

**NEW MEXICO  
FINANCE AUTHORITY  
OVERSIGHT COMMITTEE**

**FINAL REPORT**



**REPORT TO THE  
FIFTIETH LEGISLATURE  
FIRST SESSION**

New Mexico Legislative Council Service  
Santa Fe, New Mexico  
December 2010

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**2010 APPROVED  
WORK PLAN AND MEETING SCHEDULE  
for the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**Members**

|  |                               |
|--|-------------------------------|
| Sen. Mary Kay Papen, Chair             | Rep. Dona G. Irwin            |
| Rep. Patricia A. Lundstrom, Vice Chair | Sen. George K. Munoz          |
| Sen. Sue Wilson Beffort                | Rep. Jane E. Powdrell-Culbert |
| Sen. Kent L. Cravens                   | Rep. Benjamin H. Rodefer      |
| Rep. Anna M. Crook                     | Sen. Nancy Rodriguez          |
| Rep. Brian F. Egolf, Jr.               | Rep. Henry Kiki Saavedra      |
| Sen. Tim Eichenberg                    | Rep. James R. J. Strickler    |
| Sen. Stephen H. Fischmann              | Sen. David Ulibarri           |
| Rep. Roberto "Bobby" J. Gonzales       | Rep. Richard D. Vigil         |
| Sen. Clinton D. Harden, Jr.            | Rep. James P. White           |

**Advisory Members**

|                             |                                |
|-----------------------------|--------------------------------|
| Rep. Janice E. Arnold-Jones | Sen. Timothy M. Keller         |
| Rep. Elias Barela           | Rep. Ben Lujan                 |
| Rep. Jose A. Campos         | Sen. Richard C. Martinez       |
| Rep. Ernest H. Chavez       | Rep. W. Ken Martinez           |
| Sen. Dianna J. Duran        | Rep. Andy Nuñez                |
| Rep. Candy Spence Ezzell    | Rep. Edward C. Sandoval        |
| Rep. Mary Helen Garcia      | Sen. John M. Sapien            |
| Sen. Mary Jane M. Garcia    | Rep. Sheryl Williams Stapleton |
| Rep. Thomas A. Garcia       | Rep. Thomas C. Taylor          |
| Sen. Stuart Ingle           | Rep. Luciano "Lucky" Varela    |

**Work Plan**

The New Mexico finance authority (NMFA) oversight committee was created with the enactment of New Mexico Finance Authority Act, Sections 6-21-1 through 6-21-31 NMSA 1978, to monitor and oversee the operations of the NMFA. In addition, the legislature assigned oversight of the border authority, the spaceport authority and the New Mexico renewable energy transmission authority (NMRETA) to the committee.

The committee is statutorily required to monitor and oversee state and local government capital planning and financing; provide advice and assistance to the authorities and cooperate with state and local governments on planning and setting priorities for and financing of state, local, border and port-of-entry capital projects; review and approve rules proposed by the authorities; and report its recommendations and legislation to the governor and legislature on or before December 15 of each year.

To carry out these tasks and statutory duties during the 2010 legislative interim, the NMFA oversight committee shall:

(1) monitor and oversee the operations of the NMFA, including a review of the NMFA's operational budget, investments, procurement, policies, goals, allocation of resources, funds and loan programs;

(2) receive progress reports on capital projects funded through the NMFA, receive testimony from state and local officials on capital needs and compare NMFA cost of funds relative to other financing sources available to New Mexico borrowing entities;

(3) review and oversee the use of stimulus funding authorized by the federal American Recovery and Reinvestment Act of 2009 that is administered by the NMFA and the New Mexico department of transportation;

(4) review the NMFA's implementation of the Statewide Economic Development Finance Act, examine the economic development revolving fund, take testimony and evaluate economic development projects proposed for funding or funded through the federal new market tax credit program and tax increment financing;

(5) take testimony and make recommendations on loans or grants from the water project fund for intrastate water projects that benefit New Mexico;

(6) take testimony on GRIP II financing, project development and bonding;

(7) monitor and oversee the operations of the border authority, review and analyze the border authority's short-term and long-term goals, including an assessment of infrastructure needs in the border region and a review of the effectiveness of the border authority and its projects;

(8) monitor and oversee the operations of the spaceport authority and review and analyze the spaceport authority's budget, short-term and long-term goals and the authority's methods, proposals, programs and initiatives involving the spaceport;

(9) monitor and oversee the operations of the NMRETA, including a review of the NMRETA's funding, structure, goals and objectives, proposed work plan, policy statements, rulemaking and budget;

(10) review the possible roles for the NMFA and the public project revolving fund in creating a state bank and review options for expanding the NMFA's ability to generate increased economic development through the creation of a state bank;

(11) take testimony from the technical advisory committee convened pursuant to House Memorial 9 to study the state's current and future transportation needs to identify appropriate funding strategies for a sustainable transportation system;

(12) review House Bill 39 and options to increase uniform reporting by the four authorities that the committee oversees;

(13) review options to increase funding to rural areas of New Mexico, including the allocation of a percentage of annual severance tax bonding authority for rural projects, as was done to fund infrastructure for colonias and tribes;

(14) report to the legislature and recommend necessary changes in law or policy; and

(15) provide guidance and recommendations to the government restructuring task force by examining the programs and missions of the authorities overseen by the committee with an eye toward making those authorities more efficient and cost-effective, including ranking programs in terms of criticality to the core functions of those authorities.

**New Mexico Finance Authority Oversight Committee  
2010 Approved Meeting Schedule**

| <u>Date</u>   | <u>Location</u> |
|---------------|-----------------|
| June 15       | Santa Fe        |
| July 15-16    | Santa Fe        |
| August 26-27  | Deming          |
| October 5-6   | Santa Fe        |
| November 9-10 | Santa Fe        |

2010  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT  
COMMITTEE  
INTERIM SUMMARY

Doris Faust, Staff Attorney  
Legislative Council Service  
December 30, 2010

## **New Mexico Finance Authority Oversight Committee 2010 Interim Summary**

The committee met six times in the 2010 interim to carry out its statutory duties to monitor and oversee the New Mexico Finance Authority (NMFA), the Border Authority, the Spaceport Authority and the New Mexico Renewable Energy Transmission Authority (RETA). The committee examined the missions, strategic plans, organizational structures, operations budgets, activities and projects of all four authorities.

In its analysis of the NMFA, the committee focused on whether the NMFA remains true to its original mission to assist the New Mexico communities that are most in need of financial assistance. The committee took testimony from NMFA management and board members regarding how the NMFA is allocating its resources and what efforts are made to provide financing to disadvantaged entities in rural New Mexico. The committee reviewed reports on the Public Project Revolving Fund (PPRF) regarding where the loans are being made and on the costs of borrowing from the PPRF versus other sources of funding available to New Mexico communities. The committee also reviewed the Economic Development Revolving Fund, Water Project Fund, Local Transportation Infrastructure Fund and Colonias Infrastructure Trust Fund.

The committee received reports on the NMFA's bond ratings and how the bond ratings might be affected by the NMFA's contingent liquidity account and the reserve account, and by a potential transfer of funds from the NMFA to the general fund.

Another major issue under consideration was the status of transportation funding. The committee heard about the status of Governor Richardson's Investment Partnership (GRIP) bond refinancing and GRIP projects. The committee also received a report on the work being undertaken pursuant to House Memorial 9. The Department of Transportation reported on the serious funding shortfalls in the GRIP program and in maintenance funding for state roads.

The Border Authority reported on trends affecting the border region and on the authority's efforts to expand economic development. The committee examined the missions of the various New Mexico border development organizations and commissions with an eye toward potential overlaps, but it did not recommend consolidation.

The Spaceport Authority updated the committee on spaceport construction, noting that the runway has been completed. The authority also reported on its efforts to attract new space-related business and industry to New Mexico. Virgin Galactic representatives also reported on economic development opportunities being brought to the southern part of the state by the spaceport.

The RETA briefed the committee on the result of its 2009 Senate Memorial 44 study, the RETA project to map renewable energy corridors, the barriers to developing electric transmission line infrastructure, the RETA's opportunities to facilitate infrastructure and recommendations to expedite the construction of renewable energy transmission infrastructure. The RETA also reported success in its first bond issuance, which will allow the RETA to cover its operational costs through FY 2012 without additional state general fund assistance.

The committee endorsed 12 pieces of legislation for introduction during the 2011 legislative session, including:

- a \$2 million appropriation from the PPRF to the Drinking Water State Revolving Loan Fund;
- a bill authorizing funding through the PPRF for 130 projects;
- a bill authorizing funding through the Economic Development Revolving Fund for 13 projects;
- a bill authorizing funding through the Water Project Fund for 49 projects;
- a bill to increase eligibility for water project financing to include intercommunity water or natural gas supply associations;
- a bill to extend the daily capital outlay tax for two years to allow full payment of the bonds secured by the tax;
- a bill to temporarily require PPRF project reporting, while removing the requirement of prior legislative project authorization;
- a bill authorizing the NMFA to seek certification as a community-development financial institution;
- a RETA statute clean-up bill;
- a bill authorizing the issuance of special permits for overweight commercial vehicles with reducible loads that operate within six miles of the border;
- a bill authorizing motor transportation officers to conduct field enforcement of commercial vehicles for compliance with the Motor Transportation Act and the Motor Carrier Act; and
- a bill expanding the definition of entities protected from liability under the Space Flight Informed Consent Act.

# Agendas

Revised: June 11, 2010

**TENTATIVE AGENDA  
for the  
FIRST MEETING  
of the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**June 15, 2010  
Room 322, State Capitol  
Santa Fe**

**Tuesday, June 15**

- 9:30 a.m.     **Call to Order and Welcome**  
—Senator Mary Kay Papen, Chair  
—Representative Patricia A. Lundstrom, Vice Chair
- 9:45 a.m.     **Government Restructuring Task Force Update and Work Plan Request**  
—Staff
- 10:15 a.m.    **2009 Legislation Summary**  
—Matthew Jaramillo, Director of Government Affairs, New Mexico Finance  
  Authority (NMFA)  
—Doris Faust, Staff Attorney, Legislative Council Service (LCS)
- 11:00 a.m.    **Review and Discussion of Work Plan, Meeting Dates and Locations  
for 2010 Interim**  
—Doris Faust, Staff Attorney, LCS
- 11:15 a.m.    **GRIP Bond Refinancing**  
—William C. Sisneros, Chief Executive Officer, NMFA
- 11:45 a.m.    **NMFA General Update**  
—William C. Sisneros, Chief Executive Officer, NMFA  
—Matthew Jaramillo, Director of Government Affairs, NMFA
- 12:30 p.m.    **Adjournment**

Revised: July 14, 2010

**TENTATIVE AGENDA  
for the  
SECOND MEETING  
of the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**July 15-16, 2010  
Room 307, State Capitol  
Santa Fe**

**Thursday, July 15**

- 10:00 a.m.     **Call to Order and Welcome**  
                  —Senator Mary Kay Papen, Chair
- 10:05 a.m.     **New Mexico Finance Authority (NMFA) General Update**  
                  —William C. Sisneros, Chief Executive Officer, NMFA  
                  —Matthew Jaramillo, Director of Government Affairs, NMFA
- 11:00 a.m.     **NMFA Mission and Organizational Review**  
                  —William C. Sisneros, Chief Executive Officer, NMFA  
                  —Matthew Jaramillo, Director of Government Affairs, NMFA
- 12:15 p.m.     **Lunch**
- 1:30 p.m.     **Public Project Revolving Fund — Analysis of the Locations and Credit  
Ratings of Borrowing Entities**  
                  —Michael Zavelle, Chief of Investor Relations, NMFA  
                  —Greg Campbell, Controller, NMFA  
                  —Matthew Jaramillo, Director of Government Affairs, NMFA
- 3:30 p.m.     **Economic Development Revolving Fund — Options for Expanding the  
Program and Increasing Economic Development Opportunities**  
                  —Marquita Russel, Chief of Programs, NMFA  
                  —John Brooks, Director of Commercial Lending, NMFA
- 4:30 p.m.     **Recess**

**Friday, July 16**

- 9:00 a.m.     **Reconvene**  
                  —Senator Mary Kay Papen, Chair

- 9:05 a.m.     **New Mexico Renewable Energy Transmission Authority (RETA) General Update**  
—Jeremy Turner, Chief Executive Officer, RETA
- 10:00 a.m.     **RETA Mission and Organizational Review**  
—Jeremy Turner, Chief Executive Officer, RETA
- 11:00 a.m.     **NMFA Cost of Funds Relative to Other Financing Sources Available to New Mexico Borrowing Entities — A Comparison of Transactions Representing Financing Through the NMFA and Through Other Sources**  
—Mathew Jaramillo, Director of Government Affairs, NMFA  
—Kevin Powers, Director, RBC Capital Markets  
—John Archuleta, Senior Vice President, George K. Baum and Company
- 12:30 p.m.     **Adjourn**

Revised: August 23, 2010

**TENTATIVE AGENDA  
for the  
THIRD MEETING  
of the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**August 26-27, 2010  
Mimbres Valley Learning Center  
2300 East Pine  
Deming**

**Thursday, August 26**

- 9:00 a.m.     **Call to Order and Welcome**  
—Senator Mary Kay Papen, Chair
- 9:05 a.m.     **Local Financing Issues**  
—John Sutherland, Manager, Luna County  
—Richard McInturff, Administrator, Deming
- 9:25 a.m.     **Loan/Grant Programs Administered by the New Mexico Finance Authority (NMFA) — Requirements and Qualifications for Funding**  
—Matthew Jaramillo, Director of Government Affairs, NMFA
- 10:00 a.m.    **Summary of Recent Public Project Revolving Fund Project Applications**  
—Matthew Jaramillo, Director of Government Affairs, NMFA
- 11:10 a.m.    **Overview of Border Economy — Megatrends Affecting the Border Region**  
—Fred Mondragon, Secretary of Economic Development
- 11:30 a.m.    **Lunch and Tour of the Savoy Project**  
—Art Herlihy, Operations Manager, Savoy
- 2:00 p.m.     **Border Authority General Update**  
—Andrew Morales, Executive Director, Border Authority  
—Emma Johnson Ortiz, Deputy Director, Border Authority
- 2:45 p.m.     **Border Authority Budget and Organizational Review**  
—Andrew Morales, Executive Director, Border Authority  
—Emma Johnson Ortiz, Deputy Director, Border Authority

3:30 p.m.     **Border Development Organizations — Review for Potential Overlap**  
—Andrew Moralez, Executive Director, Border Authority  
—Randall Trask, Director, Trade and Mexican Affairs Division, Economic  
Development Department  
—Juan Massey, Director of Regulatory Affairs, Verde Realty  
—Jerry Pacheco, Vice President, Border Industrial Association

4:30 p.m.     **Recess**

**Friday, August 27**

9:00 a.m.     **Reconvene**  
—Senator Mary Kay Papen, Chair

9:05 a.m.     **Spaceport Authority General Update**  
—Rick Homans, Executive Director, Spaceport Authority  
—Mark Lautman, Chief Executive Officer, Lautman Economic Architecture

10:30 a.m.    **Spaceport Authority Budget, Mission and Organizational Review**  
—Rick Homans, Executive Director, Spaceport Authority

12:00 noon    **Committee Business**

12:15 p.m.    **Adjourn — Optional Tour of Spaceport**

Revised: October 4, 2010

**TENTATIVE AGENDA  
for the  
FOURTH MEETING  
of the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**October 5-6, 2010  
Room 307, State Capitol  
Santa Fe**

**Tuesday, October 5**

- 9:00 a.m.     **Call to Order**  
—Senator Mary Kay Papen, Chair
- 9:05 a.m.     **Executive Session**  
—Senator Mary Kay Papen, Chair
- 10:00 a.m.    **Local Transportation Infrastructure Fund Overview and Project List**  
—Secretary Gary Giron, Department of Transportation  
—Matthew Jaramillo, Director of Government Affairs, New Mexico Finance Authority (NMFA)
- 11:00 a.m.    **NMFA Strategic Plan**  
—Stephen R. Flance, Chair, NMFA Board of Directors  
—William F. Fulginiti, Executive Director, New Mexico Municipal League  
—Paul Gutierrez, Executive Director, New Mexico Association of Counties  
—William Sisneros, Chief Executive Officer, NMFA  
—Matthew Jaramillo, Director of Government Affairs, NMFA
- 12:00 noon    **Lunch**
- 1:30 p.m.     **NMFA Budget and Operations Review**  
—William Sisneros, Chief Executive Officer, NMFA  
—Matthew Jaramillo, Director of Government Affairs, NMFA
- 3:30 p.m.     **Colonias Infrastructure Trust Fund Update**  
—Rick Martinez, Director, Local Government Division, Department of Finance and Administration  
—Matthew Jaramillo, Director of Government Affairs, NMFA
- 4:30 p.m.     **Recess**

**Wednesday, October 6**

- 9:00 a.m.     **Reconvene**  
—Senator Mary Kay Papen, Chair
- 9:05 a.m.     **New Mexico Renewable Energy Transmission Authority (RETA) Update and Proposed Legislation**  
—Jeremy Turner, Chief Executive Officer, RETA
- 10:00 a.m.    **Border Authority Proposed Legislation**  
—Andrew Moralez, Executive Director, Border Authority  
—Miriam Baca, President, Border Industrial Association  
—Jerry Pacheco, Vice President, Border Industrial Association
- 11:00 a.m.    **Water Trust Fund Projects**  
—Jana Amacher, Senior Program Administrator, NMFA
- 12:00 noon    **Committee Business**
- 12:15 p.m.    **Adjourn**

Revised: November 2, 2010

**TENTATIVE AGENDA  
for the  
FIFTH MEETING  
of the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**November 9, 2010  
Room 307, State Capitol  
Santa Fe**

**Tuesday, November 9**

- 9:00 a.m.     **Call to Order**  
—Senator Mary Kay Papen, Chair
- 9:05 a.m.     **House Memorial 9 Report on Transportation Issues**  
—Secretary Gary Giron, Department of Transportation (DOT)  
—Max Valerio, Deputy Secretary for Programs and Infrastructure, DOT  
—Patricia Oliver-Wright, Manager, DOT Statewide Planning Section
- 10:30 a.m.    **New Mexico Finance Authority (NMFA) Proposed Legislation**  
—William C. Sisneros, Chief Executive Officer, NMFA  
—Matthew Jaramillo, Director of Government Affairs, NMFA
- 11:15 a.m.    **Review of Sample Public Project Revolving Fund (PPRF) Projects by County**  
—William C. Sisneros, Chief Executive Officer, NMFA  
—Matthew Jaramillo, Director of Government Affairs, NMFA
- 12:00 noon    **Lunch**
- 1:30 p.m.     **NMFA Reserve Fund, Contingent Liquidity Account, PPRF Transfers and Bond Ratings**  
—William C. Sisneros, Chief Executive Officer, NMFA  
—Matthew Jaramillo, Director of Government Affairs, NMFA
- 2:30 p.m.     **Proposed Legislation for Field Enforcement Inspection of Commercial Vehicles**  
—Major Ron S. Cordova, Motor Transportation Division, Department of Public Safety

3:00 p.m. **Proposed Community Development Financial Institution Legislation**  
—Senator Timothy M. Keller

4:00 p.m. **Committee Business, Approval of Minutes**

4:15 p.m. **Adjourn**

Revised: December 10, 2010

**TENTATIVE AGENDA  
for the  
SIXTH MEETING  
of the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**December 13, 2010  
Room 307, State Capitol  
Santa Fe**

**Monday, December 13**

- 9:00 a.m.     **Call to Order**  
—Senator Mary Kay Papen, Chair
- 9:05 a.m.     **New Mexico Finance Authority (NMFA) Proposed Legislation**  
—William C. Sisneros, Chief Executive Officer, NMFA  
—Matthew Jaramillo, Director of Government Affairs, NMFA
- 10:15 a.m.    **NMFA Project Authorization Subcommittee Report**  
—Senator Stephen H. Fischmann  
—Staff
- 10:40 a.m.    **Proposed Community Development Financial Institution Act Legislation**  
—Senator Timothy M. Keller
- 11:00 a.m.    **New Mexico Renewable Transmission Authority (RETA) Proposed Legislation**  
—Jeremy Turner, Executive Director, RETA
- 11:30 a.m.    **Border Authority Proposed Legislation**  
—William Hume, Executive Director, Border Authority  
—Jerry Pacheco, Vice President, Border Industrial Association  
—Juan Massey, Director of Regulatory Affairs, Verde Realty
- 12:00 noon    **Proposed Legislation for Field Enforcement Inspection of Commercial Vehicles**  
—Staff
- 12:20 p.m.    **Proposed Tort Liability Legislation Related to the Spaceport**  
—Tom Horan, Lobbyist, Virgin Galactic
- 1:00 p.m.     **Proposed Legislation to Create a Student Launch Program Fund**

—Senator David Ulibarri

1:25 p.m. **Committee Business and Approval of Minutes**

1:30 p.m. **Adjourn**

# Minutes

**MINUTES**  
**of the**  
**FIRST MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**  
**June 15, 2010**  
**Room 307, State Capitol**  
**Santa Fe**

The first meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Mary Kay Papen, chair, on June 15, 2010 at 9:40 a.m. in Room 307 of the State Capitol.

**Present**

Sen. Mary Kay Papen, Chair  
Rep. Patricia A. Lundstrom, Vice Chair  
Sen. Sue Wilson Beffort  
Sen. Kent L. Cravens  
Rep. Anna M. Crook  
Rep. Brian F. Egolf, Jr.  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Sen. George K. Munoz  
Rep. Jane E. Powdrell-Culbert  
Rep. Benjamin H. Rodefer  
Sen. Nancy Rodriguez  
Rep. Henry Kiki Saavedra  
Rep. James R.J. Strickler  
Sen. David Ulibarri  
Rep. Richard D. Vigil  
Rep. James P. White

**Absent**

Rep. Elias Barela  
Sen. Tim Eichenberg

**Advisory Members**

Rep. Janice E. Arnold-Jones  
Rep. Candy Spence Ezzell  
Sen. Stephen H. Fischmann  
Rep. Thomas A. Garcia  
Sen. Timothy M. Keller  
Rep. Ben Lujan  
Sen. Richard C. Martinez  
Rep. W. Ken Martinez  
Rep. Andy Nuñez  
Rep. Edward C. Sandoval

Rep. Jose A. Campos  
Rep. Ernest H. Chavez  
Sen. Dianna J. Duran  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Sen. Stuart Ingle  
Sen. John M. Sapien  
Rep. Sheryl Williams Stapleton  
Rep. Thomas C. Taylor  
Rep. Luciano "Lucky" Varela

**Staff**

Doris Faust, Legislative Council Service (LCS)  
Tom Pollard, LCS  
Claudia Armijo, LCS

### **Guests**

The guest list is in the meeting file.

### **Tuesday, June 15**

#### **Call to Order**

Senator Papen called the meeting to order and led a discussion concerning the logistics of future meetings. In an effort to make the meeting schedules most convenient for traveling members, it was determined that, in the event that the committee holds two-day meetings, the first day's meeting will begin promptly at 10:00 a.m. and the second day's meeting will begin at 9:00 a.m.

#### **Government Restructuring Task Force Update and Work Plan Request**

Raúl E. Burciaga, director of the LCS, apprised the committee of the mandate of the New Mexico Legislative Council that, as a cost-savings measure, all interim legislative committee meetings should be held in Santa Fe. Committees wishing to hold meetings in locations outside of Santa Fe are required to request permission to travel to another location and must justify such requests in writing to the legislative council. The legislative council will then approve or deny the request at its June 29, 2010 meeting. Mr. Burciaga further noted that the legislative council has asked that committees try to schedule meetings in a manner that will reduce the number of meetings held and will reduce scheduling conflicts for voting members. He added that Ms. Faust, LCS staff attorney, would present the committee's proposed work plan to the legislative council at its upcoming meeting.

Next, Mr. Burciaga updated the members regarding the work of the Government Restructuring Task Force (GRTF). He explained that the GRTF had met and will be working on developing ways to streamline state government to make its operations more efficient and cost-effective. With that in mind, he asked the members, while in the course of executing their oversight duties, to identify and look for cost-saving measures that could be presented to the GRTF for consideration.

Lastly, Mr. Burciaga told the NMFA Oversight Committee that he was honored by his appointment to the position of LCS director and is looking forward to working with the members of the committee in his new capacity. He added that his staff of dedicated professionals would continue to serve the New Mexico Legislature as needed.

There was a general discussion regarding whether the committee should call upon community members to come before the committee members and be heard regarding the lawsuit in the Angel Fire public improvement district (PID) issue. Senator Papen asked for an update on the litigation at the next meeting. She noted that she had been receiving emails on the subject

and did not think it appropriate for the committee to become involved in the issue since it concerns pending litigation. Several Angel Fire community leaders and interested parties were in attendance at the meeting. Consequently, the chair adjusted the agenda to enable the visitors to address the committee.

Gerald White, project director, and Steve Oliver, director, PID No. 20071, presented a brief overview of the issue from their perspective. Mr. Oliver said that as a consequence of the PID's passage, most Angel Fire property owners are happy and believe its passage was a good thing. He noted that only a handful of property owners are unhappy. He said that most owners have been able to build on their properties because they already had access to utilities.

### **2010 Legislative Summary**

Matthew Jaramillo, NMFA director of government affairs, led a discussion regarding the legislation endorsed by the NMFA Oversight Committee for the 2010 regular legislative session. Referring to the handout, Mr. Jaramillo told the members that several legislative initiatives passed during the session, including Senate Bill 279, which provided for a new NMFA-sponsored program, the Colonias Infrastructure Act and Colonias Infrastructure Project Fund. The creation of the act and its fund requires the State Board of Finance to allocate five percent of senior severance tax bonding capacity for use by the Colonias Infrastructure Board to fund projects in the designated colonias communities of southern New Mexico. The NMFA's role will be to provide support staff to the board, administer the project fund and, at the direction of the board, process, review and approve applications and administer qualified projects that receive financial assistance.

Mr. Jaramillo noted that Senate Bill 66 passed, which authorized additional projects under the Statewide Economic Development Finance Act (SWEDFA), also known as the "Smart Money Initiative". In 2005, the NMFA, in partnership with the Economic Development Department (EDD), was successful in amending the law to create SWEDFA, a business lending program designed to use a \$12 million appropriation to create greater access to capital throughout New Mexico. In partnership with the EDD, the NMFA submits to the legislature a list of potential commercial lending opportunities for legislative authorization. To date, the NMFA has closed four loans totaling more than \$5.25 million. Mr. Jaramillo noted that the state participates in the loans up to 49 percent, or \$2 million, whichever is less. The loans have been used for businesses such as hotels, gas stations and grocery stores. He added that the role of the EDD is to perform an economic impact and viability study. Each study is community-specific and addresses the impacts of such things as projected gross receipts and job growth. After a study is complete, the NMFA analyzes the results prior to approval of any loans. When asked about which banks operating in the state are participating in the Smart Money Initiative, Mr. Jaramillo noted that the Bank of Clovis and Los Alamos National Bank have recently joined the list of banks that are participating.

Mr. Jaramillo also told the committee that the passage of House Bill 38 authorized the NMFA to make loans from the Public Project Revolving Fund for public projects to 114 qualified entities and one charter school. The loans could be used for buildings; equipment and

infrastructure; refinancing; water projects, wastewater projects and water rights; solid waste projects; roads; and land projects.

Mr. Jaramillo highlighted the provisions of House Bill 56, which authorized the NMFA to make loans or grants from the Water Project Fund and Acequia Project Fund to 61 community water organizations, acequias, cities and counties for various water system improvements. He advised the members regarding the provisions of House Bill 108, which appropriated \$2,714,600 from the Public Project Revolving Fund to the Drinking Water State Revolving Loan Fund, to provide state matching funds to the federal Safe Drinking Water Act of 1974 projects and to carry out the provisions of the Drinking Water State Revolving Loan Fund Act.

Mr. Jaramillo spoke briefly regarding Senate Bill 120, which amended the NMFA securities requirements to provide for disclosure of pending litigation regarding securities purchased.

There was a general discussion about rural communities' access to loans in New Mexico. The members expressed concern over the lack of access to capital in New Mexico's many rural communities. Additionally, some members asked NMFA staff for information regarding the history of House Bill 56, regarding Water Project Fund projects.

#### **Review and Discussion of Work Plan, Meeting Dates and Locations**

Ms. Faust presented the proposed work plan and meeting schedule to the members for discussion and approval. She began by stating that, with an eye on uniformity in reporting and in an effort to make document review easier, handouts and pertinent committee-related information will now be posted on the committee's portal of the New Mexico Legislature web site. Ms. Faust directed the members' attention to the items outlined in the proposed work plan, and discussion ensued.

Some members inquired as to whether the committee might add work plan items to discuss state banking and rural communities' access to capital, to examine the prospect of creating a bank of New Mexico and to expand SWEDFA to better serve and benefit rural communities. It was noted that North Dakota has a state bank that serves its rural communities. Members also asked that the concept of Indian country banking be examined. Members noted that it would be helpful and important for the committee to get public input regarding the banking issues. Consequently, it was suggested that the committee's meetings be webcast. Staff was directed to look into the webcasting issue.

There was a request for the NMFA staff to find out what percentage of the federal stimulus money that New Mexico received from the American Recovery and Reinvestment Act of 2009, which is administered by the NMFA and the Department of Transportation, has gone to out-of-state companies. Additionally, there was a request that information be provided in the August meeting about the uniform budget reporting bill and information be provided in the October meeting on sustainable transportation.

Representative Vigil made a motion to amend the work plan to include reviewing options to increase funding to rural areas. Senator Munoz seconded the motion, and it was passed by a vote.

There was a motion by Representative Lundstrom to add to the work plan the evaluation of a duplicate bill, which would be similar to the bill that passed for the colonias and Native Americans, that would target funds specifically for rural communities for matches with community development block grant funds. The motion was seconded by Representative Vigil and then passed by a vote. Representative Lundstrom also requested that the work plan include a hearing of House Bill 39 issues and House Memorial 9 issues. The proposed work plan was approved as amended, as was the meeting schedule.

### **Governor Richardson's Investment Partnership (GRIP) Bond Refinancing**

William Sisneros, chief executive officer, NMFA, advised the members that the NMFA has been successfully working on improving its staffing levels and quality. He noted that the NMFA has more experts on staff now. He introduced Michael Zavelle, chief of investor relations for the NMFA. The two explained to the members the NMFA's intention to replace the GRIP variable-rate bonds with fixed-rate bonds. Mr. Sisneros noted that because interest rates have been dropping, the opportunity now exists to absorb the costs associated with replacing the variable rate with fixed-rate debt at no increase in debt service costs. He said that this was important because New Mexico could make the swap with little costs but would benefit significantly with reduced risk since the fixed-rate bonds are much less volatile. He noted that if the anticipated savings are not available at the time of the sale, the NMFA will not go through with the sale. Mr. Sisneros directed the members to page four of his handout, which highlights the risk comparison between the variable-rate and fixed-rate bonds. Mr. Zavelle detailed the debt costs associated with the respective bonds, noting that, while the principal amount of bonds outstanding increases to absorb the \$75 million of swap termination costs, the total costs over 17 years will be reduced by changing to fixed-rate debt. He added that the "all-in cost" range for floating debt is projected to be between \$787 million and \$816 million, while the all-in cost for the fixed debt is fixed at \$784 million.

The members asked a number of questions to gain an understanding of why the NMFA would decide to swap the variable-rate bonds for fixed-rate bonds. The members were concerned about potential risks, both foreseeable and unforeseeable. Additionally, they wanted assurances that once the sale occurs, the NMFA will have in place better checks and balances for future bond transactions.

Mr. Sisneros told the members that the NMFA has teams working on the proposed bond swap issue, and that there are no third parties involved in the transaction. He added that the NMFA would disclose every bond transaction to the committee.

Members were interested in the role of CDR Financial Products, Inc. (CDR) in the bond transaction. Mr. Sisneros said that CDR was involved because CDR is a swap advising company, and the transaction was a bond swap transaction. He said that CDR offered very

specialized technical skills for the transaction. He noted that CDR's fee was probably excessive. He added that Public Financial Management will be the NMFA's advisor now and was hired through an issued request-for-proposals process.

Members inquired as to any pending litigation or legal avenues that might be pursued to recover losses for the state. Mr. Zavelle said that legal counsel was looking into that possibility and had prepared a brief on the subject that was given to the New Mexico attorney general. According to Mr. Zavelle, the attorney general has concluded that there is no cause of action to pursue. Mr. Sisneros noted that the Securities Division of the Attorney General's Office needs additional staffing. The members asked if the attorney general was considering appointing a special assistant attorney general, perhaps from a private law firm, to work on a contingency basis to pursue litigation on behalf of the state. It was unclear if that prospect had been considered by the attorney general. Members noted that some states are recovering from bad investment deals, and perhaps New Mexico should look further into recovery options.

Because the meeting was running late, the chair asked Mr. Sisneros and Mr. Jaramillo if they could provide the scheduled agenda item of the general NMFA update at the next meeting. The meeting was adjourned at 12:45 p.m.

**MINUTES**  
**of the**  
**SECOND MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**July 15-16, 2010**  
**Room 307, State Capitol**  
**Santa Fe**

The second meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Mary Kay Papen, chair, on July 15, 2010 at 10:05 a.m. in Room 307 of the State Capitol.

**Present**

Sen. Mary Kay Papen, Chair  
Rep. Anna M. Crook  
Sen. Tim Eichenberg  
Sen. Stephen H. Fischmann  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Sen. George K. Munoz (July 16)  
Rep. Jane E. Powdrell-Culbert  
Rep. Benjamin H. Rodefer  
Sen. Nancy Rodriguez  
Rep. Henry Kiki Saavedra  
Rep. James R.J. Strickler  
Sen. David Ulibarri  
Rep. James P. White

**Advisory Members**

Rep. Janice E. Arnold-Jones  
Rep. Jose A. Campos  
Rep. Ernest H. Chavez  
Sen. Dianna J. Duran  
Rep. Candy Spence Ezzell  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Thomas A. Garcia (July 16)  
Sen. Timothy M. Keller (July 16)  
Rep. Ben Lujan (July 16)  
Rep. Andy Nuñez  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton

**Absent**

Rep. Patricia A. Lundstrom, Vice Chair  
Sen. Sue Wilson Beffort  
Sen. Kent L. Cravens  
Rep. Brian F. Egolf, Jr.  
Rep. Richard D. Vigil

Rep. Elias Barela  
Sen. Stuart Ingle  
Sen. Richard C. Martinez  
Rep. W. Ken Martinez  
Sen. John M. Sapien  
Rep. Thomas C. Taylor  
Rep. Luciano "Lucky" Varela

(Attendance dates are noted for members not present for the entire meeting.)

### **Guest Legislator**

Rep. Andrew J. Barreras

### **Staff**

Doris Faust, Legislative Council Service (LCS)

Tom Pollard, LCS

Claudia Armijo, LCS

### **Guests**

The guest list is in the meeting file.

### **Handouts**

Handouts and written testimony are in the meeting file.

## **Thursday, July 15**

### **Welcome**

Senator Papen called the meeting to order and welcomed the members and guests. She advised the committee members that the meeting was being audio-webcast. Consequently, she asked them to keep sidebar conversations to a minimum and to turn their microphones on and off before and after speaking. She also asked the members to identify themselves before speaking into their microphones.

### **NMFA General Update**

William Sisneros, chief executive officer of the NMFA, greeted the members. He started by discussing the NMFA ratings and explained why they are important. Referring to a handout, he told the members that the ratings started in 1995, and by 2000, the NMFA had achieved an A-rating. He added that the NMFA has been working to improve its rating, and as a consequence, it has thus far reached a AA+ rating but hopes to achieve a AAA rating. He told the members that as a result of the subprime mortgage meltdown, the rating agencies and the criteria they use to set ratings are being reviewed by Congress. He said that one of the most important elements that will be looked at is the management and oversight controls of an agency. He noted that the fact that the New Mexico Legislature oversees the NMFA will undoubtedly help the NMFA maintain and improve its rating. He then told the members that NMFA staff travel to New York three times a year and meet with various rating agencies to update them on the NMFA accounts' performance. He indicated that those meetings continue to be positive in nature.

There was a discussion among the members regarding the ratings system as a whole. Some members questioned Mr. Sisneros about who, if anyone, rates Moody's and Standard & Poor's. This led to talks about investors, such as institutional buyers, who perform their own due diligence prior to purchasing assets. Mr. Sisneros told the members that the NMFA is focusing its efforts on building relationships with institutional buyers. He added that when staff members

travel to New York, they schedule meetings with investment groups specifically to establish relationships so that investors are not solely relying on information provided by the ratings agencies. He added that the investment groups look at the NMFA's performance and management with an emphasis on how things are handled if performance falters. Again, Mr. Sisneros reported that legislative oversight is valuable to potential investors when determining whether to invest.

Mr. Sisneros next spoke to the members about his opinion concerning the NMFA's need to communicate with its clients and working partners. He said that the NMFA is developing a marketing program and that NMFA staff members are attending municipal and county events and working with small and large bankers. He said that the NMFA has policies and internal processes in place that safeguard its assets. He added that the NMFA portfolio gets significant scrutiny, noting that NMFA staff members watch to see how money is going to its clients and how the clients are spending it.

In talking about the various NMFA-sponsored programs, Mr. Sisneros said that the NMFA has 16 programs, including the new colonias infrastructure program, which is still in the process of starting up. He also said that the NMFA has \$64 million remaining in the new market tax credits to allocate, and those projects are reviewed by a policy group on a regular basis. Governor Richardson's Investment Partnership (GRIP) funding remains an issue, and Mr. Sisneros reminded the members that the NMFA is still interested in replacing the GRIP variable-rate bonds with fixed-rate bonds. He said that the process had been stalled because the Department of Transportation (DOT) needs to complete its audit and a memorandum of understanding with the state. He said the DOT occupies an important seat at the table on the refinance issue. He added that the NMFA has a line of credit with Bank of America, but he remains most comfortable with a fixed rate, so he is still working on the swap.

Next, the discussion turned to the Public Project Revolving Fund (PPRF) program. Mr. Sisneros said that over the next five years, the NMFA projects \$1.6 million in activity related to that program. He hopes eventually to have a team of staff members assembled to deal with investment groups that are active in the southwest. Currently, NMFA staff members meet with these groups and educate them regarding the NMFA. He added that the NMFA intends to go to a competitive, as well as a negotiated, bond sales process. He said that the NMFA found that there is generally a savings when there is no middleman. He next spoke about the Water Trust Board, saying that it is allocating close to \$30 million, and that the NMFA has created a technical review team to become part of the process.

Mr. Sisneros next told the members that Congress is evaluating tax-exempt bonds. He said that the NMFA issues tax-exempt bonds, initially issuing Build America Bonds (BAB). There is a 35% rebate program on a BAB, so the NMFA evaluates and determines whether it is more effective to issue a BAB rather than a tax-exempt bond.

According to Mr. Sisneros, in some ways the NMFA currently operates more like a bank than in its earlier years. Previously, it did not have digitized records, but that has changed. The

NMFA is making serious progress in safeguarding and backing up all of its records. Transparency is part of the goal, and more information regarding NMFA transactions will be available on the NMFA web site. Another recent and interesting change is that the governor issued an executive order providing the NMFA with the authority to work with Indian tribes. Governor Richardson wants the NMFA to work with tribes regarding the question of sovereign immunity. In order for the NMFA to get a AAA rating, the NMFA needs the tribes to provide limited waivers, something with which not all the tribes are comfortable. He also noted that, according to statute, the NMFA cannot fund any tribal projects that are tied to gambling money. He noted that the Jicarilla Apache Nation completed a \$24 million water system project with NMFA funds.

There were some questions from members of the committee involving the GRIP and whether there are continuing investigations associated with the program involving additional legal costs for the NMFA. Mr. Sisneros told the members that the investigations and legal costs as they pertain to the NMFA are over. Some members requested that Mr. Sisneros and the NMFA staff provide copies of its 2009 balance sheet. Mr. Sisneros agreed to provide the information.

The committee was next addressed by Matthew Jaramillo, director of government affairs for the NMFA. He directed the members' attention to the NMFA project funding history handout provided for their review. He said that last year, the NMFA provided \$300 million for projects, adding that from 2005 to 2009, 254 of more than 300 projects were disadvantaged projects. He said that disadvantaged entities are defined by household incomes, and such designated entities receive either 0% interest or low-interest loans. He added that financial assistance to disadvantaged-qualified entities is contingent upon the NMFA board determining that the project affects the ability of the entity to provide governmental services necessary to public health, safety or welfare. The reduced-interest financing assistance limitations for such projects are \$75,000 per equipment project and \$200,000 per infrastructure project, and no single disadvantaged-qualified entity can receive reduced-interest rate assistance on more than \$200,000 in financing in any fiscal year.

### **NMFA Mission and Organizational Review**

Mr. Sisneros spoke to the members regarding the NMFA's vision and mission. Taking language from the NMFA's enabling statute, he told the members that it was determined that the NMFA's primary mission is to finance the future of New Mexico. He provided a handout for the members that highlighted the NMFA's values. Under the heading of "customer orientation", the NMFA hopes to deliver innovative, competitive products and services; develop effective relationships with customers and communities; instill confidence by supporting communities through project completion; listen and respond to internal and external customers; and have helpful, solution-oriented attitudes toward its customers.

There was a lengthy discussion regarding the NMFA's funding for disadvantaged entities. It was noted by members that for fiscal year 2010, the actual amount directed to disadvantaged entities is quite small relative to total funding. Mr. Jaramillo explained that the size of a loan is

often tied to the size of the entity. Committee members noted that it would be helpful to have a list of the NMFA projects for review at each committee meeting and that it would also be helpful to have that same information available on the web site. The NMFA staff agreed to provide the project information at future meetings.

Senator Papen asked the NMFA staff to address item number two from the Government Restructuring Task Force request memorandum. Mr. Jaramillo said the NMFA does not receive general fund money and is not an appropriated state agency, but it has nevertheless tried to focus on cost reductions for fiscal years 2010 and 2011. He added that the NMFA has tried not to impair its ability to provide excellent client services, regardless of current economic conditions. He told the members that the NMFA is continuing to increase web-based applications, making its operations more effective and efficient. On the topic of changes to NMFA procurement and contracting services, Mr. Jaramillo said that management is considering a move to a more employee-driven organization, including additional in-house staffing for legal, information technology, investor relations and water expertise. With regard to investor relations, Mr. Jaramillo said that the NMFA reviews programs to determine whether they should be removed or changed to become more efficient. He said that some of the NMFA programs may not be efficient because NMFA staff members rely on other agencies for certification. He mentioned a possible legislative initiative to improve the ability of the NMFA to be responsive to community needs, saying that when an entity operates as a bank, people can come in looking to solve funding problems. In the case of the NMFA, if a potential project has not previously been authorized in a project authorization bill, the entity seeking funding will have to wait until January for the funding to be approved during that next legislative session. He said that because the NMFA meets eight times a year with the NMFA Oversight Committee, perhaps the NMFA staff could come to the members for authorization throughout the year. He opined that this would make the NMFA more timely in its response to clients.

#### **PPRF — Analysis of the Locations and Credit Ratings of Borrowing Entities**

The staff of the NMFA provided the members with a lengthy handout breaking down all of the NMFA's transactions by county, from the time of the entities' inception through June 4, 2010. Michael Zavelle, NMFA chief of investor relations, and Greg Campbell, NMFA controller, along with Mr. Jaramillo, continued the discussions. It was noted that a number of the entities to which the NMFA lends funds have AA+ credit ratings, such as the Albuquerque-Bernalillo County Water Utility Authority. There was a brief discussion about whether the NMFA is actually competing with commercial banks and, therefore, taking business away from those private entities. Some members questioned whether municipalities are legally authorized to borrow from private banks, and there were questions about whether or not the NMFA's quest for a higher credit rating should be of paramount value. Many members stressed that the mission of the NMFA should be to fund projects that would not otherwise be funded by private means. Mr. Sisneros assured the members that the primary goal of the NMFA remains the same, but he stressed that part of that mission includes maintaining and raising the NMFA credit rating. He added that the NMFA continues to market its products to targeted borrowers. He said that NMFA staff members work with everyone that contacts the NMFA, and they travel to rural communities. Additionally, the NMFA continually looks to marketing campaigns, and if NMFA

staff members know that community has a need, staff members will talk with members of the community directly. A number of committee members mentioned that the work of the NMFA has been invaluable in their respective districts.

Again, the discussion turned to the possibility of the NMFA providing the members of the committee information regarding the removal of the current legislative oversight approval. There was talk about the general usefulness of the legislative oversight. A number of members voiced concerns for allowing the NMFA to operate without oversight and whether such a move would really change the process for the better.

### **Economic Development Revolving Fund — Options for Expanding the Program and Increasing Economic Development Opportunities**

Marquita Russel, NMFA chief of programs, updated members on the Statewide Economic Development Finance Act (SWEDFA). In her opinion, the SWEDFA puts New Mexico on par with what other states are doing to increase economic development, ultimately making New Mexico more competitive than it would be if the program did not exist. SWEDFA was enacted in 2003 and partners the NMFA with the Economic Development Department. The goal is to help stimulate economic development by providing greater access to capital in rural and underserved areas of the state. The Economic Development Revolving Fund currently has \$7 million remaining.

Ms. Russel talked to the members about the Smart Money Loan Participation Program. She said the program utilizes the relationships and lending expertise of local banks while sharing the risk with those banks. She added that the program provides interest rate buy downs for businesses and focuses on creating greater access to capital in rural and underserved areas. Above all, she said, the priority is to work with businesses that create jobs, especially high-wage jobs. She added that the NMFA is flexible in its participation in Smart Money projects. The NMFA may participate in up to 49% of bank-originated loans. However, the NMFA share will generally not exceed \$2 million, targeting \$50,000 of Smart Money funding for each new job created. She told the members that the Smart Money portfolio has provided a good distribution of funds throughout the state, including projects in Alamogordo, Raton, Silver City and Las Vegas, New Mexico.

Ms. Russel agreed with Mr. Sisneros that Congress is reviewing tax-free bonds. She said that those bonds may ultimately be replaced with BABs and that the NMFA has been approached by local governments that want assistance marketing bear bonds.

There being no further business for the afternoon, the meeting was recessed at 3:38 p.m.

### **Friday, July 16**

The chair reconvened the meeting at 9:07 a.m.

### **New Mexico Renewable Energy Transmission Authority (RETA) General Update**

Jeremy Turner, executive director for the RETA, began by talking to the members about House Bill 98 from the 2010 legislative session. He said that the bill would have authorized the RETA as an eligible entity under the PPRF to provide an alternative avenue for the placement of RETA bonds. It further would have authorized the RETA to issue bonds at, above or below par, to hold certain proprietary information confidential and to clarify the statute by allowing separate accounts. He said that House Bill 98 passed the house floor but failed on the senate floor. Mr. Turner said that the RETA intends to work with the committee on the same legislation for the upcoming session.

Mr. Turner next spoke about two applications currently before the RETA. The first is the Lucky Corridor, a proposed 500-kilovolt transmission line that would be approximately 130 miles long. The second is the Santa Fe Clean Line Energy Partners line project, a proposed 500-kilovolt, high-voltage, direct-current line from New Mexico to Nevada. He said that the projects committee has reviewed both projects and will make its decision as to whether the RETA will give its support at the next scheduled board meeting.

Next, Mr. Turner talked about the RETA budget. He said that staff had put together a two-year budget and submitted it to the Legislative Finance Committee. He noted that the RETA has maintained a flat budget and that the legislature had, on creating the authority, originally provided it with \$2 million and that the RETA would not be seeking additional funding. Mr. Turner added that the RETA has one bond issue pending, but with its \$2 million, it can operate through the fiscal year. If the bond deal is closed, the RETA will have funding through fiscal year 2012.

Mr. Turner talked about the RETA's efforts in trying to identify federal funding for programmatic environmental impact studies that are needed to get transmission lines operating within a couple of years. He talked briefly about the Los Alamos National Laboratory (LANL) economic and technical study focusing on looped versus radio collector systems. The study will look at five-, 10- and 20-year horizons and conduct an economic analysis of varying levels of investments in renewables. The overall strategy is to encourage job creation.

Some of the members asked questions regarding cost recovery related to transmission lines. Mr. Turner said that in the past, utility companies have traditionally built transmission lines, but without assured cost recovery, there is no incentive for them to continue doing so. Nowadays, a developer has to bear 100% of the cost. Because of the capital market and the costs associated with renewables, most developers cannot afford the cost. He said that the LANL study will help determine what the costs are and whether there is any incentive for in-state ratepayers to pick up some of the cost based on enhancements in their reliability and the economic development that would follow. He emphasized that cost recovery is critical. This was followed by a discussion about the fact that New Mexico has renewable energy, but there is frustration over not having transmission lines to get the product to market. Mr. Turner advised the members that part of the LANL study involves how best to use New Mexico's existing infrastructure. He told the members that the study should be completed by the middle of September. He said that a presentation to the oversight committee would then follow. One issue

is that if the state invests in existing infrastructure, what is that opportunity? He noted that New Mexico still has a lot of citizens that are underserved even though transmission lines may be near their communities. Several members expressed concern over whether the RETA is, in fact, looking to focus on service to smaller communities.

There was a brief discussion regarding renewable fuels being costly. Mr. Turner said that renewable energy does cost more, but it is being promoted on a federal level. A discussion ensued regarding the energy produced by New Mexico and the fact that most of it is not used within the state. Mr. Turner advised the members that New Mexico's usage needs are being served by cheaper whole-power plants. New Mexico's renewable energy will be marketed out of state, where there is higher demand and it is more profitable.

There was a discussion involving the RETA's authority to exercise eminent domain. Mr. Turner assured the members that eminent domain measures must be approved by the board.

### **NMFA Cost of Funds Relative to Other Financing Sources Available to New Mexico Borrowing Entities — A Comparison of Transactions Representing Financing Through the NMFA and Other Sources**

The next topic was a discussion regarding the cost of NMFA funds as compared to the cost of funding projects through private lenders. Of particular focus was a loan to the City of Gallup. Eric Harrigan of RBC Capital Markets told the members that RBC started working as an underwriter on the project and put together a plan in October 2009. RBC did an analysis that indicated that the NMFA transaction would represent a lower cost and notified the City of Gallup of that fact, but it did not receive a reply.

Currently, George K. Baum & Company is the financial advisor, and Southwest Securities, Inc., is the project underwriter for the Gallup transaction. Mr. Harrigan discussed the complicated financial environment of today's markets, citing the numerous types of funding mechanisms and the fact that each has benefits and drawbacks. He said that the relationships between types of financing change and an analysis done today could well be worthless next week. He added that there are factors beyond just the interest costs, and those factors could be very important in concluding why the City of Gallup did not work with the NMFA.

There was a discussion about the Albuquerque Metropolitan Arroyo Flood Control Authority and the fact that it has a AAA rating in both Standard & Poor's and Moody's. The authority also sells bonds; last year it sold \$10 million in bonds, and the effective interest rate was about 2%. According to Kevin Powers, director for RBC, in the current financial markets, the credit spreads between a AA and AAA rating have widened immensely.

The discussion returned to the Gallup project. Members discussed the issue of whether the NMFA is actually benefiting parties that could not otherwise get financing or is simply taking business from other competitive businesses. Members said that it seems like a lot of the NMFA money is going to entities that could likely get financing by other means. It was suggested that the oversight committee might take some time to specify policy directions the

NMFA should follow. There was a motion to go into executive session in a future committee meeting to discuss these issues. The motion passed unanimously.

With no further business, the meeting adjourned at 11:45 a.m.

**MINUTES**  
**of the**  
**THIRD MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**August 26-27, 2010**  
**Mimbres Valley Learning Center**  
**2300 East Pine**  
**Deming, New Mexico**

The third meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Mary Kay Papen, chair, on August 26, 2010 at 9:08 a.m. at the Mimbres Valley Learning Center in Deming, New Mexico.

**Present**

Sen. Mary Kay Papen, Chair  
Rep. Patricia A. Lundstrom, Vice Chair  
Rep. Anna M. Crook  
Rep. Brian F. Egolf, Jr.  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Rep. Jane E. Powdrell-Culbert  
Rep. Benjamin H. Rodefer  
Sen. Nancy Rodriguez  
Rep. Henry Kiki Saavedra  
Rep. James R.J. Strickler  
Sen. David Ulibarri  
Rep. Richard D. Vigil (August 26)

**Advisory Members**

Rep. Janice E. Arnold-Jones  
Rep. José A. Campos  
Rep. Mary Helen Garcia  
Rep. Thomas A. Garcia (August 26)  
Rep. Andy Nuñez  
Rep. Edward C. Sandoval  
Rep. Thomas C. Taylor

**Absent**

Sen. Sue Wilson Beffort  
Sen. Kent L. Cravens  
Sen. Tim Eichenberg  
Sen. Stephen H. Fischmann  
Rep. Roberto "Bobby" J. Gonzales  
Sen. George K. Munoz  
Rep. James P. White

Rep. Elias Barela  
Rep. Ernest H. Chavez  
Sen. Dianna J. Duran  
Rep. Candy Spence Ezzell  
Sen. Mary Jane M. Garcia  
Sen. Stuart Ingle  
Sen. Timothy M. Keller  
Rep. Ben Lujan  
Sen. Richard C. Martinez  
Rep. W. Ken Martinez  
Sen. John M. Sapien  
Rep. Sheryl Williams Stapleton  
Rep. Luciano "Lucky" Varela

(Attendance dates are noted for those members not present for the entire meeting.)

**Staff**

Doris Faust, Legislative Council Service (LCS)  
Claudia Armijo, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Thursday, August 26**

Senator Papen called the meeting to order and welcomed the members and guests. She asked the members to introduce themselves, which they did.

**Local Financing Issues**

John Sutherland, Luna County manager, and Richard McInturff, Deming city administrator, addressed the members of the committee. Mr. Sutherland thanked the chair for providing them the opportunity to speak at the meeting. He welcomed the members to Luna County, home of the genuine Carzallilla sweet onion, home to the vineyard of New Mexico's largest winery, St. Clair, home of New Mexico's other premier winery, Luna Rossa, numerous pecan orchards and the state's most prolific chile-producing region, not to mention the home of the feared Deming Wildcat football team.

Mr. Sutherland continued by telling the members that Luna County has three capital projects it will be seeking financing for in the near future. He asked that the members lend their support to any financing requests if the opportunity arises. The first project the county will be trying to fund involves the renovation of the historic third-floor Luna County courtroom. Mr. Sutherland noted that next year marks the one-hundred-tenth anniversary of the birth of Luna County, and, later that year, the county will celebrate the one-hundredth anniversary of the courthouse. Most of the courthouse renovation work was completed during an earlier project, and now the county officials want to finish the work. Renovation of the courtroom will not only provide a focus for the county's pride in its centennial, but the courtroom is also intended to serve as the county commission chambers. An architectural plan for the renovation has been drafted, and it is expected that the project will cost nearly \$300,000.

The next capital project that Mr. Sutherland described is the expansion of the Mimbres Valley Learning Center to accommodate additional classrooms at Western New Mexico University. The expansion is designed to fulfill the long-delayed plans for science classrooms and to provide classrooms for career technology classes. The plans for the expansion have been developed, and it is expected that this project will cost a little more than \$1 million.

The last project described by Mr. Sutherland is the acquisition of property and renovation of that property to serve as a law enforcement operation center for the Luna County Sheriff's Department. According to Mr. Sutherland, the sheriff's department has done an extraordinary job of providing safety and security for Luna County residents. He added that Luna County shares 54 miles of international border with the Republic of Mexico. The sheriff's department has been working out of a space that is considered totally inadequate for its purpose and is an obstacle to efficient law enforcement operations. The county has made an offer to acquire a building, and Mr. Sutherland believes the acquisition and renovation can be accomplished for about \$1.2 million.

Next, Mr. McInturff asked the committee to recognize John Brooks and Traci Davis, both of whom are staff of the NMFA. He relayed that they have been doing a wonderful job. He added that the NMFA has provided tools that have helped put rural New Mexico on equal footing with the bigger cities. He said Deming was awarded \$300,000 from the Water Trust Board for a water reuse project. He noted that the city plans on irrigating the sports complex with the reuse water. He also noted that Deming has been working closely with Ms. Davis on securing \$1.4 million to renovate the fire station, renovate the municipal court and replace the heating, ventilation and air conditioning system at city hall. The city hopes to take advantage of the Public Project Revolving Fund (PPRF) to meet the needs of these particular projects.

Mr. McInturff next brought to the members' attention what he referred to as a critical problem faced by the City of Deming. He said that the liner at the wastewater treatment plant had been installed in the early 1980s and is approaching the end of its life span. He advised that the city's treated wastewater is currently routed to two storage ponds having a total capacity of 60 million gallons and covering over 15 acres. A uniform funding application for the liner replacement project was submitted to the Department of Environment for consideration as a stimulus project, but it was rejected because the project was not "shovel ready". The project has been submitted to the Army Corps of Engineers. Mr. McInturff advised that the aging liner is the number-one funding priority for the city, and he opined that not addressing the priority could result in dire consequences. He said the project is currently in the design and permitting phase. He added that, although Deming officials have not yet approached the NMFA with the project, they likely will.

There was a discussion and questions asked by the members regarding the population of Luna County, which is 27,000 people. It was noted that unemployment is at 21%, the highest in the state. The county received \$15 million of federal stimulus funds, which was used for the reconstruction of Spruce Street.

Mr. McInturff advised the members that the food processing businesses in the area are great for the local economy, but they are seasonal. He added that the area is fairly dependent on agricultural programs. He noted that the food companies are trying to expand their product lines to include frozen products. If successful, such an expansion would increase annual employment. Mr. Sutherland added that the expansion of the Mimbres Valley Learning Center would help with the high unemployment situation in the county.

Members inquired as to whether the city could expect higher employment with the expansion of Sapphire Energy. Mr. McInturff responded by saying yes, but the progress has been slow. He noted that no actual construction for the project has begun. He also noted that there is a possibility of a wind farm coming to the area and this would produce about 150 construction jobs, although those are temporary in nature.

Mr. McInturff told the members that the expansion of the Savoy Travel Center has resulted in a housing development being built in that same area. He added that jobs have also been an outcome of the success of the Savoy Travel Center.

There was a general discussion about the high unemployment rate in the area, but it is hoped that new companies and expanding companies could provide long-term employment.

### **Grant/Loan Programs Administered by the NMFA**

Next, the committee was addressed by Matthew Jaramillo, director of government affairs for the NMFA. Mr. Jaramillo began by explaining that the NMFA does not have a 100% grant program. He advised that, currently, the NMFA has three grant/loan programs. They are the Local Transportation Infrastructure Fund, the Water Project Fund/Water Trust Board and the Local Government Planning Fund. He told the members that soon the NMFA would add to the grant/loan programs the Colonias Infrastructure Fund. The members asked for a list of the grant/loan fund projects, and Mr. Jaramillo said he would get the information for the committee.

Next, Mr. Jaramillo explained that the NMFA is statutorily charged with administering the Local Transportation Infrastructure Fund and the NMFA has the authority to:

- 1) use half of the administrative fee paid by the Department of Transportation to manage Governor Richardson's Investment Partnership (GRIP);
- 2) use the revenue to pay annual debt service for up to \$20 million of bonds to capitalize the fund;
- 3) receive a priority list from the Department of Transportation of eligible local transportation projects to be funded; and
- 4) provide assistance to local entities on the priority list for grant funding.

Mr. Jaramillo referred the members to a graph illustrating the Local Transportation Infrastructure Fund projects active from fiscal year 2007 to those forecast through fiscal year 2012.

Next, Mr. Jaramillo spoke to the members about the Water Project Fund/Water Trust Board. He noted that the funds are the result of the Water Project Finance Act enacted in 2001. The act established and designated the Water Trust Board to recommend projects for funding through the Water Project Fund. Pursuant to the act, the 16-member board is authorized to recommend funding within five project categories, which include:

- 1) water treatment, including conservation or reuse;
- 2) flood prevention;

- 3) federal Endangered Species Act of 1978 collaborative efforts;
- 4) water storage conveyance and delivery infrastructure improvements; and
- 5) watershed restoration and management initiatives.

These project categories reflect the state's comprehensive effort to promote funding for projects that improve water quality up and down the value chain from the water source to its use.

Mr. Jaramillo directed the members' attention to the handout that illustrates the Water Project Fund/Water Trust Board funding cycle, starting in late summer. Mr. Jaramillo noted that in fiscal year 2009, the NMFA allocated \$33 million to 32 separate projects.

The chair asked for a list of specific projects completed and also a list of those still outstanding. Members also requested a list providing a breakdown by project type. Mr. Jaramillo indicated that he would provide the committee with the requested information as soon as possible and would definitely provide project information at the committee's November meeting.

Mr. Jaramillo next began a discussion about the Local Government Planning Fund. He said the fund was created in 2002 to provide up-front capital necessary for proper planning of vital public projects, including water and wastewater preliminary engineering reports, water and wastewater master plans, water conservation plans and comprehensive economic development plans. He told the members that \$50,000 maximum per 24-month period is available to local governments. The statute requires that the entity repay the grant if funding for the project is received from any source other than the NMFA. Additionally, all planning documents must be approved by the NMFA prior to the release of any funds by the Construction Planning Bureau.

Mr. Jaramillo referred the members to a pie chart illustrating completed projects funded through the Local Government Planning Fund.

The last fund Mr. Jaramillo spoke about was the Colonias Infrastructure Fund. The fund was created in 2010 to assist in providing adequate infrastructure in poor communities. Communities dealing with poor social, health and economic conditions involving water and wastewater systems, solid waste disposal systems, flood and drainage control and roads and housing infrastructure are the targets for the program. He noted that for definition purposes, a "colonia" is a rural community with a population less than 25,000 and located within 150 miles of the United States/Mexican border that:

- 1) has been designated as a colonia by the municipality or county in which it is located;
- 2) lacks a potable water supply, adequate sewage system and decent, safe and sanitary housing; and
- 3) was in existence as a colonia prior to November 1990.

### **Summary of Recent PPRF Project Applications**

Mr. Jaramillo reminded the members that the PPRF was created in 2005 and provides local governments with a low-cost financing tool with a 25% grant incentive. The fund allows

for the use of cash or matching funds to meet the 75% obligation and still receive the 25% grant. The 25% is applicable up to an amount of \$500,000. He noted that the matching fund sources may be any money available to the local government for the project.

Mr. Jaramillo provided an executive summary handout for the members that highlighted five projects funded by the NMFA during the past year. The projects range from school projects to the Spaceport. He also provided a handout listing 18 projects that did not qualify for NMFA funding. He noted that 12 of the 18 projects were PPRF programs. He pointed out that if the NMFA does not fund a project, it is usually because the NMFA determines that the requesting entity cannot sustain the debt associated with the project.

Mr. Jaramillo provided a handout that outlines the PPRF application process. He said the handout was designed to illustrate the process that any project application must go through. He added that there would be more discussion and presentation on this topic at the committee's next meeting.

Lastly, Mr. Jaramillo provided the members with a copy of the NMFA's August 26, 2010 board meeting agenda. He pointed out that the board was meeting at the same time the oversight committee was holding its meeting in Deming.

After the conclusion of Mr. Jaramillo's presentation and the brief discussion that followed, there was a motion to approve the minutes from the committee's July 15 and 16, 2010 meeting in Santa Fe. The motion was seconded, and it passed unanimously.

### **Overview of Border Economy — Megatrends Affecting the Border Region**

Fred Mondragon, secretary of economic development, spoke to the committee regarding the border economy. Secretary Mondragon began by telling the members about the Foxconn facility located in Juarez, Mexico. The company is based in Taiwan, but the bulk of its clients are in the United States, with Dell being the largest. He said that the company had invested \$240 million to build the first part of its business "campus". He added that it would be expanding even more soon. The campus currently occupies 150 acres and has 7,300 employees, and that number is growing constantly. The plans call for it to occupy 600 acres and employ up to 20,000 workers. The company produces Dell computers, laptops and servers. Secretary Mondragon speculated that the company has the potential to draw large numbers of maquiladora suppliers to the area. He noted that, with the rising costs of Chinese products and materials, plus the logistical costs of shipping products from Asia to North American markets, Asian companies and suppliers have a newfound interest in relocating their businesses to be closer to assemblers and customers. He said that for the first time ever unions are starting to be allowed in China. He added that Chinese companies have experienced worker suicides and have provided bad working conditions and housing. With the formation of the unions, wages are going up and some companies are looking for alternative locations.

Secretary Mondragon informed the members that as many as six solar companies have approached Mexico's economic department regarding opening businesses in New Mexico, particularly in southern New Mexico.

Secretary Mondragon spoke to the members regarding the proposed plan for a port in Punta Colonet located south of Ensenada, Mexico. He described it as what would be the world's third-largest port. The port is a proposed \$4 billion deep-water port. According to Secretary Mondragon, Mexico's secretary of communications and transportation has declared that Santa Teresa would be an essential entry hub for products entering the Punta Colonet Port. Secretary Mondragon explained that the ports of Los Angeles and Long Beach are basically full and cannot be further expanded. Because a port along the Pacific coast is needed, the Mexican government is planning accordingly. Originally, it was planning for the opening of a port that would have crossed into Yuma, Arizona. He noted that the potential expansion of Puerto de Guaymas in the Mexican state of Sonora could greatly benefit New Mexico. He added that, currently, Union Pacific is considering moving its refueling plant so that it bypasses Juarez and connects to Santa Teresa. He said that the Santa Teresa border crossing is a huge success for New Mexico.

The Santa Teresa border crossing project received \$10 million in federal American Recovery and Reinvestment Act of 2009 funds for expansion of passenger vehicle lanes from two to five, expansion of commercial inspection lanes from two to three and construction of pedestrian sidewalks. In 2009, the Santa Teresa border crossing had a 25% increase in trucks crossing for a total of 57,400 trucks. Secretary Mondragon estimated that the value of goods crossing the border in 2009 was \$4.4 billion, a 256% increase.

Secretary Mondragon spoke specifically about the Economic Development Department's Office of Mexican Affairs (OMA). He said that the office promotes trade throughout all of Mexico, not just border states. He said the office carries out trade missions to find new markets for New Mexico parts and services, and it is active in recruiting Mexican companies to locate in New Mexico. Lastly, he pointed out that the office establishes intergovernmental relations through the New Mexico-Chihuahua and New Mexico-Sonora commissions and the Border Governors Conference devoted to health, tourism, security, education and economic development.

Finally, Secretary Mondragon told the members that the Border Authority deals specifically with border infrastructure and land travel between Mexico and the United States. He said the authority oversees development and promotion of international ports of entry located at Santa Teresa, Columbus and Antelope Wells. He added that the federal government has agreed to put money into projects in these border areas, specifically in Antelope Wells and Columbus.

Secretary Mondragon noted that the passage of Arizona's Senate Bill 10 has meant more and more people coming to New Mexico preferring to do business in New Mexico. The Economic Development Department is hoping to attract larger companies, particularly manufacturers that include assembly plants, for business in New Mexico. Many of those types

of companies are currently still located in China, but they are hoping to relocate to the United States.

There was a discussion regarding Secretary Mondragon's impression of what the Mexican government might be doing to improve the quality of life for citizens of Mexico. Members strongly expressed their concerns over the poverty experienced by so many of Mexico's citizens. Secretary Mondragon replied that he believes the Mexican government is trying to improve the quality of life and reduce poverty levels and is attempting to create a middle class among Mexico's citizens.

When asked why or how New Mexico can benefit from freight coming across the Santa Teresa border crossing, Secretary Mondragon replied that it has the potential of creating jobs at the border. When questioned about the working conditions at the Foxconn campus, Secretary Mondragon noted that the working conditions in Mexico are not like those found at Foxconn in China.

### **Lunch and Tour of the Savoy Truck Stop**

The members were transported by bus to the Savoy Truck Stop. The truck stop is a project that received new market tax credits. The project involved expansive improvements to the existing truck stop. The Savoy Truck Stop now provides 74 permanent jobs, 56 of which are full-time jobs. It has also provided a \$2.5 million increase in state gas taxes. Committee members were provided lunch and were addressed by Art Herlihy, operations manager for the Savoy Truck Stop. Mr. Herlihy thanked the members for their attendance and for their support of the NMFA-funded project credited with expanding the truck stop. He told the members that the truck stop continues to be a success and continues contributing to the local economy, particularly through providing jobs. A number of the members commented on the large size of the truck stop and the notable services it provides, particularly for long-haul truckers.

### **Border Authority General Update**

Andrew Morales, executive director for the Border Authority, along with James Creek, projects manager, and Marco Herrera, international logistics manager, both of the Border Authority, provided a general update. They told the committee that they would be providing an update in two broad categories, a general update and a budget update.

Mr. Morales began by telling the members that during the first quarter of fiscal year 2010, the Border Authority reviewed existing contracts and renewed only the most valuable contracts. He added that some contracts were renegotiated for lower costs. The Border Authority also cut spending and lowered expenses related to travel. Mr. Morales stated that spending was cut across the board. He explained that the Border Authority has been making efforts to increase revenues. One method that has been implemented to generate more revenues is that the Border Authority became the owner of a parking facility, rather than leasing that same facility as it had in the past. He stressed that the Border Authority's mission is to be self-sustaining. Implicit in that mission is the hope that more people will cross the border into Mexico out of New Mexico rather than El Paso.

Mr. Morales then told the members that during the third quarter of fiscal year 2010, the Border Authority conducted a traffic study along with data collection. He said that as a result of the 2010 legislative session, the Border Authority's budget was cut by 22% for fiscal year 2011. Additionally, one full-time-equivalent position was cut. Even after the cuts, he explained, the budget for the fiscal year ended in the black.

Mr. Creek next spoke to the members. He explained that border issues are wide ranging and involve many topics. He said the smallest port of entry is Antelope Wells in the southwest corner of the state. He explained that it is a noncommercial port for cars and shuttle buses. He said the traffic at that port has doubled in the last four years. Much of that is due to the fact that people do not want to travel through Juarez and Palomas.

Mr. Creek continued by explaining that the Columbus port of entry's noncommercial and passenger car and pedestrian traffic has decreased by between 10% to 20% over the past few years. However, the Border Authority officials project a 30% to 35% increase in commercial trucks at the port. Mr. Creek attributed the increase in commercial traffic to trucks carrying chile coming north into New Mexico. He said that the greatest increase in volume is occurring at the Santa Teresa port of entry. He projected that 75,000 trucks will come across the border through that port this year, which is double the amount over the past four years. He noted that because of the heavy volume, some trucks are being diverted through Juarez. He added that it is expected that one-half million cars will cross northbound into New Mexico at the Santa Teresa port of entry in 2010. Because the lines for entry are longer at Santa Teresa than at El Paso, the Border Authority has various projects underway to improve that situation.

The new capital improvements projects at New Mexico's ports of entry are estimated to cost between \$80 million and \$100 million in projects in design work under construction.

At Antelope Wells, there is a port replacement project receiving \$10 million in federal funding. The project is currently under construction, with a completion date of May 2012. At Columbus, there are two projects, one of which is the construction of the commercial vehicle bypass road at a cost of \$3 million in both federal and state funds. The project is set to begin in October 2010, with a May 2011 completion date. The other project is a Columbus port replacement project with an estimated cost of over \$60 million in federal funding. The design of the project is 20% complete, and construction is set to begin in early 2012. Mr. Creek noted that the Columbus port when complete will be all new. He added that it will be a prototype for future ports. He projects that the port will generate huge amounts in gross receipts taxes for Columbus and Luna County.

There are three projects at the Santa Teresa port. There is a port expansion project estimated to cost \$10 million in federal funding. The design-construction contract has been awarded, and the construction should be completed by early 2012. There is a weigh and safety inspection station project at Santa Teresa estimated to cost \$14 million and funded equally with federal and state money. The design for the project has been completed, and construction is set to begin in early 2011. The project should be completed by mid-2012.

Mr. Creek mentioned that the Border Authority has been working with Public Service Company of New Mexico to export natural gas to Mexico. He noted that next week, Border Authority officials will sign the pre-construction contract for the natural gas pipeline through the Santa Teresa port area.

Next, there was a discussion about trucks entering New Mexico through the various ports of entry. Members asked if the trucks are weighed and inspected. Mr. Creek responded that there is a North American Free Trade Agreement requirement that every truck entering the United States from Mexico is subject to inspection. Because of the volume of trucks, they cannot all be inspected. Consequently, once inspected, a truck may get a 90-day sticker, meaning it passed inspection and is therefore good for 90 days from the inspection date.

There was then a discussion about Hatch chile actually being produced in Mexico, not in New Mexico. The members were told that the chile produced in Mexico does not go into the fresh chile market. The chile is also subject to federal Food and Drug Administration and border inspection. Also, chile that is sold in a sack must be labeled noting it was produced in Mexico. The members expressed a general concern regarding the authenticity of Hatch chile actually produced in Mexico.

Next, Mr. Moralez noted the large decrease in the Border Authority's budget for fiscal year 2011. He pointed out that after the Border Authority meets its general obligations, it will experience a shortfall of \$43,932. He again stressed that the Border Authority is trying to determine ways to generate additional revenues.

Mr. Moralez directed the members' attention to the budget. He noted that the parking facility now owned by the Border Authority produced \$91,000 in revenues last year and is projected to produce \$120,000 this year. He also mentioned an economic development grant worth \$1.23 million.

At this point, a motion was made by the members to ask the NMFA to set aside \$50,000 of economic development money to assist the Border Authority in its planning functions. Some members expressed concern over the wording of the motion and suggested that it involved a recommendation for the NMFA to consider the request. The motion passed as amended.

Mr. Moralez described information regarding the Border Authority's staffing and the duties of the deputy director, the projects manager, the international logistics manager, interns and the executive director. It was noted that the members of the board are appointed by the governor.

### **Border Development Organizations — Review for Potential Overlap**

The chair asked Mr. Moralez, Randy Trask, director of the Trade and Mexican Affairs Division of the Economic Development Department, Juan Massey, director of regulatory affairs for Verde Realty, and Jerry Pacheco, vice president of the Border Industrial Association, to all sit and address the committee members for the next topic segment.

There was a discussion regarding the concept of combining the Border Authority and the OMA. It was noted that this concept is something the Government Restructuring Task Force is currently reviewing. When asked his opinion regarding a possible combination of the two agencies, Mr. Moralez stated that he wants the Border Authority to remain a non-revolving agency. He offered that he does not think the concept is a good idea. He noted that the Border Authority is tasked with infrastructure duties, which is different than the duties of the OMA.

At this point, Mr. Trask began speaking to members about the OMA. He told the members that the OMA is tasked with helping to do business with Mexico and identifying important issues and opportunities for the state by maintaining a relationship with Mexico. He said that the OMA works with the maquiladoras to see what they need and looks for businesses outside of New Mexico for suppliers that may want to move to New Mexico to be closer to the maquiladoras. He also noted that the OMA conducts trade missions, at least five a year mandated pursuant to statute, which create opportunities for New Mexico's businesses to find customers or suppliers in Mexico. He said that the OMA works with the New Mexico Small Business Assistance Program as the southern New Mexico liaison to provide access to businesses to scientists from the national laboratories to help assess their business functions and operations.

Mr. Trask explained that the OMA collaborates with the New Mexico-Chihuahua Commission, New Mexico-Sonora Commission and Border Governors Conference. He stressed that those collaborative efforts and relationships are New Mexico's lifeline to those Mexican state governments for all issues that arise.

Mr. Trask continued informing the members regarding the trade and business programs of the OMA. Additionally, he explained the duties and responsibilities of the OMA team of three employees.

Further discussions ensued regarding the possible combining of the Border Authority and the OMA. Mr. Pacheco spoke and noted that he was asked to look at the border industries regarding possible consolidation of agencies. He explained that when different delegations in their official capacities visit Mexico, Mexican officials are often confused. Because New Mexico has multiple agencies all working on Mexican affairs, he also noted that in 2001, he had tried to legislatively put together a commission to look at the issue. He noted that the duties and responsibilities of the Border Authority focus on infrastructure and planning. He suggested that New Mexico needs to develop a centralized state plan with regard to dealing and interacting with the Republic of Mexico.

Mr. Massey told the members that in his view, after reviewing the statutes, there is an overlap in duties among various state agencies. According to him, this overlap has created confusion. The members asked that the LCS review the statutes and specifically look for overlaps.

Mr. Pacheco recommended that the OMA be placed in the executive, specifically the Governor's Office. In his opinion, the officials in Mexico would take the OMA more seriously knowing that it is directly tied to the Governor's Office. He added that in his opinion, the Border Authority is probably the most important state agency for the private sector. He noted that the board of the Border Authority must cooperate with the Department of Environment, the Department of Finance and Administration and the Tourism Department. He suggested that legislators consider carefully the composition of the board.

Lastly, Mr. Pacheco offered the idea of legislators pursuing businesses in the private sector to assist with specific needs near the Santa Teresa port of entry. He cited the need for wastewater capacity in Santa Teresa, which could possibly be funded by the private sector and the federal government.

With no further business, the committee recessed for the afternoon at 4:35 p.m.

### **Friday, August 27**

Senator Papen reconvened the meeting at 9:05 a.m.

### **Spaceport Authority General Update**

Rick Homans, executive director for the Spaceport Authority, Ben Woods, newly appointed chair of the board for the Spaceport Authority, and Caroline Winsler, head of astronaut sales and tourism for Virgin Galactic, spoke to the members regarding Spaceport America (the Spaceport).

Mr. Homans started the discussion with a general update, which included a number of frequently asked questions regarding the Spaceport. He noted that many people want to know who owns the Spaceport. Mr. Homans clarified that the Spaceport is owned by the residents of New Mexico, as it is a state-owned project. It is the world's first publicly built commercial spaceport. It is located in the remote desert in rural southern New Mexico. The reason it is being built is for economic development, tourism and education. The vision behind the Spaceport is that it will be a facility entering on the ground floor of an expanding global enterprise. The Spaceport is projected to be completed in late 2010 or early 2011. Flight operations will begin when officials determine that all aspects of operations are ready and safe for space travel. Virgin Galactic holds a lease with a 20-year term and will have its world headquarters and operations based in New Mexico.

Mr. Homans provided a handout for the members that contained a number of photographs and illustrative representations of various points of interest on the Spaceport's grounds. The handout included a site layout showing the locations of such areas as the runway, terminal hangar and vertical launch site. Mr. Homans advised the members that there is archaeological mitigation ongoing at the site, and he assured them that the Spaceport Authority takes very seriously its commitment to preserving archaeological artifacts. He noted that cultural artifacts relating to Native Americans, Hispanics and local ranchers have all been found at the site.

Mr. Homans told the members that the Spaceport will be the home to two White Knight aircraft, as well as five spaceships. There will be a 10,000-foot runway constructed of 42-inch thick concrete, and it will accommodate a Boeing 747 jet aircraft, and even the president of the United States' plane, Air Force One.

Currently, about 600 people are working on the construction at the site of the Spaceport. The site will have a 1.3 million gallon water storage tank, which will be one of the largest of its kind in New Mexico. The water storage tank is estimated to have an adequate capacity to handle two potential emergency "incidents". This capacity is required pursuant to Federal Aviation Administration (FAA) regulations.

About three miles southeast of the terminal will be a wastewater treatment plant and nearby will be the vertical launch site.

The handout contains depictions of the operational development process from phase 1 of construction through the completion of the visitors' facilities. Additionally, there is an illustration of the chronology of the necessary planning steps for the ultimate opening of the Spaceport.

Once fully operational, Mr. Homans projects that the Spaceport will have about 15 to 18 regular, on-site staff. A higher percentage of those working at the Spaceport will be contract workers, many working within government contracts. He added that the Spaceport officials will be looking for a company to manage and operate the Spaceport's visitor services. The operations will include:

- 1) the welcome center management;
- 2) transportation;
- 3) concessions;
- 4) restaurants;
- 5) retail and merchandising;
- 6) on-site visitor management; and
- 7) exhibits and interpretive content.

Additionally, general services for grounds, vehicles, fuel, the airfield and janitorial and facilities maintenance will be needed.

An operations support request for information was released on July 30, 2010, and a visitor experience request for information is estimated for release in late August 2010.

There are a number of active projects underway at the Spaceport at this time. Mr. Homans said that the Spaceport officials have been working with New Mexico's congressional delegation on issues related to the promotion of the Spaceport. He noted that there has been significant interest in the Spaceport's progress and plans at the federal level and even worldwide. Mr. Homans also said that the federal Commercial Reusable Suborbital Research Program for

the purchase of research payloads could effectively bring about \$15 million a year to the Spaceport for the next five years.

One of the most exciting news items Mr. Homans shared with the committee was that New Mexico State University (NMSU) won a national competition to host the FAA's Center of Excellence (COE) for Commercial Spaceport Transportation. The COE is a research consortium that will include scientists from NMSU and a number of respected institutions of higher learning. Mr. Homans credited Dr. Pat Hynes for her work in the success of the competition. Additionally, Mr. Homans sees this as having huge economic development potential for New Mexico.

Mr. Homans told the committee that the Spaceport's runway dedication is expected to bring about 600 to 800 people, including worldwide dignitaries. He added that one of the White Knight aircraft with its spaceship flew a crewed flight on July 15, 2010. The next step will be to conduct a flight with the release and gliding landing of the spaceship.

Mr. Homans told the members that the Spaceport has entered a memorandum of agreement with White Sands Missile Range, and the entities have established top-level quarterly meetings.

There have been some water issues regarding local aquifers. The Spaceport Authority enters into construction contracts that require that each contractor supply any needed water for the work to be completed. One of the contractors secured some water rights from the City of Las Cruces. In so doing, and during the height of its construction work, the contractor was pulling enough water to greatly reduce the water levels. Even though not a party to the agreement involving the water rights, Spaceport officials have taken responsibility and are going to place transducers to monitor the water table and determine whether it will come back. At this time, the state engineer has put two wells into production with the water rights reserved for the Spaceport, and they should be operational in about 30 days.

Mr. Homans gave an overview regarding some of the qualities of the area of New Mexico where the Spaceport is located. He described this rural area of New Mexico as having an optimal 4,000-foot elevation and an abundance of clean air. He said that those involved in the Spaceport are committed to its positive economic impact on the local and state economy.

Mark Lautman, chief executive officer, Lautman Economic Architecture, told the members that maximizing the state and local returns on investment in the Spaceport will require the development of a regional economic development organization. He added that the return on the investment will ultimately be determined by how well the opportunity is managed.

Ms. Winser told the members that there will be great opportunities and great demand for services and cultural experiences from the people traveling to the area to visit the Spaceport, travel in space and especially from those numerous people who will accompany the space traveler, but not actually go through the training or flights at the Spaceport. She stressed that

those people will want to enjoy their time in the local area and will have money to spend and a desire for exciting activities, as well as dining and shopping.

Ms. Winser said that there are two aspects to potential Spaceport-related tourism, the American or international tourist and the Virgin Galactic customer. She stressed that Virgin Galactic wants every customer to have an amazing experience and wants their traveling companions not going up in space to have an equally amazing visit. She expressed a need for local entrepreneurs to foresee potential business and services opportunities. An example she shared is a need for coach services to transport tourists from the airports to their lodging or other areas of interest. She said that the local residents need to have training and education and seek out opportunities, and they cannot expect Virgin Galactic to simply provide employment, although she also noted that Virgin Galactic has a lot of experience in going into similar areas and helping with start-up businesses. When asked if she has met with officials from any of New Mexico's business schools or schools with restaurant and tourism programs, Ms. Winser explained that she had not met with them yet, but is scheduled to meet with people from NMSU soon.

There was a discussion regarding the quality of jobs that might be an outcome of the Spaceport's operations. Members expressed concern over jobs being limited to the hotel and service industries. Members also expressed their concerns over the water usage issues. Mr. Homans repeated that the state engineer has given water rights to the Spaceport, and it has three years to perfect its water rights. Additionally, Mr. Homans said that fortunately, at the Spaceport location, the water base has a good ability to recharge and good velocity to move.

Members asked about steps, if any, taken to officially change the name of the Spaceport to "Spaceport America". Mr. Homans replied that the issue is being researched with regard to any potential legal ramifications, but he clarified that the Spaceport is operating as Spaceport America.

Members inquired as to whether Spaceport officials have any guidelines in place to promote the hiring of New Mexico residents and for the use of New Mexico businesses for services and supplies needed for the Spaceport. Mr. Homans explained that there is a difference in the procurement for construction services and general services. When dealing with construction, the low bid will win the contract regardless of where the low bid emanates from, whether inside New Mexico or not. However, when it comes to services, there is more discretion permitted. He said that the Spaceport officials intend to incentivize the request for proposal process in a manner that would work with New Mexico residents and businesses. He added that the definition of what is a New Mexico business could be narrowed to avoid out-of-state companies with small satellite offices in New Mexico qualifying as a New Mexico business.

With no further business, the meeting was adjourned at 12:11 p.m.

**MINUTES**  
**of the**  
**FOURTH MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**October 5-6, 2010**  
**Room 307, State Capitol**  
**Santa Fe**

An executive session of the members of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Mary Kay Papen, chair, on October 5, 2010 at 9:01 a.m. in Room 307 of the State Capitol in Santa Fe. The executive session was followed by the fourth meeting of the NMFA Oversight Committee, which was called to order by Senator Papen at 10:05 a.m.

**Present**

Sen. Mary Kay Papen, Chair  
Rep. Patricia A. Lundstrom, Vice Chair  
Rep. Anna M. Crook  
Rep. Brian F. Egolf, Jr. (October 5)  
Sen. Stephen H. Fischmann  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Sen. George K. Munoz (October 5)  
Rep. Jane E. Powdrell-Culbert  
Rep. Benjamin H. Rodefer  
Sen. Nancy Rodriguez (October 6)  
Rep. Henry Kiki Saavedra  
Rep. James R.J. Strickler (October 5)  
Rep. Richard D. Vigil (October 6)  
Rep. James P. White

**Absent**

Sen. Sue Wilson Beffort  
Sen. Kent L. Cravens  
Sen. Tim Eichenberg  
Sen. David Ulibarri

**Advisory Members**

Rep. Janice E. Arnold-Jones  
Rep. Ernest H. Chavez  
Rep. Candy Spence Ezzell  
Rep. Mary Helen Garcia  
Rep. Thomas A. Garcia  
Rep. Ben Lujan  
Rep. W. Ken Martinez  
Rep. Andy Nuñez  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton

Rep. Elias Barela  
Rep. Jose A. Campos  
Sen. Dianna J. Duran  
Sen. Mary Jane M. Garcia  
Sen. Stuart Ingle  
Sen. Timothy M. Keller  
Sen. Richard C. Martinez  
Sen. John M. Sapien

Rep. Thomas C. Taylor (October 5)  
Rep. Luciano "Lucky" Varela

(Attendance dates are noted for those members not present for the entire meeting.)

### **Staff**

Doris Faust, Legislative Council Service (LCS)  
Tom Pollard, LCS  
Claudia Armijo, LCS

### **Guests**

The guest list is in the meeting file.

### **Handouts**

Handouts and other written testimony are in the meeting file and posted on the New Mexico Legislature web site.

### **Tuesday, October 5**

Senator Papen welcomed the members and reminded them that the executive session had been scheduled as a result of a motion passed at the previous committee meeting. She asked Senator Fischmann to chair the executive session, and he agreed.

The topic of the discussion was focused on the NMFA's Public Project Revolving Fund (PPRF) and information requested by members regarding the credit-worthiness of borrowers participating in this and other NMFA loan programs. The overarching question the members discussed was whether the NMFA is providing loans to entities that might not otherwise be successful in securing traditional financing.

The discussion turned to whether the direction of the NMFA has changed over time, specifically since its creation in statute by the legislature. Tied to that discussion were comments by members regarding whether the oversight committee should provide specific policy directives to the NMFA, and, if so, what those directives might be.

The committee reviewed a memorandum compiled from data provided by the NMFA staff, specifically, a table that includes details regarding the various types of loans that have been provided by the NMFA from 1995 to the present. The memorandum details the four categories of loans identified in NMFA bond documents. The rating agency Moody's categorizes the loans as follows:

1) Category 1 denotes a loan with a rating equivalent to A or better. These loans receive no discount, and 100% of the pledged revenues are counted;

2) Category 2 denotes a loan with a rating equivalent to Baa. These loans receive a 20% discount, and 80% of the pledged revenues are counted;

3) Category 3 denotes a loan with a rating equivalent to <Baa, but not a Category 4 rating. These loans receive a 50% discount, and 50% of the pledged revenues are counted; and

4) Category 4 denotes a non-performing or otherwise designated Category 4 loan by the NMFA. These loans receive a 100% discount, and none of the pledged revenues are counted.

The topic among the members centered on whether the NMFA is making enough loans to Category 2, Category 3 and Category 4 entities. According to the information received from the NMFA, the trend over time appears to be that the NMFA is making a larger percentage of loans to entities in Category 1. Category 1 loans have very low risk. It was noted that holding Category 1 loans within the NMFA portfolio helps to keep the NMFA's bond rating high, and that having high-quality loans in its portfolio diversifies the pool. Consequently, all NMFA borrowers have benefited from low interest rates, particularly during the recent financial market meltdown.

Members discussed the status of Category 4 loans and were reminded that such loans are not categorized because of a risk for default. Rather, those loans are categorized as higher risk because they require a larger pledge of the governmental gross receipts tax (GGRT) funds. It was noted that the loans that require a higher percentage of pledged GGRT funds "soak up" the GGRT pledging capacity and result in less money available for the NMFA to lend. However, members questioned whether the NMFA has been pledging the GGRT to capacity.

The members voiced concerns regarding whether there are entities in need of funding that do not have access to loans through the NMFA and have had loan applications rejected by the NMFA, or perhaps they do not even know or understand the types of programs that the NMFA offers. Members also expressed concern that the NMFA might be funding loans for entities that could secure loans from private financial institutions. If so, members questioned whether that is a good idea and whether such lending is in line with the intentions the legislature had when it created the NMFA.

Some members expressed a desire to have more information regarding how many and which specific projects have been rejected by the NMFA. In general, the members talked about the committee's need to determine whether it should set specific policies or a mission for the NMFA to follow when determining which loans to provide.

The executive session was adjourned at 10:00 a.m, and the NMFA Oversight Committee meeting was called to order at 10:06 a.m.

### **Local Transportation Infrastructure Fund (LTIF) Overview and Project List**

Gary Giron, secretary for the New Mexico Department of Transportation (NMDOT), addressed the members regarding the LTIF. He reminded them that the LTIF had been

legislatively created within the NMFA in 2005 to provide funding for local transportation projects. He said that loans and grants can be made to local projects that are placed on a prioritized list submitted annually to the NMFA from the NMDOT. Grants cannot exceed an amount more than 25% of the total cost of the project and cannot exceed more than \$500,000. The fund is capitalized with the transfer of one-half of the NMDOT fee paid to the NMFA to manage the bond program; the bonds can be sold for the LTIF in an amount outstanding of no more than \$20 million.

The LTIF has been used exclusively to provide grants to entities for the match required for Governor Richardson's Investment Partnership (GRIP) II projects. Since 2007, \$4.2 million in grants have been made. Although loans may be authorized pursuant to the program, there has not been an interest in LTIF loans, and the authority to issue bonds for the LTIF has not been exercised.

Secretary Giron referred the members to the handout he provided that lists LTIF projects referred to the NMFA by the NMDOT and approved by the NMFA board. The list includes projects from 2007 to the present and also includes the uncommitted LTIF funds, which total \$2.1 million.

Secretary Giron said that the pace of activity associated with the program has slowed due in part to the shortfall in available funding from GRIP II, capital outlay and the Local Governments Road Fund (LGRF). Lastly, Secretary Giron told the members that the NMDOT plans to broaden its focus of the program from the GRIP II match to assisting local governments with the match required for the LGRF. He noted that the current LGRF statutory provisions allow a preference to local entities that can provide a 25% match. He said that the LTIF could be used to supplement the current LGRF set aside of up to \$1 million to assist with the match in cases of financial hardship.

There was a general discussion regarding the GRIP funds and the status of the allocations and commitment for both GRIP I and GRIP II projects. Members inquired as to whether there are enough state contractors to perform the work associated with the GRIP projects, and Secretary Giron said that contractors are aware of the projects and are available to perform the necessary work.

Prior to the next agenda item discussion, there was a motion to approve the minutes with a correction to the definition of "colonia" to reflect that a colonia cannot have a population exceeding 25,000 people. The motion was seconded and unanimously passed.

### **NMFA Strategic Plan**

William Sisneros, chief executive officer for the NMFA, began by introducing William Fulginiti, executive director for the New Mexico Municipal League and vice chair of the NMFA board, and Paul Gutierrez, executive director for the New Mexico Association of Counties and

NMFA board member. Mr. Sisneros explained that he asked the board members to attend and speak to committee members in an effort to provide insight into the work of the NMFA and to answer questions the members might have.

Mr. Fulginiti started by describing for the members the inception of the NMFA. He said that when the NMFA began operating in the early 1990s, it had no money and no board members. He said there was a need for loans in municipalities because grant money was simply not available. He noted that since that time, the NMFA has lent money to entities throughout the state, and the NMFA has probably financed more fire trucks than any other financing entity in New Mexico. He stated that he knows of no community in New Mexico that has not, at some point in time, approached the NMFA for funding assistance. He opined that the NMFA is a hugely successful and highly rated entity. He said that the job of the NMFA is to determine if a locality can, in fact, afford the costs associated with the projects it hopes to fund.

On the issue of whether the NMFA is meeting the needs of the New Mexico entities it was designed to service, Mr. Fulginiti said he is not aware of an entity that has complained about not being assisted by the NMFA. Mr. Fulginiti expressed his complete support for the work the NMFA does in its capacity as a lending agency for the state.

Next, Mr. Gutierrez spoke to the members, echoing the remarks of Mr. Fulginiti. He noted that he serves on a number of boards and has been an NMFA board member for three years. He cited the work of the NMFA board as superior, and he added that the board meets regularly and takes its duties and responsibility quite seriously. He noted that, with respect to his votes to approve loans, he often asks himself, "Would I be comfortable with the terms of this contract being published on the front page of the *Albuquerque Journal*?"

Mr. Gutierrez continued by praising the NMFA staff for its outreach programs. He said that staff travels throughout the state and interacts with local governments. He added that staff attends meetings and events designed to further educate local governments regarding the programs available through the NMFA.

Mr. Sisneros advised the members that the outreach of the NMFA is a continual process. He said that if the NMFA is not reaching all communities, it is a rare oversight. He expressed a desire to be informed of any communities that contact legislators or others to complain regarding the services of the NMFA because NMFA staff wants to meet the needs of all communities in New Mexico.

There was a discussion among the members regarding the history of the NMFA and how it was intentionally designed to function as a quasi-governmental entity in order to avoid some of the issues related to operating as a typical state agency. A number of members praised the work of the NMFA and expressed support for the manner in which the entity provides services. Some members asked if there is anything that could be done specifically to further the outreach programs of the NMFA. In response, Mr. Gutierrez expressed his view that the NMFA is accomplishing a lot with regard to outreach.

Mr. Sisneros spoke about the NMFA strategic plan. He advised the members that a handout in the form of a booklet had been provided for their review. When asked about the costs involved in producing the color-copied and bound booklet, Mr. Sisneros told the members that the NMFA has actually saved money producing the booklet because it combines two reports into one document. Additionally, the booklet is used for a multitude of purposes, and it is provided to investment groups as a marketing tool.

Mr. Sisneros explained that the strategic plan information provided in the booklet reflects a five-year projection. He said NMFA staff put the plan together by looking at projected funding expectations along with projected capital outlay needs for the five-year period.

After introducing some NMFA staff who were seated in the audience, Mr. Sisneros provided the members with an overview of the structure of the NMFA. He recalled that the NMFA board, as it is currently structured, is the result of a compromise between the governor and the legislature. The board consists of 12 members. He said the primary objective of the NMFA is economic development in the state, and the NMFA operates under an internal philosophy of "we provide solutions".

Next, Mr. Sisneros highlighted some of the NMFA's objectives for the next five years. They include:

- 1) continued communication with the NMFA's working partners: those relationships that are statutorily mandated and other outreach relationships;
- 2) developing a continued relationship with the executive and legislative branches of government;
- 3) providing detailed information as requested by the legislature and others;
- 4) implementing the new market tax credit funds; and
- 5) implementing the colonias infrastructure program.

Mr. Sisneros discussed a variety of other programs and goals for the NMFA, including a request by Governor Richardson for the NMFA to collaborate with the state's tribes to explore possible mechanisms and procedures to allow greater tribal access to the NMFA loans, financial solutions and programs.

Mr. Sisneros advised the members that the NMFA plans to strengthen and develop direct relationships with investment firms. Strong relationships and communication strategies will further the marketability of the NMFA's bond sales. He added that he hopes to enter into a contract with a public relations person to help the NMFA get positive news about its programs out to potential investors. Mr. Sisneros stressed his opinion of the importance of the NMFA retaining the highest possible bond ratings. He said that upgrades in its credit rating give the

NMFA access to low-cost capital and relieve the NMFA of any requirements to purchase insurance for its products. This will continue to make the NMFA's bonds attractive to investors.

Mr. Sisneros talked about the Build America Bonds (BABs), which is a new product providing tax credits to issuers. The product has great potential for bond issuers and will become a part of the NMFA's portfolio to assist its qualified entities.

When the discussion turned to the NMFA's policies and practices regarding loans to small entities, Mr. Sisneros said the NMFA does not turn down any loan if the entity applying for the funds can pay for the costs of the loan.

### **NMFA Strategic Plan**

After recessing for lunch, the members were again addressed by Mr. Sisneros, who spoke about the NMFA budget. He began by telling them that the NMFA saved \$600,000 in FY 2010. He also said the NMFA projects budgetary growth over the next five years of between 6% and 6.5%. He noted that the NMFA's assets have grown to \$1.9 billion, and he added that if the GRIP funds are included, the assets equal \$3 billion.

Mr. Sisneros noted that grant revenues are projected downward from \$5.2 million to \$4.1 million, and he attributed the decline to the reduction in the federal American Recovery and Reinvestment Act of 2009 (ARRA) funds in the future. He said that New Mexico was allocated \$19.5 million in ARRA funds. He noted that the NMFA is evaluating the new and revised standards associated with the ARRA funds that will be allocated in the second round of federal stimulus funding.

There ensued a discussion regarding the PPRF and its balance sheet information contained on page 35 of the booklet. Members inquired as to why there was no entry reflecting the \$60 million cash balance estimated in the fund. Mr. Sisneros responded to the inquiry by explaining that the cash balance should be shown on the balance sheet, and its absence from the balance sheet was an oversight. Members then asked to be provided a corrected version of the balance sheet, and Mr. Sisneros agreed to provide the information as soon as possible. That information was provided to the members on the second day of the oversight committee's meeting, and copies of the corrected balance sheet are located in the meeting file.

Mr. Sisneros discussed the possibility of transferring approximately \$15 million from the cash balance of the PPRF to the state's general fund and that the NMFA is working with the Legislative Finance Committee in this regard. Members asked if such a transfer of cash assets would harm the NMFA's rating. Mr. Sisneros told the members that a one-time transfer of NMFA funds to the state, done at a time when the state is experiencing financial difficulties, and done by NMFA board action rather than legislative action, would not negatively affect the NMFA's bond rating. Some members questioned the logic of the explanation provided by Mr. Sisneros and reminded him that the legislature had considered creating a new fund using PPRF funds in an effort to assist disadvantaged localities with projects. When that legislation was being considered, the legislators were advised that such action could harm the NMFA's bond

rating. Mr. Sisneros again opined that a one-time transfer of cash balances approved by the NMFA board would be considered reasonable by the rating agencies. However, he said the rating agencies would not view legislative actions to secure those same funds in the same light, and for that reason, such actions would negatively affect the NMFA's bond rating.

The discussion returned to the question of whether smaller projects for smaller localities within the state are indeed served by the lending policies of the NMFA. Members expressed the need for more information regarding projects rejected by the NMFA. As the discussion continued, Mr. Sisneros stressed that the NMFA does not supply grants, and some localities may, in actuality, only be seeking grants. He suggested that perhaps one way to address the legislators' concerns over projects that may not get funding would be to amend the statutory provisions allowing the NMFA to come before the legislature at various times throughout the year to seek approval for specific projects.

### **Colonias Infrastructure Trust Fund Update**

Matthew Jaramillo, director of government affairs for the NMFA, and Rick Martinez, director, Local Government Division, Department of Finance and Administration (DFA), spoke to the members regarding the soon-to-be-implemented colonias infrastructure program. The program will go into effect on July 1, 2011, and it is intended to assist New Mexico's colonias by ensuring that financial resources are available to those communities for infrastructure development.

Mr. Martinez told the members that of primary concern for the success of the program will be New Mexico's ability to leverage all available federal dollars. He stressed that the state has not been taking every opportunity to leverage federal funds, and he noted that there is an existing federal colonias program operating through the United States Department of Agriculture. He said that when dealing with federal dollars, attention to the details makes all the difference because the federal programs always involve excessive amounts of paperwork and require that certain procedures are followed.

Mr. Martinez also suggested that, prior to the first official meeting of the statutorily appointed board for the Colonias Infrastructure Trust Fund, drafts of policies and procedures should be ready for the board members to review and accept or modify. He suggested the need for a technical team to assist in the duties and responsibilities that will be faced by the new board members. Planning ahead and completing work in advance, before the board begins acting in its official capacity, will help ensure that the program starts off in the right direction.

It was estimated that the Colonias Infrastructure Trust Fund will have about \$8.4 million for FY 2011. Members questioned Mr. Martinez regarding the leveraging of federal dollars and asked if he and the DFA could review strategies for the state to ensure that all possible federal dollars are properly leveraged. There was a discussion about the need to develop a mechanism for state agencies to utilize federal matching dollars better, specifically before state money is expended. Some members expressed their frustration that federal dollars are not being leveraged with respect to all water projects within the state. Mr. Martinez noted that the staff at the DFA is

reviewing the various aspects of determining when federal matching dollars are available and the avenues to ensure the use of the federal assistance. He said that any information developed by the DFA would be shared with the legislature and other state agencies.

With no further business for the afternoon, the committee recessed for the day at 4:20 p.m.

### **Wednesday, October 6**

#### **New Mexico Renewable Energy Transmission Authority (RETA) Update and Proposed Legislation**

Jeremy Turner, chief executive officer for RETA, addressed the members. Mr. Turner began by providing an update on the High Lonesome Mesa (HLM) project. He explained that the project consists of a 100-megawatt wind farm in Torrance County. The wind farm has created approximately 200 construction-related jobs and 10 permanent operations and maintenance jobs. He told the members that the total revenues projected over the life of the HLM project are \$580 million. He added that the RETA will be financing transmission upgrades for the project totaling approximately \$65 million.

Mr. Turner reminded the members that the HLM project began in December 2009 when the RETA board approved an authorizing resolution for the sale of bonds for the project. The work related to the sale of those bonds began in January 2010. Before the bonds were issued, in April 2010 a complaint was filed against Public Service Company of New Mexico with the Federal Energy Regulatory Commission (FERC). The complaint included a request to invalidate the transmission rights for the HLM project. In July 2010, the FERC ruled against the complaint filed by Cargill and did not invalidate the HLM project transmission rights. In August 2010, discussions with potential investors began, and marketing efforts are now underway. The RETA hopes to have the bonds closed by the end of 2010.

Next, Mr. Turner reminded the members of the passage of Senate Memorial 44, which added responsibilities to the RETA to include:

- 1) developing a map and supporting documents identifying existing generation and transmission lines and renewable energy resource zones to support development;
- 2) coordinating with other agencies to prioritize regions with low or minimal land development conflicts; and
- 3) identifying and prioritizing the best options for potential transmission corridors.

Mr. Turner noted that the RETA completed its report and presented it to the oversight committee in November 2009. He said the RETA does not have statutory authority to obligate a developer to build a transmission line within an identified corridor. However, he added that with the identification of the corridors, the RETA is trying to mitigate any potential environmental,

wildlife and cultural damage. He said specific rights of way within an identified corridor will require an environmental review prior to construction. He added that the RETA needs to identify funding to complete any environmental work on each corridor to expedite the siting and building of transmission lines.

Mr. Turner directed the members' attention to a draft corridor map located in the handout. He said the RETA is in the process of taking public comment based on the map, and as a consequence, the map will likely change substantially. He also noted that included in the handout is a projected time line for the duties outlined in Senate Memorial 44.

Next, Mr. Turner told the members about the 26-member Governor's Task Force on Statewide Electricity Transmission Planning. He said the task force will be preparing recommendations for the governor and the RETA board regarding opportunities to enhance the statewide electricity transmission grid, including information regarding collector systems, financing options and cost-recovery options. He noted that the recommendations will be provided on November 1, 2010.

Mr. Turner also told the members about the Los Alamos National Laboratory Study (LANL Study). He explained that it is an independent study to evaluate statewide transmission concepts, economic benefits and cost-allocation methodology. The LANL Study began on June 24, 2010 and is expected to be complete by October 2010. The study will analyze two potential systems, looped versus radial line upgrades that are necessary to export 5,200 megawatts of generation. Key to the LANL Study will be the analysis regarding cost-recovery options. Some of the members requested copies of the LANL Study, and Mr. Turner agreed to provide them.

Mr. Turner next turned to the 2011 legislative session and initiatives proposed by the RETA board. He said the proposed legislation would be similar to House Bill 98 proposed in the 2010 legislative session. The initiative seeks to provide that the RETA bonds may be issued at, above or below par value. Currently, the governing statute provides that bonds may only be issued at par value. He noted that this will be the third year that the RETA has sought this statutory change. Next, he told the members that the RETA is seeking to have confidentiality provisions added to its governing statute. He mentioned that most other states have confidentiality provisions, and such provisions are critical to protect proprietary information, including power purchase agreements, costs of production, costs of transmission, transmission service agreements, credit reviews, detailed power models and financing statements.

Members inquired about the composition of the Governor's Task Force on Statewide Electricity Transmission Planning. Additionally, they asked who appointed the members. Mr. Turner explained that the governor created the task force and appointed its members. Committee members asked for the names of those appointed, and Mr. Turner agreed to provide that information.

Members also spoke to Mr. Turner regarding the public comment the RETA was soliciting regarding the transmission corridors. The members suggested that the meetings for public input

be held throughout the state, not just in Santa Fe. Mr. Turner explained that there are plans to travel and also to meet with tribal communities as well.

Members asked questions regarding the transmission of energy and the issue related to getting the energy to rural areas. There was discussion about the difficulties in energy transmission, including the costs associated with transporting the energy. There was discussion regarding the profitability of transporting the energy out of state. Many members expressed frustration with the fact that New Mexico has communities in need of power, but they are unable to obtain it.

### **Border Authority Proposed Legislation**

Andrew Morales, executive director for the Border Authority, and Jerry Pacheco, vice president for the Border Industrial Association, spoke to the committee regarding proposed legislation sought by the Border Authority. Mr. Pacheco presented the members with copies of a discussion draft. The proposed legislation would provide for the issuance of permits to operate overweight vehicles with reducible loads within six miles of a port-of-entry facility on the New Mexico/Mexico border. Mr. Pacheco explained that the legislation would create a six-mile commercial overweight zone. The reason behind the statutory change is to attract more commercial business through New Mexico's ports of entry. He said creating the zone would bring commercial drivers through New Mexico's ports because their loads would not need to be broken down in order to cross the border. Currently, loads that are overweight must be broken down upon reaching the border. Due to the state's current weight restrictions, a truck that consists of two loads in Mexico becomes three loads when it enters New Mexico. This costs the companies operating the carriers extra time and money. Mr. Pacheco noted that Border Industrial Association officials have met with the NMDOT regarding the proposed legislation.

Members seemed to look favorably at the proposed legislation. However, there was general concern regarding the potential negative impacts from the increase in traffic to the areas within the six-mile zone. Additionally, members were concerned regarding the impact the extra weight might have on the roads. Jeff Vigil from the NMDOT was present in the audience, but he was unable to fully address to what extent, if any, the increased weight and traffic would affect the roads. He said the increase in the loads would be approximately 20%, and that the NMDOT might need to increase the density of the roads.

The major concern by the members was that a maintenance fund and program be in place prior to allowing an increase in weights for the commercial loads. Members asked if the Border Industrial Association would be creating a fund specifically for the necessary maintenance or repair of the roads. Mr. Pacheco seemed to agree that such a fund would be a good idea and should be considered. The discussion turned to safety issues. Mr. Morales explained that there will be a new safety inspection system in place and that there will be a built-in scale.

A number of interested individuals were present in the audience and spoke positively on behalf of the proposed legislation. It was mentioned that increasing the commercial activity at the ports of entry could also generate jobs and entice companies to move their businesses, particularly

plants currently located in China, to New Mexico. Getting products to the United States is a primary objective of many companies, and having easier and cheaper access to ports of entry could make New Mexico attractive to such businesses.

There was a motion to ask Secretary Giron to intervene on behalf of the southern part of the state regarding metropolitan planning organizations (MPOs) and to investigate whether the border area around Santa Teresa could become a part of the Las Cruces MPO instead of or in addition to the El Paso MPO. The motion was seconded and passed unanimously.

### **Water Trust Fund Projects**

Jane Amacher, senior program administrator for the NMFA, addressed the members regarding the Water Trust Fund projects. She reminded the members that the Water Trust Board was created legislatively in 2001. The board consists of 16 members and is charged with prioritizing projects for recommendation to the legislature to receive funding from the Water Project Fund. Additionally, the board adopts rules and regulations governing the terms and conditions of grants or loans made from the fund. Ms. Amacher noted that the names of the current members are located in the handout she provided for the members' review.

Ms. Amacher told the committee that the Water Trust Board provides funding for statewide water projects from funds received from three funds, the Water Trust Fund, the Water Project Fund and the Acequia Project Fund. Additionally, Ms. Amacher noted that 10% of the state's severance tax bond proceeds go to the Water Project Fund. She continued by explaining the process involved in managing the Water Trust Fund, noting that \$4 million is distributed annually from the Water Trust Fund to the Water Project Fund.

Ms. Amacher explained that the Water Project Fund was created under the authority of the NMFA. In 2010, \$31,488 million in the form of grants and loans was awarded to approved water projects. She said that in 2010, there were 62 applications for funding of projects, and 26 of those were approved.

Ms. Amacher told the members that the Acequia Project Fund was created in 2005 and provides grant funding to legislatively authorized acequia projects. The fund was endowed with \$200,000 through a private donation. Prospective projects for funding are reviewed by an interagency team of staff from the NMFA and the Interstate Stream Commission. The Acequia Project Fund projects are prioritized by the Water Trust Board for recommendation to the legislature and funding by the NMFA.

Ms. Amacher advised the members that 10% of the funds in the Water Project Fund are appropriated to the Office of the State Engineer and the Administrative Office of the Courts for water rights adjudication. To date, the adjudication funding totals about \$20 million.

Referring to the handout, Ms. Amacher told the members that there is an application process that occurs on an annual cycle. She said that the Project Management Team evaluates applications and makes recommendation to the Water Trust Board Standing Committee. The

applications are then ranked using criteria developed and approved by the Water Trust Board. Next, the projects are recommended to the legislature for authorization. Projects that are authorized by the legislature are then financed by the NMFA with terms and conditions established by the NMFA and the Water Trust Board.

According to Ms. Amacher, by statute, there are five types of projects that may be funded by the Water Trust Board. They are:

- 1) storage, conveyance and delivery of water;
- 2) implementation of the federal Endangered Species Act of 1973 collaborative programs;
- 3) restoration and management of watersheds;
- 4) flood prevention; and
- 5) conservation, recycling and treatment or reuse of water.

Ms. Amacher noted that the Water Management Team is composed of staff from the following seven state agencies:

- 1) the Department of Environment;
- 2) the Department of Game and Fish;
- 3) the New Mexico Department of Agriculture;
- 4) the NMFA;
- 5) the DFA;
- 6) the Office of the State Engineer; and
- 7) the Energy, Minerals and Natural Resources Department.

In the application review process, priority is given to projects that are "shovel ready", with all water rights, funding and design requirements in place. Other minimum criteria requirements are listed in the handout.

Ms. Amacher closed by telling the members that since 2002, 90 entities within the state have received Water Trust Board funding for projects. The projects are located throughout the state and in virtually every county.

Members asked for a list of the most recently recommended projects, and Ms. Amacher responded to the request by noting that the Water Trust Board would be making its recommendations after October 15, 2010, the date the applications are due. When the board makes its recommendations, Ms. Amacher will provide the requested information. The members inquired as to whether New Mexico's smaller communities are being served. Members asked if information regarding the process is available to the general public, and Ms. Amacher said the information is available and, once provided, that staff follow up with the requestor to ensure whether the information is sufficient and clear. Members asked for more information regarding how many grants have been provided. Additionally, after noting that some smaller communities do not qualify for funds because they do not have updated audit reports, members asked for a list of communities without updated audit reports. Ms. Amacher said she would get the information and provide it as requested.

Representative Lundstrom announced to the members that the Government Restructuring Task Force (GRTF) asked to be placed on the committee's agenda to provide an update of its work. Additionally, the oversight committee will be asked to make recommendations to the GRTF regarding potential cost-savings measures that have been identified. Ms. Faust advised the members that they should email her with any ideas they have for cost-savings measures. There was a related discussion involving the executive branch's intervention regarding state employees' abilities to provide survey responses to the GRTF, and Representative Lundstrom said she would speak to the members of the GRTF to consider drafting a letter to the governor concerning the issue.

With no further business, the meeting was adjourned at 12:15 p.m.

**MINUTES  
of the  
FIFTH MEETING  
of the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**November 9, 2010  
Room 307, State Capitol  
Santa Fe, New Mexico**

The fifth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Mary Kay Papen, chair, on November 9, 2010 at 9:10 a.m. in Room 307 of the State Capitol in Santa Fe, New Mexico.

**Present**

Sen. Mary Kay Papen, Chair  
Rep. Patricia A. Lundstrom, Vice Chair  
Sen. Sue Wilson Beffort  
Rep. Anna M. Crook  
Rep. Brian F. Egolf, Jr.  
Sen. Stephen H. Fischmann  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Jane E. Powdrell-Culbert  
Rep. Benjamin H. Rodefer  
Rep. Henry Kiki Saavedra  
Rep. James R.J. Strickler  
Sen. David Ulibarri  
Rep. James P. White

**Advisory Members**

Rep. Janice E. Arnold-Jones  
Rep. Ernest H. Chavez  
Sen. Dianna J. Duran  
Rep. Candy Spence Ezzell  
Sen. Timothy M. Keller  
Rep. Ben Lujan  
Sen. Richard C. Martinez  
Rep. Andy Nuñez  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton  
Rep. Luciano "Lucky" Varela

**Staff**

Doris Faust, Legislative Council Service (LCS)  
Tom Pollard, LCS  
Claudia Armijo, LCS

**Absent**

Sen. Kent L. Cravens  
Sen. Tim Eichenberg  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Sen. George K. Munoz  
Sen. Nancy Rodriguez  
Rep. Richard D. Vigil

Rep. Elias Barela  
Rep. José A. Campos  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Thomas A. Garcia  
Sen. Stuart Ingle  
Rep. W. Ken Martinez  
Sen. John M. Sapien  
Rep. Thomas C. Taylor

## **Guests**

The guest list is in the meeting file.

## **Handouts**

Handouts and other written testimony are in the meeting file and posted on the New Mexico Legislature web site.

## **Tuesday, November 9**

Senator Papen welcomed the members and reminded them that the meeting was being audio-webcast. Consequently, she asked them to keep sidebar conversations to a minimum and to turn their microphones on and off before and after speaking. She also asked the members to identify themselves before speaking into their microphones.

## **House Memorial 9 Report on Transportation Issues**

Gary Giron, secretary of the New Mexico Department of Transportation (NMDOT), Max Valerio, deputy secretary for programs and infrastructure for the NMDOT, and Patricia Oliver-Wright, manager of the statewide planning section for the NMDOT, presented to the committee on the status of the department's work related to several house memorials.

Ms. Oliver-Wright reminded the members that House Memorial 35 was passed during the 2007 legislative session. The memorial provided for the NMDOT to form the Transportation Technical Committee to review sustainable funding for New Mexico's transportation system. Ms. Oliver-Wright noted that several other states have completed similar studies, which were due to the rising costs of construction, a backlog of transportation needs and a lack of federal funds. The membership of the Transportation Technical Committee was designated by the governor and includes the regional planning organizations, the metropolitan planning organizations, the State Transportation Commission, the NMDOT executive staff and the New Mexico Passenger Transportation Association.

Ms. Oliver-Wright also reminded the members that the purpose of House Memorial 35 was to:

- 1) identify and capture the future outlook of transportation in New Mexico;
- 2) review and identify the state's current and future transportation needs;
- 3) review alternative modes of transportation and innovative funding options;
- 4) identify options in funding strategies for a sustainable transportation system; and
- 5) deliver a report on the future outlook of transportation to the governor and legislature by October 15, 2007.

The Transportation Technical Committee worked during a six-month period, holding eight meetings and issuing its final report in October 2007. The report contained options to increase

revenues using new and redirected revenue sources. Short-term funding options identified by the committee included:

- 1) implementing a statewide transportation-dedicated gross receipts tax (GRT) of \$.25 applicable to all GRT;
- 2) adding a statewide 5% GRT to retail sales of gasoline;
- 3) adding a 5% statewide GRT on special fuels retail sales;
- 4) increasing the annual vehicle registration fees with an average maintenance surcharge of \$69.00 per vehicle and possibly indexing the fee at 3% to 6% annually;
- 5) allowing a local dedicated GRT of \$.25 or \$.50 on regional GRT;
- 6) indexing the special fuels tax, allowing an annual increase of 3% and 6%;
- 7) indexing the gasoline tax, allowing an annual increase of 3% and 6%;
- 8) indexing vehicle registration and transaction fees, allowing an annual increase of 3% and 6% respectively; and
- 9) indexing the weight distance tax and trip tax, allowing an annual increase of 3% and 6% respectively.

Next, Ms. Oliver-Wright told the members that House Memorial 5, passed in the 2009 legislative session, continued the work of House Memorial 35. The Transportation Technical Committee's work involved updating revenue statistics, studying the relationship between economic development and transportation and estimating the state's transportation needs. Ms. Oliver-Wright told the committee that as a consequence of House Memorial 9, which was passed in the 2010 legislative session, the NMDOT conducted a public opinion poll to gauge support for possible transportation tax increases. Additionally, the Transportation Technical Committee developed an educational campaign on the importance of transportation. As a consequence of the work associated with the objectives of House Memorial 9, additional revenue sources for the State Road Fund were identified as:

- 1) increasing the gasoline tax by \$.10 per gallon, which could raise \$84 million annually;
- 2) increasing the special fuels tax by \$.10 annually, which could raise \$42 million annually; and
- 3) improving the enforcement of the weight distance tax, which could raise \$14 million annually.

The NMDOT estimates that these three revenue-increasing mechanisms would generate revenues of \$243 million annually. Mr. Valerio noted that the NMDOT and the Taxation and Revenue Department are continually looking for ways to improve the weight distance tax enforcement.

Mr. Valerio advised the members that in September 2010, a public opinion poll was conducted by Research and Polling, Inc. Mr. Valerio explained that the poll was implemented in an effort to:

- 1) determine whether the general public has an understanding of the transportation needs of the state;

- 2) assess the public's perceptions regarding transportation issues;
- 3) measure support for increasing taxes on gasoline; and
- 4) test messages in the survey related to transportation in New Mexico as a basis for the educational campaign.

Funding for the poll was derived from the combined sources of five entities, including:

- 1) the American Council of Engineering Companies;
- 2) the Mid-Region Council of Governments;
- 3) the New Mexico Association of Counties;
- 4) the NMDOT; and
- 5) the Associated Contractors of New Mexico.

Participants in the poll were asked, among other things, whether New Mexico's roads were in good condition and whether there was a need to sustain New Mexico's road system. Mr. Valerio explained that the outcome of the poll reflects a snapshot of the current political and economic climate, indicating that the public is "in the middle" regarding transportation issues and is not supportive of new tax initiatives.

Additionally, Mr. Valerio reported that results of the poll indicate that the public remains concerned regarding the lack of good jobs, the weak economy, New Mexico's poor educational system, crime, illegal drug use and unreasonable taxes. About 6% of those asked declined to comment. The overall approval rating given by those polled regarding the NMDOT's job performance in addressing New Mexico's transportation needs was 43%. He cited a 62% positive outcome when participants were asked if transportation funding should be increased.

Mr. Valerio noted that although there was not public support for tax increases as a means to provide transportation funding in the state, there was limited support of 32% of people polled for an increase of 0.25% to the statewide GRT on gasoline sales.

Some committee members inquired as to how much this tax increase might generate per year. Ms. Oliver-Wright said she would provide that information for the members. Members also asked if such a tax could and would be specifically earmarked for transportation, to which Ms. Oliver-Wright responded that this would be the goal.

Next, Ms. Oliver-Wright told the members of the committee that residents in the mid-region counties of Bernalillo, Sandoval, Valencia and Tarrant were asked about support for the funding of specific projects. The questions posed involved two categories:

- 1) road improvement packages, including the Paseo Del Norte/I-25 interchange, major roadways on the west side of Albuquerque and an additional river crossing in Valencia County; and
- 2) public transportation improvements, including bus rapid transit service in Albuquerque and increased bicycle pedestrian access to transit stations.

Ms. Oliver-Wright reported the results of the polling, saying that when people knew the benefits such projects would make in their communities, the support for the projects was fairly high at about 55% in favor. However, when specific tax increases were mentioned, the support dropped sharply to 39% in favor.

Other results of the survey included that 73% of those asked responded that safety was the most compelling reason for increased transportation funding. Business growth and economic development as a reason for increased funding received a 64% approval, and improvements to public transportation garnered a 55% approval rate.

Ms. Oliver-Wright noted that as a result of the educational outreach, about 10% of those polled changed their views in support of transportation funding increases.

Members voiced concerns that all of the potential funding sources identified by the Transportation Technical Committee for the state's transportation needs involve tax increases. When asked whether the NMDOT is advocating tax increases, Secretary Giron said the department is not taking a position on tax increases. Rather, the NMDOT is fulfilling the legislators' requests as outlined in the house memorials referred to during the NMDOT's presentation.

Secretary Giron responded to questions by legislators regarding the state's various transportation districts' budgets. He noted that districts that do not expend all of their budgetary funds are not penalized, nor are a district's excess funds transferred to another district. Additionally, Secretary Giron explained that the NMDOT has an annual budget of \$800 million. Half of those funds are provided from the state, and half of those funds are from the federal government. He added that federal funds may be used for construction but not maintenance.

With regard to New Mexico's ports of entry, Secretary Giron said that the NMDOT does not have the money to maintain physical staffing at the ports 24 hours a day. Consequently, he noted that the department is looking at increased electronic capabilities, including electronic license plate readers.

Members noted that the number-one priority at a local level is road maintenance. When asked how the NMDOT prioritizes the funding of projects, Secretary Giron said the NMDOT collaborates with senior leadership and district engineers. He added that the focus is always first on safety and preserving the state's existing infrastructure. He also explained that federal funding is in short supply and will likely continue to be in the near future.

The discussion turned to the topic of the Rail Runner. Members asked many questions regarding the operations and costs associated with the operations. Some members asked how much funding the NMDOT expends for the Rail Runner. Additionally, members inquired as to the revenues generated by the Rail Runner. When asked for information regarding the amount of the contract between the state and the company that operates the Rail Runner, Mr. Valerio said he could provide the information for the members.

Prior to the next presentation, Senator Papen asked for a motion to approve the minutes from the October meeting of the NMFA. A motion was made and seconded, and the minutes were unanimously approved.

### **NMFA Proposed Legislation**

Matthew Jaramillo, director of government affairs for the NMFA, addressed the members regarding proposed legislation for the 2011 legislative session. Mr. Jaramillo began by telling the members that the NMFA is seeking to introduce five bills. Three of the bills the NMFA is hoping to introduce are authorizations. They include:

1) a bill authorizing the NMFA to make loans for public projects from the Public Project Revolving Fund (PPRF). This bill is not ready, and the NMFA will be providing specific provisions for the bill to the LCS staff;

2) a bill authorizing the NMFA to make loans from the Economic Development Revolving Fund for projects that benefit various New Mexico counties. Mr. Jaramillo noted that the Economic Development Department will be finalizing the project list prior to the NMFA's December interim committee meeting; and

3) a bill authorizing the NMFA to make loans or provide grants from the Water Project Fund and Acequia Project Fund to community water organizations, acequias, cities and counties for various water system improvements such as storage, conveyance and delivery, treatment recycling, conservation and restoration. Mr. Jaramillo noted that since the Water Trust Board is not scheduled to meet until December 15, 2010, the NMFA will provide the NMFA Oversight Committee with a list of the projects approved by the board.

Next, Mr. Jaramillo told the members that the NMFA will be seeking a bill requesting an appropriation of \$2 million from the PPRF to the Drinking Water State Revolving Loan Fund for expenditure in fiscal year 2011 and subsequent years. He noted that the appropriation would provide the state matching funds for the federal Safe Drinking Water Act of 1974 projects and to carry out the provisions of the Drinking Water State Revolving Loan Fund Act.

Mr. Jaramillo told the members that the NMFA is seeking to introduce a bill amending the definitions section of the Water Project Finance Act to include additional types of entities eligible to apply for funds. The types of entities that the NMFA hopes to add to the definitions section include regional or local public water utility authorities, inter-community water or natural gas supply associations or corporations organized pursuant to Chapter 3, Article 28 NMSA 1978, including water or natural gas associations and associations of "qualified entities" created pursuant to the Joint Powers Agreement Act or other authorizing legislation for the exercise of their common powers.

Mr. Jaramillo directed the members' attention to a handout that provides information regarding the PPRF outstanding loan portfolio broken down by county. He told the members that the NMFA does not use a categorization process in granting loans. Rather, the NMFA grants

loans according to its debt management policies. Mr. Jaramillo explained that for the purposes of the handout, the NMFA staff arbitrarily selected seven counties' PPRF loan information to include in the handout. He then provided a general overview of a variety of the listed projects.

Senator Papen requested Senator Fischmann, Representative Crook and Representative Gonzales to form a subcommittee to propose alternatives to the project authorization bill for the PPRF.

### **NMFA Reserve Fund, Contingent Liquidity Account, PPRF Transfers and Bond Rating**

William Sisneros, chief executive officer, NMFA, spoke to the members regarding the issue of contributions to the state general fund from the PPRF. He provided a memorandum dated October 8, 2010 from Chip Pierce of Western Financial Group, LLC. In the memorandum, Mr. Pierce provided an analysis of the impact on the NMFA's bond rating that would occur if funds are legislatively pulled from the PPRF for purposes not contemplated when the PPRF was originally statutorily established versus funds being transferred to the state general fund on a one-time basis and at the direction of the NMFA board. Mr. Pierce opined that legislative action that "diminishes the financial resources of the PPRF would be viewed by the rating agencies as a significant precedent that could diminish the credit strength and lending capacity of the PPRF".

He additionally noted that one of the fundamental credit strengths of the PPRF and the NMFA is that lending decisions are based upon the credit-worthiness of applicants and are not influenced by non-credit-related factors. He further noted that legislative actions that would impose specific mandates or cash sweeps on the PPRF carry potential negative implications, including:

- 1) limiting the NMFA's flexibility and ability to respond to the capital needs of a broad range of New Mexico communities;
- 2) imperiling the NMFA's excellent credit ratings because the rating agencies would likely perceive such actions as a constraint on the NMFA's ability to adjust its practices to meet changing economic or financial dynamics; and
- 3) establishing a precedent that would be viewed with concern by the rating agencies, raising the possibility of future measures that could diminish the PPRF program's credit stability.

Mr. Pierce summarized his opinion that an isolated transfer of PPRF funds, based on a decision made by the NMFA board, would be positively viewed by the rating agencies and therefore would not negatively affect the bond rating of the NMFA. However, legislative action that would statutorily divert PPRFs for specific project purposes could potentially negatively impact the NMFA's bond rating.

Mr. Sisneros explained that discussions with David Abbey, director of the Legislative Finance Committee (LFC), regarding the state's financial shortages prompted the NMFA board to

consider transferring funds from the PPRF to the general fund. He noted that the NMFA board has requested an attorney general's opinion on the issue.

In addition to the memorandum from Mr. Pierce, Mr. Sisneros provided the committee members with copies of a memorandum addressed to Steve Flance, chair of the NMFA, and Senator Papen. The memorandum, dated November 9, 2010, was from Mr. Sisneros, Mr. Jaramillo and Mr. Pierce. In it, Mr. Sisneros and the others again define the issues regarding the transfer of PPRF funds to the state general fund. They advise that the NMFA is seeking the attorney general's opinion on the legalities of the proposed transfer. They additionally reiterate the concerns regarding the impact any legislative actions regarding the PPRF could have on the NMFA's bond rating.

Discussion regarding the NMFA board's preliminary decision to transfer PPRF funds to the state general fund ensued. Members expressed serious concern over the issue and specifically noted that the NMFA Oversight Committee members first learned of the possible transfer of funds through the LFC newsletter. Members told Mr. Sisneros that the members of the NMFA Oversight Committee need to be kept "in the loop" regarding such important matters as the transfer of funds from the PPRF.

Members also offered caution to Mr. Sisneros and the NMFA board regarding their reliance on the bond ratings. Some members noted that the rating agencies have been perceived as part of the problem in the recent financial meltdown.

### **Proposed Legislation for the Field Enforcement Inspection of Commercial Vehicles**

Major Ron S. Cordova from the Motor Transportation Division of the Department of Public Safety (DPS) spoke to the members regarding legislative initiatives for the 2011 legislative session. Major Cordova advised the members that the DPS is seeking a statutory change to provide the Motor Transportation Division the authority to conduct roadside inspections. Major Cordova explained that court cases involving evidence retrieved during roadside inspections in New Mexico are being thrown out on the basis that the inspections were conducted in violation of the statute. As a consequence, the DPS is seeking legislative action to prevent problems with future court cases.

### **Proposed Community Development Financial Institution Legislation**

Senator Keller presented proposed legislation that he intends to carry during the 2011 legislative session. The bill would authorize the NMFA to seek certification to be a community development financial institution (CDFI). CDFIs lend money to businesses, social enterprises and individuals who struggle to get financial help from high street banks and loan companies. CDFIs help deprived communities by offering loans and support at an affordable rate to people who cannot access credit elsewhere.

CDFIs are entities certified by the United States Department of the Treasury. The department administers the CDFI Fund through its various programs. The CDFI Fund enables locally based organizations to further goals such as economic development, including job

creation, business development and commercial real estate development; affordable housing; and community development financial services, including providing basic banking services to underserved communities and financial literacy training.

When asked how many CDFIs are currently located in New Mexico, Senator Keller told the members that there are 10. He noted that there are a total of 800 in the nation. When asked how transactions between the CDFI and the tribes would work, Senator Keller explained that limited waivers of sovereignty would be needed for transactions with the various Indian tribes and pueblos.

One of the disadvantages associated with the CDFI program is the amount of paperwork and bureaucracy associated with the implementation and operation of federally funded programs. A benefit of the proposed legislation was also noted. If the NMFA becomes a CDFI, it can make loans directly, and it can also give funding directly to other CDFIs. The benefit of that is more flexibility in lending and the access to federal dollars for projects in underserved communities. Mr. Sisneros noted that in New Mexico, the existing CDFIs have a history of working well together.

There was general support among the members for the concept of the proposed legislation. Some members asked if this type of lending entity would be competing with private lending institutions in the state. Senator Keller and Mr. Sisneros advised that CDFIs serve a unique purpose and generally provide funding solutions to those individuals incapable of acquiring funding from traditional sources.

With no further committee business, the meeting was adjourned at 3:45 p.m.

**MINUTES  
of the  
SIXTH MEETING  
of the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**December 13, 2010  
Room 307, State Capitol  
Santa Fe, New Mexico**

The sixth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Mary Kay Papen, chair, on December 13, 2010 at 9:10 a.m. in Room 307 of the State Capitol in Santa Fe, New Mexico.

**Present**

Sen. Mary Kay Papen, Chair  
Rep. Patricia A. Lundstrom, Vice Chair  
Rep. Anna M. Crook  
Sen. Stephen H. Fischmann  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Clinton D. Harden, Jr.  
Rep. Jane E. Powdrell-Culbert  
Sen. Nancy Rodriguez  
Rep. Henry Kiki Saavedra  
Rep. James R.J. Strickler  
Sen. David Ulibarri  
Rep. Richard D. Vigil  
Rep. James P. White

**Advisory Members**

Rep. Janice E. Arnold-Jones  
Rep. Ernest H. Chavez  
Rep. Candy Spence Ezzell  
Rep. Thomas A. Garcia  
Sen. Timothy M. Keller  
Sen. Richard C. Martinez  
Rep. W. Ken Martinez  
Rep. Andy Nuñez  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton  
Rep. Luciano "Lucky" Varela

**Guest Legislator**

Sen. Rod Adair

**Absent**

Sen. Sue Wilson Beffort  
Sen. Kent L. Cravens  
Rep. Brian F. Egolf, Jr.  
Sen. Tim Eichenberg  
Rep. Dona G. Irwin  
Sen. George K. Munoz  
Rep. Benjamin H. Rodefer

Rep. Elias Barela  
Rep. Jose A. Campos  
Sen. Dianna J. Duran  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Sen. Stuart Ingle  
Rep. Ben Lujan  
Sen. John M. Sapien  
Rep. Thomas C. Taylor

**Staff**

Doris Faust, Legislative Council Service (LCS)  
Tom Pollard, LCS  
Claudia Armijo, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file and posted on the New Mexico Legislature web site.

**Minutes Approval**

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

**Monday, December 13**

Senator Papen welcomed the members and guests. She reminded the members that the meeting would be audiocast and asked that they keep side conversations to a minimum. She asked the members to introduce themselves, which they did, and she reminded them to turn their microphones on and off before and after speaking.

**NMFA Proposed Legislation**

William Sisneros, chief executive officer of the NMFA, and Matthew Jaramillo, the NMFA's director of government affairs, addressed the members regarding legislative proposals for the 2011 legislative session.

Mr. Jaramillo began by telling the members that the NMFA is seeking endorsement of three authorization bills, one appropriation and three bills providing for statutory amendments.

The first proposed legislative initiative presented by Mr. Jaramillo was discussion draft number .183536.1SA, which would extend the imposition, collection and distribution of the daily capital outlay tax through 2014 when all bonds secured by the tax have matured. The Public Project Revolving Fund (PPRF) currently holds the State Fair Commission pari-mutual improvement revenue bonds issue in 2004 with a principal amount of \$5,555,556. Unless the legislature extends the daily capital outlay tax or makes other arrangements for payment, there will be a loss of debt service revenue for the last two years and a potential default for the PPRF.

The entire Horse Racing Act is set to expire on June 1, 2012, so the NMFA seeks to extend the portion of that act that imposes the daily capital outlay tax for two years so it can pay the debt service through 2014. After brief discussion, the committee voted without opposition to endorse the legislation, and the bill will be carried by Senator Papen.

The second proposed legislative initiative presented by Mr. Jaramillo was discussion draft number .182926.2SA, which authorizes the NMFA to make loans from the PPRF for public projects over \$1 million, including:

- 1) buildings, equipment and infrastructure;
- 2) refinancing;
- 3) water, wastewater and water rights;
- 4) solid waste;
- 5) roads; and
- 6) land projects.

The bill was endorsed by the committee without opposition, and it will be carried by Representative Varela.

The third proposed legislative initiative presented by Mr. Jaramillo was discussion draft number .182927.2SA, which authorizes the NMFA to make loans from the Economic Development Revolving Fund for projects that benefit counties across the state. Thirteen projects this year are seeking authorization. This bill is also known as the "Smart Money" bill. The bill was endorsed by the committee without opposition, and it will be carried by Senator Papen.

The fourth proposed legislative initiative presented by Mr. Jaramillo was discussion draft number .182928.1SA, which authorizes the NMFA to make loans or grants from the Water Project Fund and Acequia Project Fund to community water organizations, acequias, cities and counties for various water system improvements, including:

- 1) storage, conveyance and delivery;
- 2) treatment, recycling and conservation; and
- 3) restoration.

The Water Trust Board will finalize the recommendation list. Seventy-five applications for project funding have been submitted, and 70 are viable. Those have been vetted through the Water Trust Board staff. The bill was endorsed without opposition, and it will be carried by Representative Nuñez.

The fifth proposed legislative initiative presented by Mr. Jaramillo was discussion draft number .182929.1SA, which would appropriate \$2 million from the PPRF to the Drinking Water State Revolving Loan Fund for expenditure in fiscal year 2011 and subsequent years. The bill

provides state matching funds for the federal Safe Drinking Water Act of 1974 and to carry out the purposes of the Drinking Water State Revolving Loan Fund Act. The bill was endorsed by the committee with no opposition, and the bill will be carried by Representative Crook.

The sixth proposed legislative initiative presented by Mr. Jaramillo was discussion draft number .182930.1SA, which seeks to increase eligibility for funding to:

- 1) political subdivisions, including regional or local public water utility authorities;
- 2) qualifying entities, including an inter-community water or natural gas supply association or corporation organized under Chapter 3, Article 28 NMSA 1978; and
- 3) associations of "qualified entities" created pursuant to the Joint Powers Agreement Act or other authorizing legislation for the exercise of their common powers. The bill was endorsed by the committee without opposition, and the bill will be carried by Representative Gonzales.

The seventh proposed legislative initiative presented by Mr. Jaramillo was discussion draft number .183539.1SA, which seeks to amend the Statewide Economic Development Finance Act (SWEDFA) to change the reference of "project" to "state project" and require prior approval of the legislature for "state projects" and not for "standard projects".

The legislature would still authorize "state funded" private projects to:

- 1) allow the NMFA greater administration of new federally funded economic development programs, including the state small business credit initiative;
- 2) permit the NMFA to meet the needs, demands and opportunities of business and financial institutions in real time; and
- 3) increase flexibility to leverage private money.

The SWEDFA currently requires prior approval of the New Mexico Legislature for all projects (standard or state) receiving financing assistance with money in the Economic Development Revolving Fund.

The members expressed serious concerns over the provisions allowing the NMFA to approve projects without legislative approval. Consequently, the members agreed, without opposition, to table the bill.

### **NMFA Project Authorization Subcommittee Report**

Senator Fischmann and Mr. Jaramillo presented the legislative proposal that resulted from the work of a small working group organized to review issues related to legislators' concerns over the PPRF project selection and criteria. Senator Fischmann reminded the members that he and

Representatives Crook and Gonzales had participated in the working group with NMFA staff to evaluate issues relating to the PPRF. As a consequence of the working group's efforts, two discussion drafts were drafted for the committee's review. Discussion draft number .183465B.2 was presented to the members by Senator Fischmann. The bill would require quarterly reporting of the PPRF projects and the fund's status. The bill would also remove the requirement for specific prior approval of projects for PPRF funding. A similar bill, number .183465A.2, would require reporting also, but it would not mandate that the reporting occur on a quarterly basis. The members discussed the merits of the proposals and ultimately agreed on the endorsement of the bill requiring quarterly reporting. There was a motion to endorse the bill requiring quarterly reporting and to add a two-year sunset clause. The motion was seconded and the bill was endorsed. Representative Vigil opposed the motion to endorse.

### **Proposed Community Development Financial Institutions Act Legislation**

Next, Senator Keller presented a bill to the committee for endorsement that would authorize the NMFA to form one or more nonprofit or for-profit financing entities for participating in the federal Community Development Financial Institutions Fund (CDFI) programs. Senator Keller reminded the members that this proposed legislation had been presented to the committee at a prior meeting. He also reminded the members that there are currently about 10 CDFIs in New Mexico, and as a result of this legislation, the NMFA could work alone on projects or in concert with other CDFIs in the state. After a brief discussion, the proposed legislation was endorsed by the committee, with Representative Lundstrom in opposition. Senator Keller and Representative Vigil will co-sponsor the bill.

### **New Mexico Renewable Transmission Authority (RETA) Proposed Legislation**

Jeremy Turner, executive director for the RETA, addressed the members regarding proposed 2011 legislation in discussion draft number .183264.1SA, which relates to the RETA's ability to transfer funds, to authorize energy transmission bonds to be sold at, above or below par and to provide for confidentiality for certain proprietary information.

Mr. Turner advised that the proposed changes are needed to improve the RETA statute. Currently, the act only allows for bonds to be issued at par. The proposed request allows for bonds to be issued at, above or below par to allow for flexibility as market conditions dictate.

Also, in order to clarify the statute, the bill will allow separate accounts and establish those accounts in the RETA instead of the state treasury. This amendment would ensure the RETA's future ability to issue bonds for multiple projects. The authority may create separate accounts within the Renewable Energy Transmission Bonding Fund in connection with any issuance of renewable energy transmission bonds and may deposit in such separate accounts revenues received by the RETA derived from the financing or leasing of eligible facilities.

Finally, the confidentiality provision sought is similar to the statutes of the:

- 1) New Mexico Lottery Authority at Section 6-24-13 NMSA 1978;

- 2) NMFA (SWEDFA only) at Section 6-25-27 NMSA 1978;
  - 3) Economic Development Department at Section 9-15-10 NMSA 1978;
  - 4) Interstate Insurance Product Regulation Commission at Section 11-19-1 NMSA 1978;
- and
- 5) Economic Development Corporation at Section 53-7A-6 NMSA 1978.

Proprietary information and information obtained by the RETA that is proprietary, technical or business information shall be confidential and not subject to inspection pursuant to the Inspection of Public Records Act. Proprietary confidential information includes power purchase agreements, costs of production, costs of transmission, transmission service agreements, credit reviews, detailed power models and financing statements.

A motion was made and seconded to endorse the bill. One member opposed the legislation, and it passed by majority vote. The bill will be carried by Senator Harden.

#### **Border Authority Proposed Legislation**

William Hume, executive director of the Border Authority, addressed the members regarding proposed legislation. The legislative initiative presented by Mr. Hume was discussion draft number .182588.2SA, which relates to motor vehicles and provides for the issuance of special permits to operate overweight vehicles with reducible loads within six miles of a port-of-entry facility on New Mexico's border with Mexico. The bill would also impose penalties for violations.

Having heard testimony on the issue prior to today's meeting, members were familiar with the proposed legislation, but many shared their concerns regarding the inevitable wear and tear on New Mexico's roads as a result of trucks carrying heavier loads. Members asked Mr. Hume if he has considered a fund specifically for the costs of those repairs. After brief discussions, the members voted, without opposition, to endorse the bill, and it will be carried by Representative Nuñez and Senator Papen.

Representative Lundstrom reminded the members of the issues surrounding the proposed legislation in discussion draft number .183053.1SA, which is a technical clean-up bill necessary to ensure that the state is in compliance with the federal grants that are provided to the motor transportation police. The legislation is proposed by the Motor Transportation Division (MTD) of the Department of Public Safety and relates to the field enforcement inspection of commercial vehicles. The members were advised that the MTD has lost four cases in federal court following four suppression hearings. The federal court decisions concluded that the motor transportation police do not have the authority, whether by administrative rule or state statute, to conduct roadside inspections. In these four cases, more than 2,400 pounds of illegal contraband were found in commercial vehicles. The motor transportation police must conduct roadside inspections in order to be compliant with agreements made with the federal government and the Federal

Motor Carrier Safety Administration. Failing to conduct roadside inspections could potentially have an impact on the federal grants received by the motor transportation police and the Department of Public Safety. The state must have an effective commercial vehicle safety program and a commercial vehicle size and weight safety program.

There was lengthy discussion about the proposed legislation having federal constitutionality issues. Members noted that authorizing in statute searches that are typically allowed only at the border could raise concerns with the Fourth Amendment of the U.S. Constitution. United States courts have said that searches at the border can be more in-depth than other searches. Some members expressed concern that the language in the bill attempts to create a "movable border" for the purpose of searches. Ultimately, upon understanding the issues relayed by the motor transportation police, members agreed to endorse the bill and let it proceed through the appropriate legislative committees for further scrutiny. The bill was endorsed without opposition and will be carried by Representative Lundstrom and Senator Ulibarri.

### **Proposed Tort Liability Legislation Related to the Spaceport**

Tom Horan, lobbyist for Virgin Galactic, spoke to the members regarding discussion draft number .183099.1, proposed legislation that would extend limited liability to manufacturers and suppliers providing services for the spaceport. Members asked questions regarding the ramifications of the proposed legislation. Mr. Horan noted that the intent is to encourage businesses to locate in New Mexico and provide services at the spaceport without fear of lawsuits. The committee endorsed the bill, with Senators Papen and Rodriguez in opposition, and it will be carried by Representative Nuñez.

The next bill, discussion draft number .182951.1, which would create the Student Launch Program Fund, was withdrawn by the sponsor in lieu of a motion for the committee to send a letter to the Spaceport Authority suggesting that it apply for grants for the program. The motion was unanimously approved by the members.

Prior to adjournment, there was a motion to approve the minutes from meeting on November 9, 2010. The motion passed unanimously, and the minutes were approved.

With no further business, the meeting was adjourned at 1:40 p.m.

## Committee Endorsed Bills