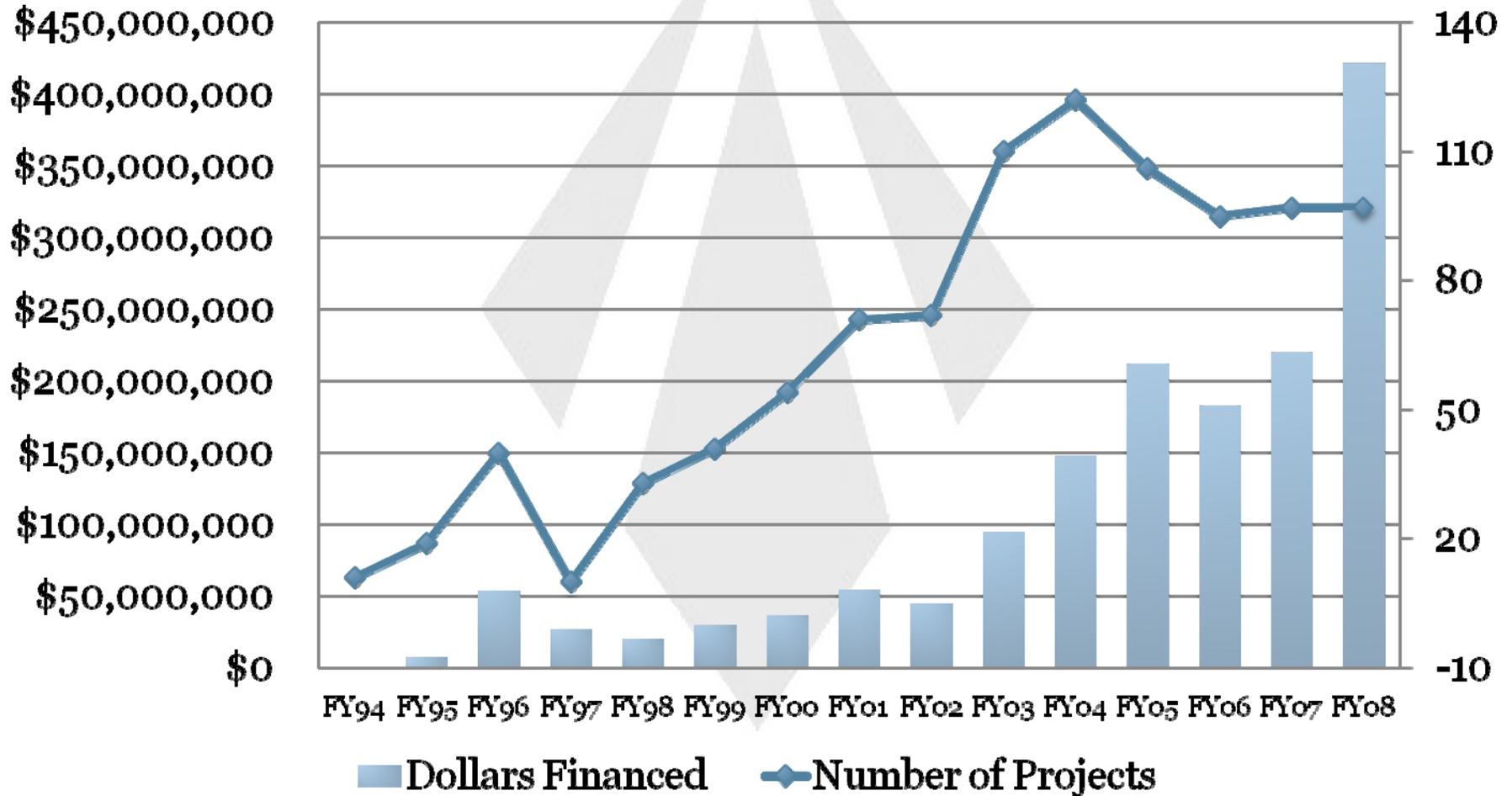
Special assessment districts

Public improvement districts

Business improvement districts

Tax increment districts

NMFA Financing History



Public Project Revolving Fund

- Lowering Cost of Capital
 - NMFA will cover costs to issue bonds, and provide other incentives for low-income community
 - Provide clients a very high rate in the market (AA+), despite underlying credit
 - Not only benefit to communities without a bond rating, but also those who frequently issue bonds
 - Many times, NMFA will combine the incentive of several programs to bring down overall cost of borrowing
 - Tax-exempt interest rates: investors do not have to pay tax on earning, i.e., willing to accept lower yield

Public Project Revolving Fund

- **Accessing Capital Markets**
 - NMFA offers several financing programs to provide communities lowest cost financing
 - Primary mechanism PPRF
 - Can issue bond/loan for city to pay for capital infrastructure, based on city GRT or other revenues
 - Typical projects:
 - Water/wastewater improvements
 - Highways/road improvements
 - Public buildings
 - Fire protection/law enforcement
 - Economic development, i.e., LEDA financing for public infrastructure component of larger deal

PPRF Project Examples



New Mexico Junior College, Hobbs

Fire Truck



PPRF Project Examples

New Mexico Rail Runner



Road Infrastructure



Spaceport America



Subsidies

- **Cost of Issuance**
 - NMFA covers the cost of issuance
 - Up to \$200k per year
- **Legal Fees**
 - NMFA Counsel drafts all legal documents
 - NMFA will cover all legal cost born by the agency
- **Savings on Ratings Presentations**
 - Entity will not have to make rating trips
- **Underwriter Fee and Accessing Market Costs**
- **Processing Fee**
 - Projects over \$5,000,000 are capped at \$75,000.

Debt Structuring Options

- **Sophisticated Loan Structuring**
 - Flexible payment options
 - Suspended interest
 - Transfer all money at time of closing
 - Wrap around existing debt structure
 - Match existing debt payment structure
 - Capitalized interest
 - Deferred principal payments
 - Combined pledges/programs
 - Forward funded debt service reserve
 - Surety policy in-lieu-of debt service reserve
 - Super-sinker
 - Optional prepayments after one year

Community Development Tools

- **Special Assessment District**
 - Allow property owners within specific boundary to finance infrastructure improvements
 - City defines boundary, engineer designs and cost out improvement
 - Property owners assessed proportionate share
 - City issues bond for improvements
- **Public Improvement District**
 - Streamlined version of SAD
 - Bond issued from revenues from assessments specific to new infrastructure improvements within district
 - State/city not responsible for debt, responsibility of PID
- **Business Improvement District**
 - Similarly formed like PID
 - Created to provide for restoration of economic vitality of district
 - Certain allowances for bond issuance for construction

Tax Increment Districts (Financing)

- Tax Increment Districts
 - Majority of property owners can form tax increment district by petition and TID plan to governing body
 - Governing body passes resolution and creates 5-member TID Board
 - Resolution allows ability to bond against projected incremental tax revenues
 - Property owners (or developer) must fund 20 percent of public infrastructure upfront
- Tax Increment Financing
 - Base year established for tax purposes, baseline.
 - TIF allows for incremental tax over baseline to be used for public infrastructure pay-as-you-go or bonds
 - Incremental revenues: certain municipal, county and state gross receipts/property taxes. Must receive approval of respective governing body



Water Project Financing
Drinking Water Revolving Loan Fund
Water Trust Board

Drinking Water Revolving Loan Fund

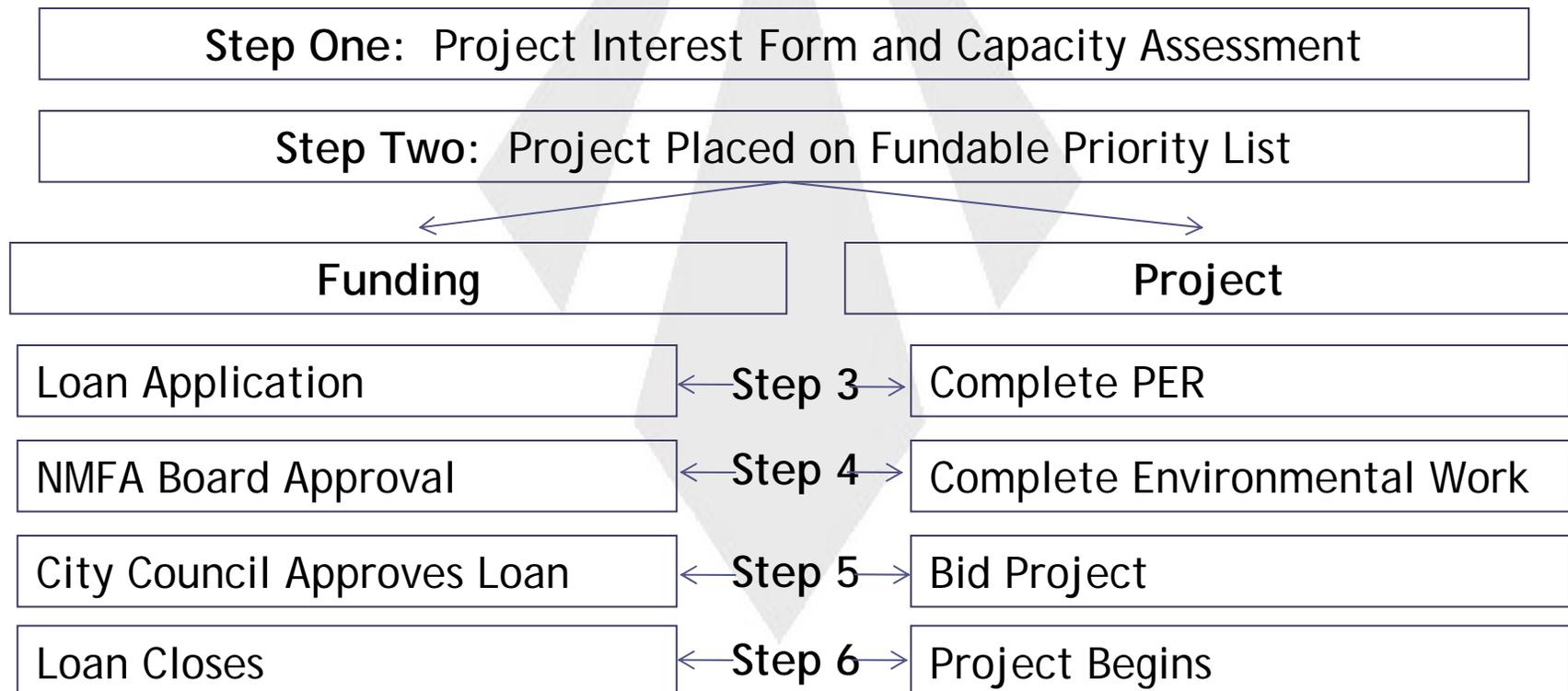
- Created in 1996 by the Safe Water Drinking Water Act to fund projects that:
 - Provide low cost financial assistance to fund water construction and rehabilitation projects
 - Address present or prevent future violations of health-based drinking water standards
 - Are necessary to maintain compliance with existing national primary drinking water regulations for contaminants with acute and chronic health effects
 - Focus on the needs of small and disadvantaged water systems
- Federally capitalized revolving loan fund that offers subsidized interest rates for water quality projects
 - Standard Rate – 2%
 - Disadvantaged Rate – 0% (up to the \$600k)
 - Private: Non-For-Profit – 3%
 - Private: For-Profit – 4%

Two categories of disadvantaged communities: (1) Median household income (MHI) is less than 90% of the State's MHI and whose affordability ratio falls between .01 and .015 and (2) MHI less than 90% of the State's MHI, and whose affordability ratio is greater than .015.

Eligible DWRLF Projects

- Low Cost DWRLF loans can be used for the following projects:
 - Treatment
 - Transmission/Distribution
 - Source
 - Storage
 - Regionalization
 - Refinancing if certain requirements are met
 - Planning and Design
- However, DWRLF loans cannot be used for the following projects:
 - Dams
 - Acquisition of water rights, except as part of a system purchase for regionalization
 - Reservoirs, except for finished reservoirs that is part of the treatment process
 - Projects primarily for fire protection
 - Projects that primarily address growth
 - Projects that have received assistance from the national set-aside for Indian Tribes and Alaska Native Villages

DWRLF utilizes a federally mandated State Priority List to determine funding order



Water Trust Board

- **Water Trust Board (16 Members)**
 - The Water Trust Board is charged with prioritizing projects for recommendation to the Legislature
 - Year long application process
- **Types of Qualifying Projects:**
 - Storage, conveyance or delivery of water
 - Implementation of Endangered Species Act collaborative programs
 - Restoration and management of watersheds
 - Flood prevention
 - Reuse, Recycle or Treatment of Water and Wastewater

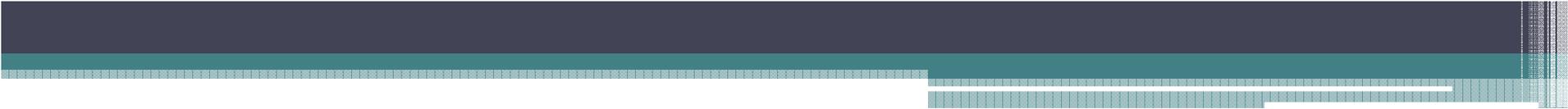
Water Trust Board

Water Trust Board is now soliciting applications for financial assistance for water projects seeking funding from the 2010 Water Project Fund funding cycle.

- WTB categories are as follows:
 1. Storage, Conveyance and Delivery of Water;
 2. Implementation of the Endangered Species Act;
 3. Restoration and Management of Watersheds;
 4. Flood Prevention Projects; and
 5. Conservation, Recycling, Treatment or Reuse of water.

- The 2010 funding cycle will utilize an electronic application and the process for applying follows:
 - 1. Go to the UFA Website <https://eidea.nmenv.state.nm.us/sep/login-form> to complete the UFA Application; and
 - 2. Go to the Water Trust Board link <https://my.nmfa.net/wtb> and complete the WTB application.

- **Applications must be submitted by 5 pm Mountain Standard Time on Monday November 2, 2009.**



Thank You! Questions?



Believing in New Mexico!

New Mexico Finance Authority

207 Shelby Street

Santa Fe, NM 87501

(505) 984-1454

Toll Free 1-877 ASK NMFA

Facsimile (505) 992-9644

www.nmfa.net