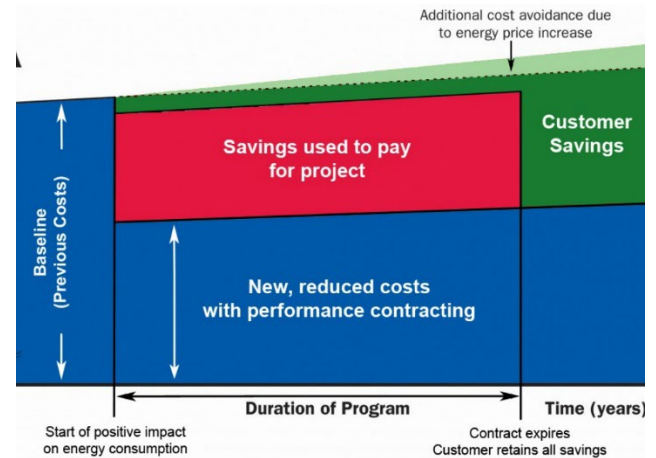


## MEMORANDUM

To: Sen Tom Begich  
Subject: NM Energy Service Performance Contracting  
Date: February 3, 2021

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**Background:** In 2006, the State of New Mexico passed the *Public Facility Energy Efficiency and Water Conservation Act* creating a framework for state and local governments to use Energy Service Performance Contracting (ESPC) to finance any sustainability-related upgrades. ESPC allows public facilities to use cost savings (guaranteed by the contractor) to finance upgrades with those savings used to pay down the debt. The contracts can be up to 25 years long. The state created template contracts and has price-agreements with contractors (routinely recomputed) to allow local governments to avoid long a long RFP process by using the state-wide price agreement.



- **ESCO in New Mexico:** Since 1993, close to \$100 million in energy efficiency projects at public facilities including schools, municipal buildings, museums, and the Bernalillo County Correctional facility have been financed using this mechanism. This has created a robust network of contractors and caused energy efficiency jobs to grow 11% in the state in 2019.
- The State's Energy Office selects contractors and provides assistance for projects. They also require oversight to help ensure cost savings will be met. They require reporting from all State agencies and request feedback on projects from local governments and school districts.
- **New Mexico Finance Authority:** While the legislation doesn't specify where loans for the project should come from, they have largely been financed by the New Mexico Finance Authority (NMFA). The NMFA was created to finance infrastructure projects for the state's counties, cities, and certain departments of state government to provide low-cost financing for borrowers. **By bundling multiple projects particularly for disadvantaged communities, they are able to allow more of the state to take advantage of the tax-exempt bond market.** They now also provide financing for small and large businesses and other projects that serve the common good.
- **NMFA coordinates financing of state and local infrastructure and building projects** (including public schools). They further look for opportunities to build economies of scale by coordinating between government entities. For example, if a rural school requires major maintenance, they will identify other scheduled upgrades in that community and can combine financing and help with logistics for those projects. Disadvantaged communities can receive subsidized interest rates on loans.
- **Since 1992, NMFA has made 1,814 loans totaling \$40 billion.**