

NEW MEXICO  
**FINANCE AUTHORITY**

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# **Update to NMML Small Business CARES Relief Grant and Public Project Revolving Fund**

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- ◆ The New Mexico Finance Authority was created in 1992 to provide low-cost financing for cities, counties and businesses throughout New Mexico.
- ◆ NMFA's mission is to advance New Mexico by financing impactful, well-planned projects.
- ◆ As part of the First Special Session in June, NMFA was named as the administrator of the \$400 million **Small Business Recovery Loan Fund** which provides loans of up to \$75,000 to small businesses that experienced significant revenue declines in April and May. The application for that program closes on December 31<sup>st</sup>. Information on this program can be found at <https://www.nmfinance.com/programs/small-business-recovery-loan-fund/>

- ◆ Governor Michelle Lujan Grisham and the Legislature directed **\$100 million** of Federal stimulus funds to the NMFA to operate a grant program for small businesses hard hit by the pandemic. Funds must be distributed by December 28<sup>th</sup>.
- ◆ The \$100 million **Small Business CARES Relief Grant program provides grants of up to \$50,000 to businesses with 100 or fewer employees** and that are experiencing financial hardship resulting from the COVID-19 pandemic.
- ◆ Applications for the grants will be accepted from **Noon on Monday, December 7 through Noon on Friday, December 18<sup>th</sup>**.

## Funding Guidelines

- ◆ The legislation requires that NMFA ensure geographic dispersion
  - ❑ 40% of the funds are set aside for businesses in rural areas
  - ❑ 60% of the funds are available to all businesses that are in or located within 10 miles of a city with a population of 50,000+
- ◆ The legislation also requires that NMFA give priority to businesses in the hospitality and leisure industries. To achieve this, funds have been set aside for certain businesses:
  - ❑ 20% to accommodation businesses (NAICS code 721)
  - ❑ 20% to food services and drinking businesses (NAICS code 722)
  - ❑ 15% to all other leisure businesses (NAICS code 71 --Arts, Entertainment and Recreation)
  - ❑ 3% for Destination Marketing Organizations
  - ❑ 2% for non-employer businesses

# Funding Guidelines

- ◆ The legislation requires that NMFA give priority to businesses that are experiencing severe economic impact. To determine this:
  - NMFA will calculate each applicant's profit & loss divided by the number of employees. This calculation will be used to prioritize applications should applications exceed the amount of funding available.

		<i>Urban</i>	<i>Rural</i>	
		<b>TOTAL</b>	<b>TOTAL</b>	<b>TOTAL</b>
Geographic Dispersion		\$ 60,000,000	\$ 40,000,000	\$ 100,000,000
Hospitality	20%	\$ 12,000,000	\$ 8,000,000	\$ 20,000,000
Restaurants	20%	\$ 12,000,000	\$ 8,000,000	\$ 20,000,000
Destination Marketing Organizations	3%	\$ 1,800,000	\$ 1,200,000	\$ 3,000,000
Other Leisure & Hospitality	15%	\$ 9,000,000	\$ 6,000,000	\$ 15,000,000
All other Employer based businesses	40%	\$ 24,000,000	\$ 16,000,000	\$ 40,000,000
<u>Non-employer businesses</u>	<u>2%</u>	<u>\$ 1,200,000</u>	<u>\$ 800,000</u>	<u>\$ 2,000,000</u>
	100%	\$ 60,000,000	\$ 40,000,000	\$ 100,000,000

- ◆ Grants will be awarded based upon a business's employees.

- Employees Grant Amount

■ 0	\$ 2,000
■ 1-5	\$ 10,000
■ 6-15	\$ 15,000
■ 16-25	\$ 25,000
■ 26-40	\$ 30,000
■ 41-60	\$ 40,000
■ 61-75	\$ 45,000
■ 76-100	\$ 50,000

- Contract employees do not count in this calculation
- Businesses that do not report wages to the Department of Workforce Solutions (non-employer businesses) will be eligible for a grant of \$2,000

- Applicants are able to use pre-COVID employment levels for purposes of determining the grant amount. Applicants are required to submit a copy of the quarterly wage report to support the information.
  - Quarterly report from 3/31/2019 through 9/30/2020 will be accepted.

## Funding Guidelines

- ◆ Applications will be processed in three rounds so that businesses that apply later in the application period still have a chance to obtain funding.
- ❑ Round 1: \$40 million will be made available to all complete applications submitted by Noon on December 10th
- ❑ Round 2: \$35 million will be made available to all complete and unawarded applications submitted by Noon on December 15<sup>th</sup>
- ❑ Round 3: \$25 million (plus any unawarded funds) will be available for all complete and unawarded applications by Noon on December 18<sup>th</sup>
- ❑ Businesses should only apply once. Given the scarcity of available funds, businesses are encouraged to apply as early as possible.
- ❑ Incomplete applications will not be processed.

- ◆ The grant may be used for:
  - ❑ regular business expenses that cannot be paid without additional assistance due to revenue losses because of the pandemic; and
  - ❑ expenses incurred due to the pandemic, such as PPE or retrofitting a business to meet COVID-19 safety guidelines.
  - ❑ Businesses must demonstrate actual loss.
- ◆ All businesses that meet eligibility guidelines may apply for funding regardless of whether the business has already received State or Federal assistance.
- ◆ Note: The grants are funded using Federal dollars. The State, through NMFA, may require additional documentation from the business if requested as part of an audit.



## Eligible Businesses

- ◆ Eligible nonprofits include those designated by the IRS as 501(c)(3), 501(c)(6), 501(c)8, and other 501(c) corporations that serve past or present members of the US Armed Forces.
- ◆ For-profit businesses (sole proprietor, partnership, corporation, limited liability company, etc.) owned at least 51% by one or more NM residents.
- ◆ “New Mexico Resident” means an individual who has certified that the individual is domiciled in this state during any part of the year or that the individual was physically present in this state for at least 185 days during the taxable year, as evidenced by a valid New Mexico State Driver’s License or government-issued identification card.

## Application Process

1. NMFA is using a third-party application system called Formstack, which applicants will access at [www.nmfinance.com](http://www.nmfinance.com). The Formstack system has built-in logic to determine eligibility based upon answers provided by applicant.
2. NMFA is requiring applicants to have checking accounts at federally insured financial institutions.
3. Applicants selected for funding will be notified via email and will execute the documents using digital signatures.
4. Grants will be funded thereafter through direct deposit.
5. Reporting. Applicants will be required to provide reports on impact, including of the status of the business and number of employees.

## Application Process

- ◆ The application system requires that businesses submit all documents in electronic format at the time they apply. The application system does not allow businesses to “save” the application and return to the document at a later time.
- ◆ Applications that do not have the required documents are considered incomplete. Incomplete applications will be considered the lowest priority and may result in decline.
- ◆ Applicants should watch their inbox, junk folder and spam filters for email from @nmfa.net, and @formstack.com emails notices.

- ◆ Information you'll need to complete the information:
  - North American Industry Classification System Code (NAICS Code)
  - Business's revenues/cash receipts and expenses from April 1 – November 30, 2020. Applicants are able to provide preliminary results for November expenses.
- ◆ Documents needed to be uploaded include:
  - 2019 business federal tax return
  - Copy of quarterly wage report submitted to New Mexico Department of Workforce Solutions
  - Bank information including a copy of a cancelled or voided check
  - Copy of NM Drivers License or Government-Issued Identification for the "Authorized Officer" and all New Mexico resident-owners that make up at least 51% of the business ownership.



## **New Mexico Finance Authority**

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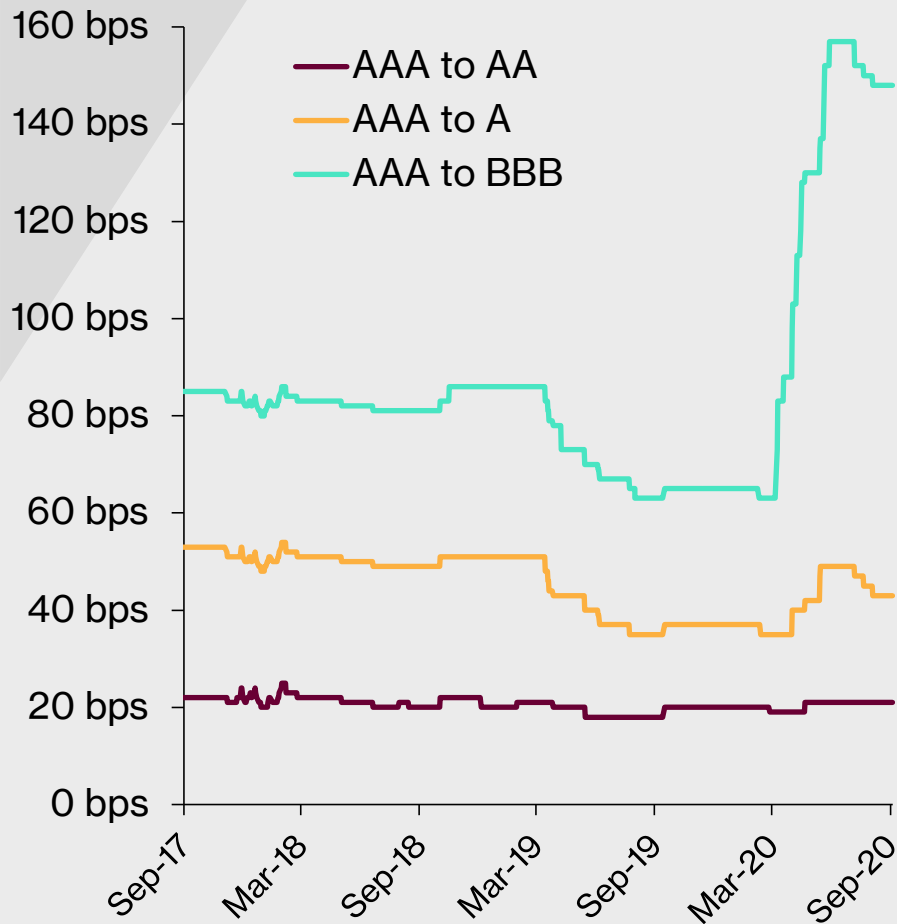
***New Mexico's Partner in Building  
Economic Prosperity and Stronger Communities***

- ❑ PPRF funds a variety of capital equipment and infrastructure for state and local government projects
- ❑ NMFA passes along its AAA pricing to your community, regardless of your underlying rating
- ❑ Loans range from \$10,000 to above \$100,000,000 at highly competitive rates with zero origination fee.
- ❑ Disadvantaged funding at zero percent interest rate is offered through the PPRF to qualified entities as determined by the community's Median Household Income.
- ❑ NMFA acts as buffer between IRS and your finance departments;
- ❑ **NMFA annually presents to the Legislature an entity authorization list for eligible projects and loan refinancing which allows NMFA to meet the project timing needs of New Mexico communities.** Email [PPRF@nmfa.net](mailto:PPRF@nmfa.net) to get on the 2021 list

- ◆ As of June 30, 2020, the PPRF
  - ❑ 1,814 loans totaling more than \$4 billion
  - ❑ 832 loans totaling \$99.4 million were funded at below market interest rates, most of these at 0%
  - ❑ \$1.6 billion in total loans were outstanding at June 30, 2020
- ◆ Unprecedented demand for program
  - ❑ In January 2020, NMFA eliminated fees for the PPRF program, making it more valuable to a broader group of local governments
  - ❑ Massive market disruptions in March and April eliminated access for many NM issuers; continued economic uncertainty makes PPRF more valuable than ever before

## PPRF High-Rated Issuer

### Tax-Exempt Credit Spreads (30 year)



- ◆ In March 2020, bond investor flight to quality severely limited access to the capital markets for most issuers, with only top-rated issuers having access
- ◆ PPRF is a top-rated issuer:
  - Senior Lien:
    - S&P: AAA (April 2011)
    - Moody's: Aa1
  - Subordinate Lien:
    - S&P: AAA (July 2017)
    - Moody's: Aa2



# Quantifying the Value of Credit Spreads

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## 30-Year Tax-Exempt AAA Interest Rates for \$1,000,000 30-year Loan (as of 10/29/20)

AAA Index	AAA Index + 20bp (AAA to AA)	AAA Index + 50bp (AAA to A)	AAA Index + 125bp (AAA to B)	AAA Index + 400bp
Debt Service Cost per \$1 Million = \$ 1,626,000	\$ 1,654,750	\$ 1,694,750	\$ 1,790,250	\$ 2,340,500
Added Cost for \$1 Million Loan =	\$ 28,750	\$ 68,750	\$ 164,250	\$ 714,500
Added Cost for \$1.5 Million Loan =	\$ 43,125	\$ 103,125	\$ 246,375	\$ 1,071,750
Added Cost for \$6.5 Million Loan =	\$ 186,875	\$ 446,875	\$ 1,067,625	\$ 4,644,250
Added Cost for \$15 Million Loan =	\$ 431,250	\$ 1,031,250	\$ 2,463,750	\$ 10,717,500
Added Cost for \$35 Million Loan =	\$ 1,006,250	\$ 2,406,250	\$ 5,748,750	\$ 25,007,500