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Endorsed Legislation
SUMMARY
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

2014 Interim Summary

The New Mexico Finance Authority (NMFA) Oversight Committee met six times in locations throughout the state to carry out its statutory duties to monitor and oversee the NMFA, the Border Authority, the Spaceport Authority (SA) and the New Mexico Renewable Energy Transmission Authority. The committee examined the mission, organizational structure, operations budget, activities and projects of each authority.

At the beginning of the interim, the committee was introduced to the NMFA's new chief executive officer, Robert P. Coalter, and the new board president, John E. McDermott. Many of the staff members who had previously reported on behalf of the NMFA presented salient aspects of and provided updates on the array of programs that help to finance many public and some private ventures within the state.

The committee revisited the topic of a bill that generated a flurry of action during the 2014 legislative session: water project financing. The bill that authorizes the NMFA to finance listed water projects and that has a consistent history of enactment was, in 2014, amended several times to incorporate additional provisions and then vetoed. At the NMFA Oversight Committee's joint meeting with the Water and Natural Resources Committee and at other meetings, the NMFA Oversight Committee examined issues related to the bill's additional provisions and issues surrounding the process for project financing, including coordination with the other programs that offer resources for developing water projects.

Continuing its examination of an issue examined during the previous interim, the committee explored whether communities that, in all respects except for proximity to the Mexican border, could be considered colonias. During its meeting in Valencia County, the committee toured the community of Meadow Lake and learned about the needs of its residents and of people throughout the state who likewise live without necessary infrastructure.

A Virgin Galactic test-flight accident that occurred in California's Mojave Desert in October signaled that Virgin Galactic, Spaceport America's anchor tenant, would delay even further the start of its flights out of the spaceport, thereby forcing the SA to revise significant budget assumptions and projected revenue. SA representatives testified to the committee on the changes the SA made to its budget request and business plan, the original versions of which had been presented to the committee, in responding to the setback. Members articulated what they perceived as weaknesses in the SA's long-term strategies and criticisms of other spaceport-related matters.

After more than two years since a fraudulent NMFA audit was produced and discovered, NMFA representatives reported that nearly all of the recommendations made by an auditor to correct the entity's operational weaknesses had been implemented.
Endorsements

The committee endorsed at its final meeting the following bills for introduction in the 2015 legislative session:

- authorizing the NMFA to make loans for public projects from the Public Project Revolving Fund (PPRF);
- authorizing the NMFA to make loans or grants from the Water Project Fund;
- allowing public bodies to delegate authority for making certain decisions surrounding the sale of public securities;
- appropriating $3 million from the PPRF to the Local Government Planning Fund for expenditure in fiscal year 2016 and subsequent fiscal years; and
- appropriating $1.8 million from the PPRF to the Drinking Water State Revolving Loan Fund for expenditure in fiscal year 2016 and subsequent fiscal years.
WORK PLAN AND MEETING SCHEDULE
2014 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

Members
Sen. Joseph Cervantes, Chair
Rep. Patricia A. Lundstrom, Vice Chair
Rep. Alonzo Baldonado
Sen. Lee S. Cotter
Rep. Anna M. Crook
Rep. Candy Spence Ezzell
Rep. Roberto "Bobby" J. Gonzales
Sen. Phil A. Griego
Sen. Ron Griggs
Rep. Jimmie C. Hall

Rep. Yvette Herrell
Rep. Dona G. Irwin
Sen. Michael Padilla
Rep. Jane E. Powdrell-Culbert
Rep. Debbie A. Rodella
Sen. John C. Ryan
Rep. Henry Kiki Saavedra
Sen. William P. Soules
Rep. James P. White

Advisory Members
Sen. Sue Wilson Beffort
Sen. Jacob R. Candelaria
Rep. Ernest H. Chavez
Rep. Sharon Clahchischilliage
Rep. Kelly K. Fajardo
Rep. Mary Helen Garcia
Sen. Stuart Ingle
Rep. Emily Kane
Sen. Timothy M. Keller
Rep. W. Ken Martinez

Sen. George K. Munoz
Sen. Bill B. O'Neill
Sen. Mary Kay Papen
Sen. William H. Payne
Sen. John Pinto
Sen. Clemente Sanchez
Rep. Edward C. Sandoval
Rep. Sheryl Williams Stapleton
Rep. Thomas C. Taylor
Rep. Monica Youngblood

Work Plan
The New Mexico Finance Authority (NMFA) Oversight Committee was created with the enactment of the 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 required by statute 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 such tasks and its statutory duties during the 2014 legislative interim, the NMFA Oversight Committee proposes to:

(1) monitor and oversee the operations of the NMFA and review the NMFA's operational budget, policies, audit committee processes, allocation of resources, funds and loan programs;

(2) review the bonds that the NMFA has issued in the current or recent fiscal year or will issue in the current or next fiscal year;

(3) review the active programs that the NMFA administers;

(4) take testimony and make recommendations to the NMFA on planning, setting priorities for and financing state and local capital projects;

(5) receive testimony on the consideration of projects eligible for funding under the Water Project Fund and review the policies and procedures of the Water Trust Board;

(6) review projects proposed for funding through the Colonias Infrastructure Project Fund and review and approve the policies and procedures of the Colonias Infrastructure Board;

(7) take testimony from the chair of the NMFA board about board actions;

(8) monitor and oversee the operations and budget of the Border Authority, review and analyze the Border Authority's projects, goals and needs and make recommendations to the Border Authority on planning, setting priorities for and financing border and port of entry projects;

(9) receive testimony from the Mexican Affairs Division of the Economic Development Department on the state's work on New Mexico-Mexico financial relations, trade and border development;

(10) monitor and oversee the operations, budget, progress, projects and proposals of the Spaceport Authority and review and make recommendations on its projects, goals and needs;

(11) monitor and oversee the operations, budget, progress, projects and proposals of the NMRETA and its contracts, funding, goals and needs, review any rule changes and review and make recommendations to the NMRETA before it enters into a project; and

(12) report to the legislature and recommend necessary changes in law or policy.
### New Mexico Finance Authority Oversight Committee
#### 2014 Approved Meeting Schedule

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<td>*July 1</td>
<td>Albuquerque</td>
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<td>July 17-18</td>
<td>Ruidoso</td>
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<td>September 10-12</td>
<td>Meadow Lake</td>
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<td>October 20-21</td>
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*Joint meeting with the Water and Natural Resources Committee.*

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AGENDAS
TENTATIVE AGENDA
for the
FIRST MEETING IN 2014
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

May 20, 2014
State Capitol, Room 307
Santa Fe

Tuesday, May 20

9:30 a.m. Call to Order and Welcome
—Senator Joseph Cervantes, Chair
—Representative Patricia A. Lundstrom, Vice Chair

9:35 a.m. Introduction to Board Chair and Chief Executive Officer
—John E. McDermott, Chair, New Mexico Finance Authority (NMFA) Board
—Robert P. Coalter, Chief Executive Officer (CEO), NMFA

10:00 a.m. (1) NMFA Purpose, Mission, Structure and Programs
—Robert P. Coalter, CEO, NMFA
—Marquita D. Russel, Director of Programs, NMFA

11:00 a.m. (2) Roles of the NMFA Oversight Committee; Discussion of Interim Committee Procedures; and Adoption of Proposed Work Plan
—Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)

11:45 a.m. (3) 2014 Session Legislation Summary
—Tessa Ryan, Staff Attorney, LCS

12:15 p.m. (4) Board Report
—John E. McDermott, Chair, NMFA Board
—Robert P. Coalter, CEO, NMFA

1:00 p.m. Adjourn
TENTATIVE AGENDA
for the
JOINT MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE
and the
WATER AND NATURAL RESOURCES COMMITTEE

July 1, 2014
Science and Technology Park Rotunda
University of New Mexico
Albuquerque

Tuesday, July 1

9:30 a.m. Call to Order and Welcome
—Senator Joseph Cervantes, Chair, New Mexico Finance Authority (NMFA) Oversight Committee
—Representative George Dodge, Jr., Chair, Water and Natural Resources Committee

9:40 a.m. Welcome from the University of New Mexico (UNM)
—Robert G. Frank, President, UNM

10:00 a.m. (1) Overview of Water Project Fund Financing
—Marquita D. Russel, Chief of Programs, NMFA
—Jon Boller, Staff Attorney, Legislative Council Service

10:30 a.m. (2) Water Trust Board: A Review of Planning, Spending and Outcomes
—Jonas Armstrong, Program Evaluator, Legislative Finance Committee (LFC)
—Jon Courtney, Program Evaluation Manager, LFC

11:00 a.m. (3) Water Project Fund Application and Approval Process
—Bill Fulginiti, New Mexico Municipal League
—John Gasparich, Former Chief Executive Officer, NMFA
—Richard Rose, Director of Water Resources, Water Resources Allocation Program, Office of the State Engineer
—Marquita D. Russel, Chief of Programs, NMFA
—Blanca Surgeon, Rural Development Specialist, Rural Community Assistance Corporation New Mexico

12:30 p.m. Committee Discussion and Questions (Working Lunch)
2:00 p.m. (4) **Water Trust Board Composition**  
— Tom Clifford, Secretary, Department of Finance and Administration  
— Debra Hughes, Executive Director, New Mexico Association of Conservation Districts  
— Marquita D. Russel, Chief of Programs, NMFA

3:00 p.m. (5) **Federal-State-Local Cooperation in Forest Watershed and Fire Management — The Necessity of Long-Term Forest and Watershed Management Planning**  
— Tony Delfin, New Mexico State Forester  
— Calvin Joyner, Regional Forester, Third Region, United States Forest Service (Invited)  
— Laura McCarthy, Director of Conservation Programs, New Mexico Field Office, The Nature Conservancy  
— Brent Racher, President, New Mexico Forest Industry Association  
— Kent Reid, Director, New Mexico Forest and Watershed Restoration Institute  
— Nita Taylor, Lincoln County Manager

4:30 p.m. (6) **Status of the Water Trust Fund**  
— Charles Wollman, State Investment Council

5:00 p.m. **Adjourn**
THIRD MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

July 17-18, 2014
Ruidoso Convention Center
111 Sierra Blanca Drive
Ruidoso, NM

Thursday, July 17

9:30 a.m. Call to Order and Welcome
—Senator Joseph Cervantes, Chair
—Representative Patricia A. Lundstrom, Vice Chair

9:35 a.m. Report from the New Mexico Finance Authority (NMFA) Board
—John E. McDermott, Chair, NMFA Board
—Robert P. Coalter, Chief Executive Officer (CEO), NMFA

10:30 a.m. (1) Programs, Progress, Performance and Plans: Economic Development Revolving Fund
—Robert P. Coalter, CEO, NMFA
—Marquita D. Russel, Chief of Programs, NMFA

11:30 a.m. (2) Computation and Compilation: NMFA Budget (Working Lunch)
—John E. McDermott, Chair, NMFA Board
—Donna Trujillo, Chief Financial Officer (CFO), NMFA

12:10 p.m. Approval of Minutes

12:15 p.m. (3) Light at the End of the Tunnel: Compliance with 2012 Audit Recommendations
—John E. McDermott, Chair, NMFA Board
—Robert P. Coalter, CEO, NMFA
—Donna Trujillo, CFO, NMFA

12:55 p.m. (4) El Agua Es Vida: Follow-Up on Availability of Emergency Fund for Ancones and El Llanito
—Representative Debbie A. Rodella
1:00 p.m.  (5)  **Fountains of Hope: Drinking Water State Revolving Loan Fund and Water Trust Fund Programs — Applications and Approvals; Case Studies: Grindstone Dam, Alto Lakes and Ute Pipeline**  
—Marquita D. Russel, Chief of Programs, NMFA  
—Bobbye Rose, Community Development Director, Village of Ruidoso  
—Debi Lee, Village Manager, Village of Ruidoso  
—David Edington, District Manager, Alto Lakes Water and Sanitation District  
—Paul van Gulick, Project Manager, Occam Consulting Engineers, Inc.  
—Water Trust Board Members

3:30 p.m.  (6)  **Legislative Priorities or Throwing the Baby out with the Bathwater: Senate Bill 112 (2014 Regular Session)**  
—Marquita D. Russel, Chief of Programs, NMFA  
—Rick Martinez, Director of Business Development, NMFA

4:30 p.m.  **Recess**

**Friday, July 18**

8:00 a.m.  (7)  **Approved Colonias Infrastructure Fund Applications; A Colonia in Ruidoso Downs?**  
—Gary L. Williams, Mayor, Ruidoso Downs  
—Rick Martinez, Director of Business Development, NMFA

9:00 a.m.  (8)  **Engineering the Fees; Understanding the Memoranda**  
—Marquita D. Russel, Chief of Programs, NMFA  
—Martin Lopez, Lower Rio Grande Water Users Association  
—Karen Nichols, Lower Rio Grande Water Users Association

11:00 a.m.  **Adjourn**
TENTATIVE AGENDA
for the
FOURTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

September 10-12, 2014
Belen
Los Lunas

Wednesday, September 10 — Belen Public Library, 333 Becker Ave., Belen

9:30 a.m.  Call to Order
—Senator Joseph Cervantes, Chair
—Representative Patricia A. Lundstrom, Vice Chair

9:35 a.m.  Welcome to Valencia County
—Jerah Cordova, Mayor, City of Belen

10:00 a.m.  (1)  Board Report
—John McDermott, Chair, New Mexico Finance Authority (NMFA) Board
—Robert P. Coalter, Chief Executive Officer, NMFA

10:25 a.m.  Approval of Minutes

10:30 a.m.  (2)  Requested Approval of Local Government Planning Fund Rule Changes
—Marquita Russel, Chief of Programs, NMFA

11:30 a.m.  (3)  Proposed Legislation to Regionalize and Consolidate Small Utility Companies Such As Mutual Domestic Water Authorities
—Rick Martinez, Director of Business Development, NMFA

12:30 p.m.  (4)  Proposed Legislation: Delegation of Duties for Certain Securities Issuances (QU: Why care? ANS: The PPRF and Your Community.) (Working Lunch)
—Michael Zavelle, Chief Financial Strategist, NMFA

1:00 p.m.  (5)  Intense Update: Public Project Revolving Fund
—Marquita Russel, Chief of Programs, NMFA
—Zach Dillenback, Chief Lending Officer, NMFA
2:00 p.m. (6) **Rules, Rules, Rules: The Securities and Exchange Commission and the Municipal Securities Rulemaking Board (QU: Why care? ANS: The PPRF and Your Community.)**
—Lawrence "Chip" Pierce, Financial Advisor, Western Financial Group, LLC

2:30 p.m. (7) **Dear Tax & Rev: Please Disclose the Governmental Gross Receipts Tax Revenue Amounts (QU: Why care? ANS: The PPRF and Your Community.)**
—Lawrence "Chip" Pierce, Financial Advisor, Western Financial Group, LLC
—Michael Zavelle, Chief Financial Strategist, NMFA

3:00 p.m. (8) **When and Why to Forgive and Not Forget: Loan Portfolios in 3D**
—Zach Dillenback, Chief Lending Officer, NMFA
—Marquita Russel, Chief of Programs, NMFA

4:30 p.m. **Recess**

**Thursday, September 11 — Los Lunas Transportation Center, Los Lunas Transportation Department, 751 Juan Perea Rd., Los Lunas**

9:00 a.m. **Welcome**
—Charles Griego, Mayor, Village of Los Lunas
—Alicia Aguilar, Vice Chair, Valencia County Commission

9:30 a.m. (9) **Water Trust Board (WTB): Immediacy + Integrality = New Project Approval Time Line**
—Marquita Russel, Chief of Programs, NMFA

10:00 a.m. (10) **Department of Environment (NMED): Here to Serve — Providing Technical Assistance to Communities and to the NMFA**
—Ryan C. Flynn, Secretary, NMED
—Jim Chiasson, Chief, Construction Programs Bureau, NMED
—Marquita Russel, Chief of Programs, NMFA

11:30 a.m. (11) **Emergency Water Needs — Case Studies: Magdalena and Hanover (Working Lunch)**
—Ryan C. Flynn, Secretary, NMED
—Jim Chiasson, Chief, Construction Programs Bureau, NMED
1:30 p.m. (12) **WTB Policy Committee: Project Approval Criteria — a Fluid Discussion**  
—Tom Clifford, Secretary, Department of Finance and Administration; Chair, WTB

3:00 p.m. (13) **Tour — Desperate Water Needs at Meadow Lakes; Don't Dump on E. Mesa**  
—Nick Telles, County Financial Director, Valencia County  
—Jeff Condrey, County Manager, Valencia County  
—Jacobo Martinez, Director of Planning, Zoning and Code Enforcement, Valencia County  
—Rick Martinez, Director of Business Development, NMFA

5:30 p.m. **Recess**

**Friday, September 12 — Los Lunas Transportation Center, Los Lunas Transportation Department, 751 Juan Perea Rd., Los Lunas**

8:30 a.m. (14) **New Mexico Renewable Energy Transmission Authority (NMRETA) — Something Old, Something New, Something Borrowed, Something Blue: Budget and Developments**  
—Jeremy Turner, Executive Director, NMRETA  
—Angela Gonzales-Rodarte, Assistant Director, NMRETA

9:30 a.m. (15) **Tax Increment Development Districts (TIDD) — What's the Big Deal About a TIDD?**  
—Ryan Gleason, Director of Tax Policy, Taxation and Revenue Department

11:30 a.m. **Adjourn**
TENTATIVE AGENDA
for the
FOURTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

September 10-12, 2014
Belen
Los Lunas

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—Michael Zavelle, Chief Financial Strategist, NMFA

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—Zach Dillenback, Chief Lending Officer, NMFA
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—Michael Zavelle, Chief Financial Strategist, NMFA

3:00 p.m. (8) **When and Why to Forgive and Not Forget: Loan Portfolios in 3D**
—Zach Dillenback, Chief Lending Officer, NMFA
—Marquita Russel, Chief of Programs, NMFA

4:30 p.m. Recess

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—Alicia Aguilar, Vice Chair, Valencia County Commission

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—Marquita Russel, Chief of Programs, NMFA

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—Ryan C. Flynn, Secretary, NMED
—Jim Chiasson, Chief, Construction Programs Bureau, NMED
—Marquita Russel, Chief of Programs, NMFA

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—Jim Chiasson, Chief, Construction Programs Bureau, NMED
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—Tom Clifford, Secretary, Department of Finance and Administration; Chair, WTB

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—Nick Telles, County Financial Director, Valencia County  
—Jeff Condrey, County Manager, Valencia County  
—Jacobo Martinez, Director of Planning, Zoning and Code Enforcement, Valencia County  
—Rick Martinez, Director of Business Development, NMFA

5:30 p.m.  **Recess**

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—Angela Gonzales-Rodarte, Assistant Director, NMRETA

9:30 a.m.  (15) **Tax Increment Development Districts (TIDD) — What's the Big Deal About a TIDD?**  
—Ryan Gleason, Director of Tax Policy, Taxation and Revenue Department

11:30 a.m.  **Adjourn**
Monday, October 20

8:30 a.m.  Call to Order and Introductions
—Senator Joseph Cervantes, Chair

8:40 a.m.  Welcome
—Dan Howard, Ph.D., Executive Vice President and Provost, New Mexico State University
—Billy G. Garrett, Chair, Dona Ana County Commissioners

8:50 a.m.  Approval of Minutes

9:00 a.m.  Spaceport Authority Board of Directors (SAB) Introductions
—Richard Holdridge, Chair, SAB
—David Buchholtz, Member, SAB
—Paul Deason, Member, SAB
—Jerry Stagner, Member, SAB
—Laura Conniff, Member, SAB
—John A. Sanchez, Lieutenant Governor; Member, SAB

9:15 a.m.  (1)  Spaceport Authority — Past, Present and Future Costs
• Funding Received to Date
  ▶ Sources of Funding Received
  ▶ Purposes for Applied Funding
• Funding Requested for Fiscal Year (FY) 2015 and FY 2016
  ▶ Amounts Requested
  ▶ Sources of Revenue Requested
• Current Repayment Obligations
  ▶ Amounts
  ▶ Sources and Obligations
  ▶ Time Line
• **Operational Costs**
  - Current Fiscal Year Operating Budget
  - Budget for FY 2015 and Projected Budget for FY 2016
  - Staffing
    - Names, Titles, Job Descriptions, Salaries, Benefits
—SAB Members
—Christine Anderson, Executive Director, Spaceport Authority
—Doreen Sieberg, Chief Financial Officer, Spaceport Authority
—Robert Coalter, Chief Executive Officer (CEO), New Mexico Finance Authority (NMFA)

11:00 a.m.  (2) **Capital Projects for Spaceport Authority (Working Lunch)**
• "Southern Road" to Spaceport America
  - History and Use of Prior Funding
  - Funds Received for Road Construction
    - Amounts and Sources
  - Project Time Line
  - Impediments to Completion
• Proposed Visitor Centers
  - History of Funding
  - Site
    - Location and Property Selection Process and Criteria
  - Estimated Operational Costs for Visitor Center
  - Projected Visitors and Revenues
  - Project Time Line
—SAB Members
—Christine Anderson, Executive Director, Spaceport Authority
—Robert Coalter, CEO, NMFA
—Billy G. Garrett, Chair, Dona Ana County Commissioners
—Julia T. Brown, Esq., County Manager, Dona Ana County
—Chuck McMahon, Assistant County Manager, Dona Ana County
—Robert Armijo, Southern Road Project Manager, Engineering Department, Dona Ana County
—Bruce Swingle, County Manager, Sierra County
—Karen Perez, Former County Commissioner, Dona Ana County

1:00 p.m.  (3) **Spaceport Authority — Past, Present and Future Revenues**
• Economic Development Plan
  - Past, Present and Future
  - Business Model
  - Local Business Opportunities
  - Job Creation
• Terms of Contracts with Virgin Galactic and SpaceX
  - Projected and Received Revenue
  - Conditions for Revenues
Conditions and Terms of Tenant and User Contracts

Backup; Contingencies

—SAB Members
—Jon Barela, Secretary, Economic Development Department (EDD)
—Christine Anderson, Executive Director, Spaceport Authority
—Doreen Sieberg, Chief Financial Officer, Spaceport Authority
—Robert Coalter, CEO, NMFA
—Billy G. Garrett, Chair, Dona Ana County Commissioners
—Julia T. Brown, Esq., County Manager, Dona Ana County
—Bruce Swingle, County Manager, Sierra County
—Karen Perez, Former County Commissioner, Dona Ana County

3:00 p.m. (4) Regional Spaceport Local Gross Receipts Tax

• Dona Ana County Regional Spaceport Local Gross Receipts Tax
  ▶ Revenues, Allocations and Appropriations to Date for Financing, Planning, Designing, Engineering and Construction of the Spaceport
  ▶ Gross Receipt Tax Amounts Applied to Operations
  ▶ Gross Receipts Tax Amounts Applied to Programs of Hatch, Gadsden and Las Cruces Public School Districts

• Sierra County Regional Spaceport Local Gross Receipts Tax
  ▶ Revenues, Allocations and Appropriations to Date for Financing, Planning, Designing, Engineering and Construction of the Spaceport
  ▶ Gross Receipt Tax Amounts Applied to Operations
  ▶ Gross Receipts Tax Amounts Applied to Science, Engineering, Technical, Mathematics and Other Academic Programs in the Truth or Consequences Municipal School District

—SAB Members
—Christine Anderson, Executive Director, Spaceport Authority
—Doreen Sieberg, Chief Financial Officer, Spaceport Authority
—Billy G. Garrett, Chair, Dona Ana County Commissioners
—Julia T. Brown, Esq., County Manager, Dona Ana County
—Chuck McMahon, Assistant County Manager, Dona Ana County
—Bruce Swingle, County Manager, Sierra County
—Karen Perez, Former County Commissioner, Dona Ana County
—Stan Rounds, Superintendent, Las Cruces Public School District
—Efren Yturralde, Superintendent, Gadsden Independent School District
—Linda L. Hale, Superintendent, Hatch Valley Public School District
—Robert Vise, Ed.D., Director of Student Achievement and Federal Programs, Truth or Consequences Municipal School District (TCMSD)
—Craig Cummins, Ed.D., Superintendent, TCMSD
—Raybella Schnyder, Curriculum Director, TCMSD
5:00 p.m.  (5)  **Increasing Commerce in the Border Area**  
——Jon Barela, Secretary, EDD

5:30 p.m.  **Recess**

**Tuesday, October 21**

8:30 a.m.  (6)  **Border Authority Update and Budget**  
——Erika De La O-Medina, Deputy Director, Border Authority

9:00 a.m.  (7)  **Board Report**  
——John E. McDermott, Chair, NMFA Board  
——Robert Coalter, CEO, NMFA

9:15 a.m.  (8)  **Proposed Legislation for Committee Consideration of Endorsement**  
——Robert Coalter, CEO, NMFA  
——Michael Zavelle, Chief Financial Strategist, NMFA  
——Zach Dillenback, Chief Lending Officer, NMFA

10:00 a.m.  **Colonias Infrastructure Board of Directors (CIB) Introductions**  
——Doug Moore, Chair, Colonias Infrastructure Board (CIB)  
——Oscar Butler, Vice Chair, CIB  
——Orlando-Antonio Jimenez, Member, CIB  
——Steve Kopelman, Executive Director, New Mexico Association of Counties; Member, CIB  
——Hubert H. Quintana, Executive Director, Southeastern New Mexico Economic Development District Council of Governments; Member, CIB  
——Priscilla Lucero, Executive Director, Southwest New Mexico Council of Governments; Member, CIB  
——Jay Armijo, Executive Director, South Central Council of Governments; Member, CIB

10:15 a.m.  (9)  **Colonias Infrastructure Project Fund**  
•  **Federal Designation and Definition**  
•  **Survey of Colonias**  
  ▶  Creation  
  ▶  Current Population  
  ▶  Infrastructure Needs  
  ▶  Attempts to Address Needs  
•  **Colonias Infrastructure Fund: Projects Funded to Date; Projects Completed**  
  ▶  Selection and Approval Procedures, Processes and Criteria  
——CIB Members  
——Robert Coalter, CEO, NMFA; Member, CIB  
——Rick Martinez, Director of Business Development, NMFA

1:00 p.m.  **Adjourn**
TENTATIVE AGENDA
for the
SIXTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

November 20-21, 2014
Room 321, State Capitol
Santa Fe

Thursday, November 20

9:30 a.m.  Call to Order
—Senator Joseph Cervantes, Chair
—Representative Patricia A. Lundstrom, Vice Chair

9:35 a.m.  (1)  New Mexico Renewable Energy Transmission Authority (NMRETA) Report — Budget and Programs
—Jeremy Turner, Executive Director, NMRETA
—Angela Gonzales-Rodarte, Assistant Director, NMRETA

10:25 a.m.

10:30 a.m.  (2)  Tax Increment Development Districts (TIDD) — A Primer
—Ryan Gleason, Director of Tax Policy, Taxation and Revenue Department

11:30 a.m.  (3)  Spaceport Authority Update — Revising the Budget; Revisiting the Business Plan; Developing a Contingency Plan; Attracting and Constructing Facilities for Tenants Besides Virgin Galactic; Requesting an Appropriation (Working Lunch)
—Christine Anderson, Executive Director, Spaceport Authority
—Richard Holdridge, Chair, Board of Directors, Spaceport Authority (invited)

1:30 p.m.  (4)  Statewide Economic Development Finance Act
—Marquita Russel, Director of Programs, New Mexico Finance Authority (NMFA)

2:00 p.m.  (5)  Board Report
—John McDermott, Chair, NMFA Board
—Robert Coalter, Chief Executive Officer (CEO), NMFA
2:30 p.m.  (6) **Consideration of Proposed Legislation for Endorsement**
—Robert Coalter, CEO, NMFA
—Zach Dillenback, Chief Lending Officer, NMFA
—Marquita Russel, Director of Programs, NMFA
—Michael Zavelle, Chief Financial Strategist, NMFA
—Paul Cassidy, Managing Director, RBC Capital Markets
—Lou Hoffman, Director, Finance and Administrative Services Department, City of Albuquerque

4:00 p.m.  **Recess**

**Friday, November 21**

9:00 a.m.  (7) **Compliance with Auditor Recommendations**
—John McDermott, Chair, NMFA Board
—Robert Coalter, CEO, NMFA
—Robert Brannon, Interim Chief Financial Officer, NMFA

10:30 a.m.  **Adjourn**
MINUTES
MINUTES
of the
FIRST MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

May 20, 2014
Room 307, State Capitol
Santa Fe

The first meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, chair, on Tuesday, May 20, 2014, at 9:52 a.m. at the State Capitol in Santa Fe.

Present
Sen. Joseph Cervantes, Chair
Rep. Patricia A. Lundstrom, Vice Chair
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales
Sen. Phil A. Griego
Sen. Ron Griggs
Rep. Jimmie C. Hall
Rep. Dona G. Irwin
Sen. Michael Padilla
Rep. Jane E. Powdrell-Culbert
Sen. John C. Ryan
Rep. Henry Kiki Saavedra
Sen. William P. Soules
Rep. James P. White

Absent
Rep. Alonzo Baldonado
Rep. Candy Spence Ezzell
Rep. Yvette Herrell
Rep. Debbie A. Rodella

Advisory Members
Sen. Sue Wilson Beffort
Sen. Jacob R. Candelaria
Rep. Anna M. Crook
Rep. Kelly K. Fajardo
Rep. Mary Helen Garcia
Rep. Emily Kane
Sen. Bill B. O'Neill
Sen. William H. Payne
Sen. Nancy Rodriguez
Sen. Clemente Sanchez
Rep. Edward C. Sandoval

Rep. Sharon Clahchischilliage
Sen. Stuart Ingle
Sen. Timothy M. Keller
Rep. W. Ken Martinez
Sen. George K. Munoz
Sen. Mary Kay Papen
Sen. John Pinto
Rep. Sheryl Williams Stapleton
Rep. Thomas C. Taylor
Rep. Monica Youngblood
Staff
Lisa Sullivan, Legislative Council Service (LCS)
Tessa Ryan, LCS
Renée Gregorio, LCS
John Mitchell, LCS

Guests
The guest list is in the meeting file.

Handouts
Handouts are in the meeting file and posted online at: http://www.nmlegis.gov/lcs/committee_handout_list.aspx?CommitteeCode=NMFA&Date=5/20/2014.

Tuesday, May 20
The chair welcomed committee members and recognized the service of members who are leaving their legislative posts. Committee members then introduced themselves.

Introduction to Board Chair and Chief Executive Officer
John E. McDermott, chair of the NMFA board, and Robert P. Coalter, chief executive officer (CEO) of the NMFA, each introduced himself to committee members. Mr. McDermott described himself as being new to the public sector. He said he assumed his role as board chair on November 20 of last year and that, due to the short legislative session, he has not yet been confirmed in the Senate Rules Committee, but he expects confirmation in the upcoming legislative session. He described his background, which consists of being in the information technology industry for 30 years and then working for both International Business Machines Corporation and Kodak, where he acted as an adviser on strategy and organizational topics. His most recent role has been at Xerox Corporation, when he was brought in after the company had been experiencing difficult times, and his involvement included executing a turnaround and a new organizational structure as Xerox's chief strategy officer. He also mentioned that Xerox Corporation brings 250 to 300 jobs to New Mexico through its call centers. Mr. McDermott has also sat on a number of boards, including the Xerox Palo Alto Resource Center and Fujifilm. Skiing originally brought Mr. McDermott to the state, he quipped, where he then built a successful business in real estate development and eventually financed his further education at Yale University, where he achieved a master's degree in business administration. After serving in several consulting positions, Mr. McDermott developed a fascination with the technology sector. He is currently involved as a venture investor in small technology companies and in the public sector, contributing his expertise to help New Mexico to continue to find ways to grow and expand its job market. He concluded by saying that he hopes that some programs focused in the private sector will help increase economic development in the state.

Mr. McDermott then introduced Mr. Coalter as a well-qualified administrator who has a solid finance and control background and, immediately prior to working as the CEO of the
NMFA, served as the Texas Public Finance Authority director. He described Mr. Coalter as "head and shoulders above others" in the lineup for the position of the NMFA's CEO, as someone who has managed bond portfolios of over $5 billion and as someone who is familiar with issues that arise when operating at that scale.

Mr. Coalter spoke next, saying that he has settled into his administrative role and the necessary major decisions required at the NMFA and that he looks forward to working with the legislators. He indicated that when he worked at the Coca-Cola Company, he developed an interest in New Mexico's economy and people. He wants to use his private-public sector experience to serve the state. He believes that the legislature was astute in creating an organization such as the NMFA, which he sees as an efficient means for debt issuance. He reviewed his experience, which includes serving as the vice president of a small technology company, many years at a multinational Fortune 500 company and inspector general at the Texas Comptroller of Public Accounts. His experience encompasses internal investigations and audits, he added, and when the State of Texas abolished its state treasurer position in 1996, he added those duties to his other responsibilities. He also served as the executive director of the Texas Public Finance Authority, which issues general obligation bonds and revenue debts. Mr. Coalter ended by expressing his excitement at serving the legislature and the NMFA as its CEO. He then introduced Marquita D. Russel, director of programs, NMFA, to the committee.

**NMFA Purpose, Mission, Structure and Programs**

Mr. Coalter reviewed the NMFA's creation, purpose and mission. The NMFA is charged with coordinating the planning and financing of public projects, which includes the financing of economic development and community infrastructure projects. The NMFA's mission speaks to strengthening the economy through public-private partnerships and setting standards for diverse and innovative financing. Mr. Coalter provided an overview of the NMFA's organizational structure, with its six major divisions, which include the Public Project Revolving Fund (PPRF) lending programs, financial strategy, administration, general counsel and business development. He indicated that one of the changes he made in the NMFA structure was to merge water projects and economic development into one division under Marquita D. Russel as well as streamlining the financing division.

Ms. Russel gave an overview of the NMFA's activities in each of three areas: infrastructure and capital equipment projects; water and community facilities; and economic development. She said that the NMFA helps New Mexico's communities through its programs focused on planning, infrastructure and development as well as lending to private nonprofits through the Primary Care Capital Fund (PCCF), which is not a frequently used program, but was built upon for the Behavioral Health Capital Fund.

In highlighting the PPRF, Ms. Russel said that this is the NMFA's flagship program, with 60% of loans made by the NMFA coming through the PPRF, representing about 75% of capital delivered by the NMFA. She added that the PPRF was established in 1992 and has triple A ratings with Standard & Poor's Financial Services, LLC, as well as a disadvantaged rate of 0% to
3% on loans based on median household income. She said that annually, a list is presented to the legislature that allows the NMFA to issue bonds for projects over $1 million. Although projects falling under $1 million do not have to be approved by the legislature, she added that these projects are typically included in that legislation.

Ms. Russel detailed the NMFA’s various programs as follows:

• the Local Government Planning Fund (which used to be the Water and Wastewater Planning Fund), which was expanded to allow for proper planning for water, wastewater and solid waste projects by including environmental information documents so entities can access federal programs;
• the Colonias Infrastructure Project Fund, which is funded from 5% taken "off the top" of senior severance tax bonds issued annually; two rounds of awards have been made to date;
• the Drinking Water State Revolving Loan Fund, which provides for low-cost financing for drinking water facilities, is federally capitalized and has closed $150.8 million in loans to date;
• how the NMFA partners with New Mexico's Department of Environment to access dollars for communities;
• the Water Project Fund (WPF), which is funded from two annual distributions, one from the Water Trust Fund and the other from 10% "off the top" of senior severance tax bonds, and provides grants and loans for five types of water projects recommended by the Water Trust Board (WTB);
• the Acequia Project Fund (APF), which was created separately in statute, is funded from private donations from a state foundation and also makes grants recommended by the WTB for planning only;
• the PCCF, which is jointly administered by the NMFA and the Department of Health (DOH), for nonprofit primary care clinics, school-based health centers and telehealth sites and provides loans at a 3% interest rate; this fund was initially funded with $5 million and has made $11 million in loans; and
• the Behavioral Health Capital Fund, which is jointly operated by the NMFA and the Human Services Department and finances the capital needs of nonprofit clinics with assets of $10 million or less.

In describing the NMFA’s larger economic development programs, Ms. Russel next spoke about the New Markets Tax Credits (NMTC) Program, in which the NMFA partnered with New Mexico Community Capital to create Finance New Mexico, LLC, which then became a community development entity certified in 2006 by the federal Department of the Treasury. The program operates using an advisory board consisting of nine community representatives from across the state, and its programs must benefit low-income communities and persons according to its federal mission, Ms. Russel said. Financing can only occur in federally designated low-income communities. Of the two allocations Finance New Mexico, LLC, has received to date in NMTC, totaling $156 million, most has been invested already, she added.
The other economic development program is the NMFA's Smart Money Initiative, which, Ms. Russel said, allows the NMFA to purchase interests in loans that originated in local banks. She explained that borrowers must create jobs in these local communities in exchange for loan dollars. In amendments made in 2005, the NMFA can only make loans to projects determined eligible by the Economic Development Department (EDD) and authorized by the legislature.

In 2011, the NMFA signed a memorandum of understanding with the EDD, she said, to administer $13.2 million in federal funding for the Collateral Support Participation Program. Ms. Russel expressed how rigorous the process is to ensure that the NMFA could leverage the dollars. She added that this program includes a lot of construction lending, working capital lines of credit and small portions of long-term mortgage projects. These funds are intended to help mitigate bank risk and increase the flow of capital as well as augment the Smart Money Initiative, she stated.

In answering her own question — why not make loans directly rather than using banks? — Ms. Russel cited the fact that banks cannot make loans as readily as before. With the NMFA's participation in the loan, the NMFA buys a portion of the loan made by a local bank. Banks can do the majority of lending but often need additional dollars to make a project work, she added. With this program, businesses have one application process, which, she said, streamlines both cost and time for borrowers. In addition, the bank originates and services the loan as it would in any case, and state dollars are protected.

Ms. Russel then gave an overview of the funding history of the NMFA's programs, stating that they have funded over 2,000 projects at nearly $3 billion since the programs’ inception. The NMFA's most active program is the PPRF, with 80 projects financed to date.

Roles of the NMFA Oversight Committee; Discussion of Interim Committee Procedures; Adoption of Proposed Work Plan

Ms. Sullivan gave a brief overview of the statutory requirements for the NMFA Oversight Committee; the ways in which the committee dealt with the audit situation through legislation that creates more rigorous controls and checks; and the investigations that occurred related to audits. Ms. Sullivan reviewed the committee's proposed work plan in detail, in particular citing the need for ongoing communication between the NMFA board and the committee. Relating to the interim schedule, Ms. Sullivan indicated that the NMFA Oversight Committee would be requesting a joint meeting with the interim Water and Natural Resources Committee (WNRC) for one day, either July 1 or 2. She also spoke about one of the committee's perennial concerns related to never seeing a timely list that resembles the final water projects recommended for funding by the NMFA. The committee will hear a detailed presentation about this concern to achieve a satisfactory resolution. She then reviewed the proposed meeting dates with committee members.

The chair then opened up the meeting to questions and concerns from committee members. Questions and responses included:
• the NMFA will give an in-depth briefing on loan participation program rates, activity and loan status;
• discussion of the issue of consolidating the application and funding processes so that it is clear which projects are being funded through which programs in order to identify, and thus avoid, a duplication of funding;
• in the Drinking Water State Revolving Loan Fund Program, the NMFA looks at the number of users in a system, rather than population, and at least 15% of the capital provided must be granted to these smaller systems;
• the Smart Money Initiative is a long-term partnership in which the NMFA can buy 49% of a loan;
• clinics that are awarded loans through the PCCF Program must first apply through the DOH; then, once approved, the application goes to the NMFA for financial analysis; then a clinic must provide quarterly updates on its services and must meet its service requirements;
• the NMFA will contact the DOH to clarify its rules and regulations related to the PCCF and the ways in which these rules might be a hindrance to clinics;
• $315 million has been appropriated out of the WPF, with 80% of that expended and 20% still under construction, and all dollars in the Colonias Infrastructure Project Fund have been committed;
• in loan participation arrangements, the NMFA pays a small fee to the bank for services the bank takes on, which covers administrative costs for the bank to report back to the NMFA; this practice actually streamlines the process from the borrower's perspective, lowers the interest rate for borrowers and creates costs to the banks involved for which the banks would not otherwise get compensated without the NMFA paying this fee;
• in the NMTC Program, the funding comes from private sources in addition to the sale of federal tax credits, and the NMFA only manages the fund; in addition, the federal government assesses the proportion of the population living in poverty, which must be at least 20% to qualify; although New Mexico has a number of low-income census tracts, many of these do not have a high enough rate of poverty percentage to qualify;
• because of the audit issues last year, the NMFA now has decided to outsource the internal auditor position and has issued a request for proposals (RFP) for an organization to bring resources to bear on completing audits and that would report to an audit committee and the NMFA board to give independence and separation from its internal staff;
• there are two sources of audits, internal and external, and improvements have been made at the board level to ensure vigorous management of internal and external audits;
• because of increased scrutiny related to compliance oversight, the NMFA has approved the implementation of a compliance board and officer to ensure that all loans, rules and regulations are reviewed and monitored;
• the need for shared responsibility between the NMFA board and management; and
• the request that LCS staff write a letter to the NMFA asking that the NMFA respond with details of its proposed new structure and how this meets audit recommendations.

Senator Cervantes invited committee members to add or suggest items to the proposed work plan as presented by Ms. Sullivan, with specific geographic requests included. Among the topics discussed were issues related to Spaceport America and a staff report or agenda item on energy efficiency standards and policies for public buildings financed through the NMFA. On a motion made and seconded, the committee adopted the proposed work plan and approved staff working with the chair and vice chair to finalize the proposed schedule and meeting locations.

2014 Session Legislation Summary
Ms. Ryan gave a brief overview of endorsed bills and a memorial that passed during the 2014 session, which included House Bill 12: the NMFA PPRF projects; Senate Bill 31: the Local Government Planning Fund bill; Senate Finance Committee Substitute for Senate Bill 112 (SFC/SB 112): WPF and APF projects and additions and amendments to the Water Project Finance Act; and Senate Joint Memorial 4: calling on several entities to study the state's role in building broadband infrastructure. Ms. Ryan said that although these four pieces of legislation passed, SFC/SB 112 was vetoed.

In response to a question about the governor's reasons for vetoing SFC/SB 112, Ms. Ryan reviewed the governor's veto message. Committee members disputed assertions made in the veto message, commenting on:

• the repeated hearings and debate on this bill in both the house and senate;
• that the legislature would have had a greater role in the process through passage of this bill;
• the question of whether the $30 million worth of projects in this bill can be used now to fund projects already authorized;
• that the bill would have allowed for projects to come back each year for reauthorization to ensure that the legislature is funding shovel-ready projects;
• how the current process of earmarking projects without relating these earmarks to actual funding is a flawed process;
• that there needs to be more clarity and information-sharing regarding projects that are qualified for NMFA funding; and
• in an effort toward transparency, coordination and full vetting of projects and an earlier date for project approval could be initiated to allow legislators to have better knowledge of the projects, better input about which projects to fund and better coordination between the executive and legislative branches.

Board Report
Mr. McDermott reviewed the NMFA project activity, which amounts to $108 million in loan volume to six programs. After giving details of the amount in each program, he said that the NMFA is meeting its loan objectives for the year. He mentioned that two-thirds of the projects
financed were at the level of less than $1 million, and the median project approved was at $268,000, which both reflects NMFA policy and staff efficiency in evaluating loans in a wide price range.

Mr. McDermott added that the NMFA continues to issue its bonds at the highest or second-highest rates available, thus maintaining the lowest-cost capital available in any state program he has seen. The NMFA also provides additional guarantees that improve bond ratings, and the NMFA has an outstanding track record on defaults, as well. He said that the NMFA has issued about $100 million in bonds in the last 12 months.

Related to audit status, Mr. McDermott reported that these issues have been systematically worked through over the past 18 months through both an audit committee and an interim CEO. He stated the importance of implementing software for loan servicing for productivity and transparency and that the NMFA has a time line and is working on an RFP for this purpose.

In response to questions about the APF, Ms. Russel indicated that there are no new legislative authorizations to process, but the NMFA has closed nine projects over the last year and one-half and that the fund only has a $200,000 contribution and, thus, is not a good place from which to seek funding. Finally, a suggestion was made to discuss at the joint meeting with the WNRC the development of a long-term plan for forest and watershed restoration.

Adjournment

There being no further business before the committee, the meeting the second meeting of the IAC for the 2010 interim adjourned at 4:30 p.m.
MINUTES
of the
JOINT MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE
and the
WATER AND NATURAL RESOURCES COMMITTEE

July 1, 2014
Science and Technology Park Rotunda
University of New Mexico
Albuquerque

The joint meeting of the New Mexico Finance Authority (NMFA) Oversight Committee and the Water and Natural Resources Committee (WNRC) was called to order by Representative George Dodge, Jr., chair, WNRC, on Tuesday, July 1, 2014, at 9:47 a.m. at the Science and Technology Park Rotunda of the University of New Mexico (UNM) in Albuquerque.

Present
Sen. Joseph Cervantes, Chair
Rep. Patricia A. Lundstrom, Vice Chair
Rep. Alonzo Balderado
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales
Sen. Phil A. Griego
Sen. Ron Griggs
Rep. Jimmie C. Hall
Rep. Yvette Herrell
Rep. Dona G. Irwin
Sen. Michael Padilla
Rep. Jane E. Powdrell-Culbert
Rep. Debbie A. Rodella
Sen. John C. Ryan
Sen. William P. Soules
Rep. James P. White

Absent
Rep. Candy Spence Ezzell
Rep. Henry Kiki Saavedra

Advisory Members
Sen. Jacob R. Candelaria
Rep. Sharon Clahchischilliage
Rep. Anna M. Crook
Rep. Kelly K. Fajardo
Rep. Mary Helen Garcia
Rep. Emily Kane

Sen. Sue Wilson Beffort
Sen. Stuart Ingle
Sen. Timothy M. Keller
Rep. W. Ken Martinez
Sen. George K. Munoz
Sen. William H. Payne
Welcome from UNM
Robert G. Frank, president, UNM, welcomed the committees and described UNM's efforts to graduate more students within four years and to improve the job outlook for graduates. Addressing the first initiative, UNM: adopted a new tuition model that encourages students to take more credit hours in a semester; reduced the number of credit hours required in many programs; and changed its advising process. Addressing the second initiative, UNM recently partnered with the City of Albuquerque and private-sector leaders to sponsor Innovate ABQ, a research district that facilitates entrepreneurship.

Overview of Water Project Fund (WPF) Financing
Marquita D. Russel, chief of programs, NMFA, outlined the statutes and processes that guide how community water projects are funded. Funding sources include: the Public Project Revolving Fund and the Rural Infrastructure Revolving Loan Fund, which sources require a monthly application process; the Drinking Water State Revolving Loan Fund and the Local Government Planning Fund, which sources require a quarterly application process; and the WPF,
the Colonias Infrastructure Project Fund, the Clean Water Administrative Fund and the Tribal Infrastructure Project Fund, which sources require an annual application process.

The largest of these funding sources is the WPF, which was established by the Water Project Finance Act (WPFA) and is administered by the NMFA. The Water Trust Board (WTB) receives applications for grants and loans from the WPF. A project may qualify for funding by meeting statutory requirements and WTB rule-based eligibility and prioritization criteria. A project management team consisting of representatives from seven agencies, each with its own project criteria, comprehensively reviews applications and provides technical advice on project merit, eligibility and fitness for funding. Then, the WTB ranks qualifying projects and selects the highest-ranked ones for legislative approval.

Mr. Boller discussed the legislature's role in WPF financing. Primarily, the legislature authorizes projects recommended by the WTB in a bill introduced each year.

Ms. Russel discussed the project-authorization bill from 2014, Senate Finance Committee Substitute for Senate Conservation Committee Substitute for Senate Bill 112, as amended (veto), (SB 112). SB 112 began with a list of 120 projects. The final version of the bill passed by the legislature listed 64 projects. The 64 projects' value was approximately $70 million, and approximately $33 million was available for project funding. Although SB 112 was vetoed, the $33 million is still available for use because there are legislatively authorized projects from prior years that continue to need financing. That is, in past years, more projects were authorized than money was available to finance them.

Committee members offered comments and questions, and Ms. Russel responded, as follows.

• It seems that the legislature's role in the WTB's process is weak, given that projects can be funded in spite of a veto of the authorization bill — and that, typically, projects get "rubber stamp" approval.
• As shown in a spreadsheet depicting projects and authorizations, one project receiving funding this year received its authorization, which is being treated as ongoing, as long ago as 2005. The authorization language, as quoted in that spreadsheet, is very broad.
• Ms. Russel said that the application process recently changed to allow for a longer application period to help smaller communities. As a result, the project list presented to the legislature is more comprehensive, since further refinement of priorities occurs after the legislative session.
• Ms. Russel said that 10% of senior severance tax bond capacity is earmarked for the WPF, 5% for tribal infrastructure projects and 5% for colonias infrastructure projects. The latter two do not require legislative approval.
• The legislature might wish to have more oversight over tribal and colonias projects.
WTB: A Review of Planning, Spending and Outcomes

Jonas Armstrong, program evaluator, Legislative Finance Committee (LFC), and Jon Courtney, program evaluation manager, LFC, reported on the findings of an analysis of the WPF program that was conducted by the LFC and published in a November 2013 report. They summarized the report's key findings and recommendations and responded to committee members' questions.

The LFC found that: 1) the high proportion of grants to loans offered through the program dilutes the effectiveness of the loan programs; 2) although challenges exist for the fair administration of the WPF, the WTB is correctly funding projects according to policy; 3) the Water Trust Fund (WTF) is in danger of becoming insolvent; and 4) the WTB is implementing new policies to improve the program. Concerning the first finding, the LFC compared New Mexico's mostly-grant program to other states' corresponding programs and discovered that most other states have self-sustaining, revolving loan funds and that New Mexico spends more on grants than all of its neighboring states combined. Concerning the second finding, the LFC found that water project financing programs are not streamlined for applicant ease, that the WTB does not comply with interest rate rules, that the WTB too willingly forgives loan obligations, that the WTB has not delivered a statutorily required annual report to the legislature since 2006 and that more oversight of WTB administration and projects is needed. Concerning the third finding, the LFC found that it is projected that money in the WTF will be depleted by 2033. Lastly, the LFC found that the WTB is taking steps to employ best practices and improve the financial and environmental accountability of public utilities, and that these policies will result in an increased need for assistance to smaller participating entities.

The report contained the following recommendations, which Mr. Armstrong and Mr. Courtney outlined. Pertaining to the WTB: a centralized process for water infrastructure process funding, featuring the use of a uniform-across-agency application process, should be established; loan terms should comply with the law; policies should be implemented faithfully and consistently; and a third party should be contracted to help project recipients with planning and analysis. Pertaining to the legislature: the requirement for a uniform application process should be established; an interagency committee that coordinates all water infrastructure funding programs should be created; and water projects should be funded through the capital outlay process only when other sources of funding are not available.

Committee members offered comments and questions, and the presenters responded, as follows.

- It would help legislators to know of a given requesting entity's pursuit of project funding from other sources and the entity's ability to secure financing for all phases of its project.
- Considering that many communities' tax bases are inadequate to repay loans, the proportion of resources dedicated to grants and to loans is not necessarily
inappropriate. Further, the legislature intended the program to function as a grant program to assist small communities with their water infrastructure needs.

- The WTB should resume presenting its statutorily required report to the legislature.
- Committee members requested: 1) more detail on the options for making the WTF solvent; 2) more detail on the recommendation that the legislature create an interagency committee to coordinate all water infrastructure funding programs; and 3) more detail on the category of mutual domestics in the table on page 10 of the LFC presenters' handout.

**WPF Application and Approval Process**

A panel consisting of Bill Fulginiti, executive director, New Mexico Municipal League, John Gasparich, former interim chief executive officer (CEO), NMFA, Richard Rose, director of water resources, Water Resources Allocation Program, Office of the State Engineer, Blanca Surgeon, rural development specialist, Rural Community Assistance Corporation New Mexico (RCAC), and Ms. Russel discussed the WPF application and approval process.

Mr. Fulginiti introduced himself as having been a board member of the NMFA and the WTB since those boards' inception. He stressed the importance of a long application period to allow small municipalities, especially, adequate time to undergo the relatively complex application process, and he stressed the importance of the technical review process. Mr. Fulginiti reported that the funding process has become more streamlined since the WTB's formation. He further stated that in the last legislative session, uncertainty about proposed projects could have been mitigated by providing more information to the NMFA Oversight Committee and to the full legislature.

Mr. Gasparich indicated that he is no longer affiliated with any state entity but that he was participating on the panel to be available to respond to questions that he might address in his capacity as former CEO of the NMFA and former member of the WTB. He echoed Mr. Fulginiti's assertion that less misunderstanding would have resulted had the legislature received more information about projects proposed for authorization.

Mr. Rose offered some background about the WPF program and commented on its current state. He noted that in 2002, there was a severe drought that caused many communities to run out of water. A specially created team found that the problem was largely the result of those communities' lacking technical expertise to develop systems to guard against such shortages. Now, with a longer application period and state-provided technical assistance, small communities are more likely to secure funding for their projects and avoid the most dire consequences of a severe drought.

Ms. Surgeon profiled the state's rural water systems, testified on the challenges that many water utilities face and provided some recommendations for legislative response. Small rural systems constitute a vast majority of all drinking water systems in the state. Small systems are generally run by volunteer boards of directors that must navigate a complex web of water project
funding programs and the requirements (depicted in a table that Ms. Surgeon provided) that they impose. In the case of WTB funding, an applicant community must meet a funding-match requirement. If the applicant is unsuccessful in that effort or if it fails to score the minimum number of points associated with all requirements, then it must restart the application process. Further, the RCAC could offer much-needed technical expertise to small communities if it were adequately funded. Ms. Surgeon recommended that the state encourage the development of regional umbrella projects, which achieve an economy of scale with respect to policy and funding. She further recommended that the entities that operate urban water systems be required to help neighboring rural communities with their water systems.

Ms. Russel reviewed a handout illustrating key statistics in the history of the WPF program and describing the evolution of the WTB's processes. Throughout the years, the WTB has adapted its vetting process. The ratio of projects submitted to the legislature to the projects ultimately funded has varied. The recently lengthened application period forestalls the WTB's project rankings, which, in turn, prevents the legislature from receiving a more refined list of project priorities before the end of the interim.

Committee members offered comments and questions, to which the presenters responded, as follows.

- Because of the onerous application process, must small communities be required to start the application process over if they are not initially selected?
- This program was designed to benefit small communities, and many of the rules that have been put in place since the program's inception interfere with that intent.
- Improvements to water project funding could be made by incorporating data and statistics into the analysis and developing mechanisms to help state agencies and rural communities to work together.
- Whether legislative authorizations of water projects are perpetual is debatable, and the possibility of a legal action to challenge the validity of past years' authorizations is being discussed. Deeming authorizations perpetual has the effect of diluting legislative prerogative. A provision in SB 112 would have put an expiration on authorizations. The effect that such an authorization cut-off would have on multi-phase projects that span more than one year should be considered.
- In response to the SB 112 veto message, SB 112 was debated multiple times in committee, and efforts at selecting and funding projects would be less frustrated if the legislative branch had more control over WTB composition. Legislative and executive cooperation in this context is essential to ensuring that worthwhile projects get funded.
- It is important for WTB members to be present at meetings like this to hear the concerns expressed.
- Mr. Rose indicated that there have been attempts throughout the years at making more uniform the requirements of the various water project funding programs. He said that a statutory scheme involving a central agency would be needed to achieve uniformity.
on a wider scale. Ms. Russel cited technical problems as a barrier to uniformity; the federal programs, for instance, have different rules, and the various programs have different timing requirements. Compared with other states, she said, New Mexico has a high number of funding sources for its population.

• Ms. Russel said that, occasionally, the WTB, which has the final say in which projects get funded, deviates from the project management team's recommendations.
• A committee member requested more information on the WTB process for project consideration and funding.
• A committee member expressed strong concern about a situation in which the Ancones Mutual Domestic Water and Wastewater Consumers Association (MDWWCA) has tried for two years to implement a project, and, as a result of its initial failure at securing part of that funding, residents have had to haul water for the last year. The association recently learned that the capital outlay portion of funding that it was supposed to receive for the project has been held up by the Department of Finance and Administration (DFA) because of a perceived audit problem under EO 2013-006 and that the next opportunity for a bond sale to finance the project is in December, which the association and the member consider unacceptably late. Ms. Russel testified that the NMFA certified that the Ancones project was compliant with audit requirements imposed by Executive Order (EO) 2013-006. The member asked what safeguards — such as an emergency funding source — could be implemented to prevent such situations.

Capital Outlay for Water Infrastructure Projects and WTB Composition

Tom Clifford, secretary of finance and administration and chair of the WTB, discussed the executive branch's efforts to improve the capital outlay process. He outlined areas seen as strengths, which include state and local cooperation, use of best practices and improvements in education and training, and areas seen as needing improvement. They include staffing, coordination, planning, prioritization and accountability. Secretary Clifford gave an overview of funding sources for capital outlay and noted that EO 2013-006 and the corresponding training by his staff to small communities have improved local governments' compliance with the Audit Act. Secretary Clifford added that $89 million was appropriated through the 2014 capital outlay bill for water projects throughout the state.

Secretary Clifford also highlighted recent improvements to the WTB's process, responded briefly to the LFC's report on that process and commented on the WTB's composition. Improvements include implementation of a simplified project-interest form that screens for initial eligibility and the expanded window of opportunity for applicants to correct deficiencies that would otherwise disqualify them from consideration for funding. Regarding the 2013 LFC review, Secretary Clifford noted that the WTB carefully analyzes applicants' finances and finds that many are unable to repay loans, which helps to explain the LFC's finding of a high grant-to-loan ratio. He added that staff spends a lot of time preventing the duplication of efforts that applicants of the several funding programs sometimes encounter. Lastly, Secretary Clifford
pointed out that the legislature, in its role of confirming cabinet secretaries and the WTB's public member appointments, helps to determine who holds positions on the WTB.

Debra Hughes, executive director, New Mexico Association of Conservation Districts, introduced herself as a representative for the environmental community and treasurer of the WTB and said that she worked on the original WPFA and served on the first WTB. She expressed disagreement with the LFC report on its point that there should be a larger loan component in WPF program funding. Ms. Hughes concluded by indicating that the board scrutinizes projects to determine funding priority and by acknowledging that it would help the legislature to know what those priorities are.

Ms. Russel reviewed a handout summarizing major WTB-related legislation and outlining WTB composition.

Senator Cervantes thanked the members of the WTB in attendance, who were Brent Van Dyck, WTB representative of the soil and water conservation districts, Robert P. Coalter, CEO, NMFA, Mr. Fulginiti, Secretary Clifford and Ms. Hughes, for their participation. Mr. Van Dyck stressed the importance of protecting water and agriculture and helping small communities overcome the disadvantages that many face in securing funding for water projects.

Committee members directed comments and questions to Secretary Clifford as follows.

- Can the State Board of Finance find money to fund on an emergency basis the Ancones water project (whose status was discussed during the "Water Project Fund Application and Approval Process" presentation)? Secretary Clifford responded that it is possible that the DFA made a mistake and that the issue preventing the issuance of money for the project would be researched. He added that the process for such issuances includes measures to improve accountability.
- A motion was made, and passed without objection, that the following action be taken. The committees will send a letter to the secretary of finance and administration requesting: DFA staff to work with the Ancones MDWWCA to resolve the issue preventing the issuance of money for its project so that money is secured as soon as possible and construction may begin as planned in July; and that the DFA provide a follow-up report on the situation and how situations like it can be prevented.
- EO 2013-006 might be unconstitutional, as the attorney general opined.
- A partisan imbalance in the WTB representation occurs when 14 of the 16 members are executive appointees. Provisions guiding the composition of the State Investment Council (SIC) serve as an example of forming a more balanced oversight body. The legislature's influence through senate confirmation over WTB membership is too minor to prevent the imbalance. In the senate confirmation process, a candidate's worthiness to serve on the WTB is not actively considered.
- There should be an evaluation of colonias' infrastructure needs and a corresponding comprehensive plan to address them. Policymakers should know how much money is...
available and how much would be needed to fully address colonias' infrastructure needs.

• The WTB should submit a more refined list of projects to the legislature next year. Secretary Clifford responded that the process to determine readiness to proceed will help cull the list submitted to the legislature, but it is difficult to strike a balance between applicants' and the legislature's needs and wishes. He said the WTB can work on getting the legislature a more refined list. Secretary Clifford also said that a rule change would be required to expand the application and funding cycle.

• Last session, efforts were made to conform the list of projects in SB 112 with the governor's agenda. Yet when asked, the state engineer said that, at the time, there was no list of projects having the governor's support. Such a list did not become available until two days before the end of the session, which was not enough time for the legislature to evaluate and incorporate them into its bill.

• A committee member requested that NMFA staff provide information on which of the governor's projects are part of entities' infrastructure capital improvement plans.

• Small communities should not have to restart the application process after being disqualified. Rather, there should be a period of years in which their applications should be held open. Further, if an entity receives approval contingent on securing a match for a grant, there should be assistance (e.g., a time extension or a supplemental grant) offered if the entity cannot satisfy the contingency.

Federal-State-Local Cooperation in Forest Watershed and Fire Management — The Necessity of Long-Term Forest and Watershed Management Planning

Tony Delfin, New Mexico state forester, James Melonas, New Mexico state liaison, United States Forest Service Southwestern Region (USFS), Laura McCarthy, director of conservation programs, New Mexico Field Office, The Nature Conservancy, Brent Racher, president, New Mexico Forest Industry Association, Kent Reid, director, New Mexico Forest and Watershed Restoration Institute (NMFWRI), and Nita Taylor, Lincoln County manager, discussed federal, state and local cooperation in forest watershed and fire management efforts.

Mr. Delfin briefly described the role of the state Drought Task Force Watershed Subcommittee (DTFWS) in improving the health of forests and watersheds. The DTFWS developed a plan and funding request for watershed restoration projects on public lands. Mr. Delfin turned the committees' attention to a recent press release from the Office of the Governor that announced $6.2 million for those projects and indicated that the projects are ready to begin. The larger projects could take up to about two years to complete.

Mr. Reid highlighted the NMFWRI's responsibilities and purpose, which consist of conducting long-range collaborative planning with other entities to "promote the use of adaptive ecosystem management ... reduce the risk of wildfires, and restore the health of fire-adapted forest and woodland ecosystems" in the region.
Mr. Melonas described three aspects of the USFS's efforts to quickly and sweepingly restore watersheds in New Mexico: science, tools and partnerships. With regard to the first aspect, the Forest Service Rocky Mountain Research Station recently published a report that outlines a comprehensive framework for "improving ecosystem resiliency". Mr. Melonas defined the "tools" as provisions in the 2014 federal farm bill. Lastly, he cited partnerships among the USFS and several public and private entities that will enhance the USFS's efforts.

Ms. Taylor described the effect that five recent wildfires have had on Lincoln County. She discussed the county's response while the fires were burning (establish effective communication systems and collaborate with first responders and partners) and the work required of the county after the fires were extinguished (assess the damage and the impact on the local economy and initiate a process of recovery and cleanup).

Ms. McCarthy described the damage that wildfires, which are occurring on an increasingly large scale, have on the ecosystem and communities' water systems. Fires like the Las Conchas fire of 2011 cause a massive movement of sediment from the mountains into rivers and lakes. That sediment pollutes municipal water supplies to the point that some water utilities have determined that the water is not worth treating. Moreover, a growing body of science is pointing to the condition of watersheds as a factor in the historical declines in stream flow. Ms. McCarthy indicated that the cost of reacting to fires (about $2,000 per acre) exceeds the cost of preventative forest restoration measures (about $700 per acre). Immediate action must be taken to restore forests. Ms. McCarthy described some efforts to address the problem. Many public and private entities helping to develop the Rio Grande Water Fund (RGWF) plan have built momentum in the undertaking and that the legislature's support of their efforts is critical.

Mr. Racher underscored the urgency of the situation and the current deficiencies in addressing the matter. He asked for the legislature's help in establishing a long-term funding plan to address wildfire risks and said that related legislation would be proposed in the next session.

Committee members offered comments and questions, and the presenters responded, as follows.

- This work will require the participation of the federal government and bipartisan, bicameral cooperation in the legislature.
- It would be worthwhile to understand what other states and the USFS are doing to address the wildfire issue. Arizona has begun a long-term project to improve forest thinning on a large scale and is exploring innovative ways to control the costs.
- Wildfires demand an immediate response, and New Mexico should take the lead among states in its efforts to address the problem. Those efforts should include training New Mexicans for forest restoration-related jobs. It would be appropriate for the Jobs Council to hear a presentation on the economic development aspects of forest restoration.
• At the request of a committee member, Dale Dekker, architect, Dekker/Perich/Sabatini, who was in the audience, commented on the discussion. Mr. Dekker expressed his enthusiasm about collaborative forest restoration efforts and suggested that the business community is playing a role in tackling the problem.

• At its October meeting, the WNRC should address options to generate revenue for forest restoration. Ms. McCarthy indicated that there have been conversations with the superintendent of insurance about the possibility of imposing a premium tax on homeowners insurance to help offset the cost of restoration efforts. She also said that the RGWF group has designed a model in which downstream water users help to pay the costs of water source protection. The cost during the transition to plan implementation will be about $30 million per year, including a federal contribution of about $20 million.

• Efforts at forest restoration would improve if there were fewer government-imposed restrictions on forest thinning; private industry would then be more willing to step in and invest in it. One of the most crucial components of forest restoration will be increasing private investment.

Status of the WTF
Charles Wollman, SIC, provided some history of the WTF and reported on its status. The WTF was statutorily created in 2003. It received an initial $40 million appropriation in 2007 and another of $15 million in 2008, but none since then; its current value is $45 million. Money in the fund is invested according to the terms that guide investment of the land grant permanent funds. Every year, at least $4 million from the WTF is distributed to the WPF. Unlike other funds managed by the SIC, the WTF has not grown, in spite of the strong aggregate growth of permanent fund assets that has occurred since June 2009. From April 2010 to May 2014, the WTF lost $304,000. It is predicted that the WTF will be depleted in 2035; but if market performance weakens, then the WTF’s life could span as little as 15 more years. The SIC’s consultant, having assumed that a targeted return of 7% will be met and having not taken into account inflation, has projected that a $12 million contribution to the WTF would improve the chances of the fund being maintained; with inflation taken into account, more would be needed. Other options for making the fund solvent include: replenishing the fund annually through a recurring distribution; reducing the amount of annual distribution to the WPF; and basing the distribution on the fund's earnings. The SIC favors the recurring distribution option. Mr. Wollman acknowledged that the option of basing the distribution on earnings would protect the WTF’s corpus but make planning difficult.

Committee members suggested other ideas for helping to sustain the fund, including conducting a study to determine a healthy rate of distribution and establishing a funding stream, such as a severance tax on water. In response to a committee member's question, Mr. Wollman indicated that the SIC believes that the fund is managed efficiently.

Adjournment
There being no further business before the NMFA Oversight Committee, its second meeting adjourned at 4:58 p.m.
The third meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, chair, on Thursday, July 17, at 9:55 a.m. at the Ruidoso Convention Center in Ruidoso, New Mexico.

**Present**
- Sen. Joseph Cervantes, Chair
- Rep. Patricia A. Lundstrom, Vice Chair
- Rep. Alonzo Baldonado (7/18)
- Rep. Ernest H. Chavez
- Sen. Lee S. Cotter (7/17)
- Rep. Roberto "Bobby" J. Gonzales
- Sen. Phil A. Griego
- Sen. Ron Griggs
- Rep. Jimmie C. Hall
- Rep. Yvette Herrell (7/17)
- Sen. Michael Padilla
- Rep. Jane E. Powdrell-Culbert
- Rep. Debbie A. Rodella
- Sen. William P. Soules
- Rep. James P. White

**Absent**
- Rep. Candy Spence Ezzell
- Rep. Dona G. Irwin
- Sen. John C. Ryan
- Rep. Henry Kiki Saavedra

**Advisory Members**
- Rep. Sharon Clahchischilliage
- Rep. Anna M. Crook
- Rep. Kelly K. Fajardo
- Rep. Mary Helen Garcia
- Sen. Mary Kay Papen
- Sen. Sue Wilson Befort
- Sen. Jacob R. Candelaria
- Sen. Stuart Ingle
- Rep. Emily Kane
- Sen. Timothy M. Keller
- Rep. W. Ken Martinez
- Sen. George K. Munoz
- Sen. Bill B. O'Neill
- Sen. William H. Payne
- Sen. John Pinto
- Sen. Nancy Rodriguez
Report from the NMFA Board

John E. McDermott, chair, NMFA board, began his presentation by saying that he would be giving a commentary from the board's perspective. He added that Robert P. Coalter, chief executive officer of the NMFA, is celebrating his six-month anniversary with the NMFA, is bringing the kind of professionalism that the board expects and is becoming indoctrinated to New Mexico.

Mr. McDermott stated that 10 loans closed in June 2014, with seven of those loan amounts being greater than $1 million each. He said that the series 2014 bonds that closed on June 10 were for $31.94 million and that the NMFA maintained its high ratings in this sale. The NMFA contracted with REDW, LLC, to perform its 2014 audit and issued a request for proposals (RFP) for its internal auditing services. The proposals are due on July 18, and the NMFA expects to award a contract by the beginning of September.

Mr. McDermott indicated that the board approved the NMFA's 2015 budget. Included in the data presented to the committee is a statement of net position, which shows details of the loans paid off. The operating budget indicates that the NMFA ended 2014 with 88% of its budget being used. In its statement of revenues and expenditures, the NMFA's income ended at a 7% loss. Loans by type between fiscal years 2013 and 2014 show mostly an increase in volume, while the Public Project Revolving Fund (PPRF) loans decreased due to a reduction in bonding ability, he explained. He added that the NMFA's underwriting abilities continue to yield high ratings with both Moody's and Standard & Poor's.
Mr. Coalter provided an audit findings matrix to committee members, showing that all but two recommendations have been completed, i.e., the internal audit position and the system implementation for loan origination (SILO), which are both in process. He elaborated on the NMFA's automation initiative, a prerequisite for the SILO, which Mr. McDermott agreed is extensive and necessary because the tools used currently consist of manual data collection and tracking. Mr. Coalter said that federal regulations also compel automation. He added that the NMFA will complete a process analysis before it selects a SILO to ensure the lowest cost for the most effective system.

Finally, Mr. McDermott gave a breakdown of the board's composition, adding that the board is composed of members who are competent in needed roles. Board members participate on a pro bono basis, and there is excellent attendance at meetings, he said. Mr. Coalter highlighted the NMFA's organizational chart, saying that all employees have extensive experience. He ended by stating that the NMFA staff is great; the need now is to beef up its systems.

Senator Cervantes opened up the meeting to questions and concerns from committee members. Questions and responses included the following.

- Six of the 89 school districts are represented on the "top five largest loans by quarter" listing, and the NMFA provides low-cost financing to all entities on a case-by-case basis based on what is being funded.
- Repayment of the NMFA loan to the Pueblo of Santa Ana involves a general pledge of all revenue sources of the pueblo, and the NMFA has ensured that the loan is in no way connected with the casino there.
- There is a distinction between internal and external audits required by the NMFA; external audits are those required by the state auditor, whereas internal audits are related to operations, risks and balances within the organization and the ranking of these to determine which areas need to be audited.
- New market tax credits have to be applied to low-income census tracks and other areas that are underserved.
- Although the NMFA might get involved in financing for infrastructure related to housing development, the New Mexico Mortgage Finance Authority handles housing financing.
- The annual report of Water Trust Board (WTB) activity has not been presented to the legislature as required in many years; the NMFA submitted this report in May, and the 2014 report will be available on October 1.
- Regarding WTB loans, there is flexibility that allows forgiveness on loan payments in emergency situations.
- A $100 million unsecured line of credit at Wells Fargo allows the NMFA to access money as needed, which gives the NMFA a six-month buffer to keep its lending going even if the credit market is in chaos; when the NMFA issues bonds, it pays this back with these proceeds.
Among requests made by committee members or follow-up actions needed are the following:

- the NMFA has only one charter school loan now and will look into how to manage future charter school loans;
- the NMFA will make board minutes available to committee members;
- in an effort to compare its various loans, the NMFA will provide a report on loans by category and progress; and
- the NMFA will compile a table that shows the status of all of its loans in terms of loan forgiveness and defaults.

Programs, Progress, Performance and Plans: Economic Development Revolving Fund (EDRF)

Marquita Russel, chief of programs at the NMFA, described the Statewide Economic Development Finance Act (SWEDFA) as a financing vehicle for private entities to help stimulate the economy in rural and underserved areas. The NMFA partners with the Economic Development Department (EDD), she added, in selecting projects for funding. The EDRF is the only fund created in this act, and projects funded from the EDRF originally required legislative authorization prior to funding. In 2011, the legislative authorization provision was suspended because the cycle of legislative authorization impeded the NMFA's need for temporal fluidity in order to receive federal funding. Absent a reauthorization, the suspension of legislative authorization will end in 2016.

The EDRF allows for both direct loans and loan participation programs, Ms. Russel explained. The EDRF loan participation programs include the Smart Money Loan Participation Program (Smart Money LPP) and the Collateral Support Participation Program (Collateral Support PP). In the Smart Money LPP, the NMFA shares the risk of default equally with a bank. In the Collateral Support PP, the NMFA purchases a portion of the bank's loan and is not in an equal position with the bank for risk or gain. Both give the bank the flexibility to advance capital to a business. Ms. Russel added that the NMFA's participation is pretty seamless and the borrower need only to fill out one application per loan. She said that the change in the economy in 2008 diminished the value of this program, but once the legislative authorization provision discussed in the prior paragraph was removed, the program started growing again.

Ms. Russel gave details of the Smart Money LPP, saying that, to date, five loans have been made for projects in Alamogordo, Raton, Las Vegas, Las Cruces and Hobbs. The PreCheck, Inc., loan is paid, and the loan to Western Wood Products is through the authorization process. In the Landmark at Desert Gardens project, she reported that an out-of-state operator purchased and renovated a care facility, which allowed jobs to remain in Hobbs.

When a loan does not perform as expected, as with the Western Woods Products loan, the loan can be restructured, Ms. Russel explained. In June 2011, the loan was placed on nonaccrual
status, and the company filed for bankruptcy protection in June of that year and is now being paid off again with a current balance of around $1.2 million. Another troubled loan in this program is the Plaza Hotel loan through Valley National Bank, which negotiated a forbearance agreement, then foreclosed the loan and liquidated the assets. This took over two years to work through, she said. After liquidation, the value is about $860,000, Ms. Russel added.

In the Collateral Support PP, the NMFA administers funding that comes through the federal Small Business Jobs Act of 2010, which funding is intended both to lessen risk to the banks and increase the flow of capital to small businesses. Ms. Russel said that the state has to leverage 10 private dollars for every federal dollar received. She stated that there are a lot of working capital lines of credit available with federal money and that the NMFA can provide these on a subordinated basis. Ms. Russel then said that the biggest issue is often that the collateral value is insufficient to meet regulator guidelines and that the NMFA takes a piece of the loan in order to be within the bank's policy limits. Ms. Russel concluded by saying that the board is updated monthly on all loans.

The chair then opened up the meeting to questions and concerns from committee members. Questions and responses included the following.

- The Collateral Support PP and Smart Money LPP operate by the same rules but with different policies; in the Collateral Support PP, federal money can be subordinated to the bank's collateral position, which allows a financial deal to be completed.
- With collateral loan support, the NMFA has a higher loan-to-value ratio and can lend against the same collateral pool as the bank to get a project done; in one example, the bank sold the NMFA a portion of its loan.
- Banks come to the NMFA when they cannot complete a loan themselves. Credit unions could be a future customer for the NMFA.
- The EDD reviews projects in about three to four days, which is the same time frame as the application process that the NMFA completes; then the board meets monthly, and there is a monthly credit review.
- The NMFA receives interest on projects that are funded through the Smart Money LPP and administrative funds for federal money received through the Collateral Support PP.
- For the New America Charter School project funded through the Smart Money LPP, revenues come from the school lease, and the loan is being paid to the bank, which in turn pays the NMFA.
- Once a charter school owns its facility or has a lease-purchase agreement, then it becomes state property; charter schools need to be in state-owned buildings by 2015, as required by law.
- With the loans from the Collateral Support PP, private leverage occurs with new construction projects; on existing projects, equity can be contributed as private leverage.
The NMFA wrote off the Plaza Hotel loan; the fund itself absorbed the loss, and the NMFA will begin to see revenue in the recovery of this loan.

On the Plaza Hotel loan, Valley National Bank foreclosed on the property, purchased it under foreclosure action, then sold it to an agent who operates it, all of which has nothing to do with the existing loan, which has to be paid by a guarantor.

Is the Smart Money LPP still working as a program to stimulate jobs and is this program the best use of the $5 million that is in it?

Although the NMFA is not making current recommendations for the Smart Money LPP, it may want to make the program more efficient.

The legislation that created the SWEDFA was intended to shore up New Mexico's support of small businesses and target the inability of small banks to fund businesses in their area because of legal lending limits; although this initial goal changed because of changes in the economic climate, there are still a lot of projects that cannot get funding because of regulatory shifts.

Few banks are interested in the Smart Money LPP because of the shared collateral.

Committee members requested that the NMFA provide a chart of collateral support loans approved to date that includes locations of projects.

Approval of Minutes

Upon a motion made and seconded, the minutes of the May meeting were approved.

Computation and Compilation: NMFA Budget

Donna Trujillo, chief financial officer at the NMFA, spoke first about the NMFA's basis for budgeting and explained that the NMFA distinguishes between operating revenues and expenses, which include income and fees charged to borrowers; interest expense and program support; and nonoperating items, including governmental gross receipts and other tax distributions. While there are divisions and departments, Mr. Coalter stated that the best way to look at the overall budget is by program. He said that on a daily basis, employees allocate time to a program and that this time is calculated into the budget and cost for each program, which allows the NMFA to see whether programs are cost-effective.

The PPRF program is made possible through the NMFA's $26 million share of the backing provided by the governmental gross receipts tax (GGRT), Ms. Trujillo explained. In addition, the NMFA uses this as a base of capital from which to make loans and replenishes the fund by issuing bonds that are secured by the loans. In reporting on the budget for administering the PPRF program, she pointed to a table in the handout that gives a percentage of the overall budget that represents the costs of the PPRF program.

Ms. Trujillo indicated that there is some fluctuation in the budget in terms of what percentage of cost is attributable to each program: for the PPRF in 2014, it is estimated that outstanding loans will amount to $1.13 billion and bonds issued will amount to $1.12 billion.
The PPRF program is the NMFA's largest and requires 46,000 hours of activity, which includes loan origination, closing and servicing; bonding activities; and accounting and reporting.

Next, Ms. Trujillo discussed the legislature's 2011 enactment of the Water Project Finance Act and the Water Project Fund (WPF). Per statute, she added, the WTB is responsible for adopting rules that govern the terms and conditions for grants or loans recommended by the WTB for appropriation from the WPF by the legislature. She said that funding for these water projects comes from Water Trust Fund (WTF) distributions (at $4 million annually), 10% of severance tax bond proceeds and repayments from the loans of projects already awarded. The largest expenditure for these projects is for the projects themselves, and other expenses are for adjudication and operations. The NMFA's proposed 2015 budget indicates that WTB program costs will total nearly 14% of the NMFA's total budget.

In describing the Drinking Water State Revolving Loan Fund (DWSRLF), which was authorized in the federal Safe Drinking Water Act, Ms. Trujillo said that this is a low-cost loan fund that is used to make improvements to water systems so that they comply with the act's requirements and protect drinking water quality. This program is monitored by the federal Environmental Protection Agency (EPA), and federal requirements include that the cost allocation for these projects must be equitable; the EPA also audits this program, she added. Sources for this program are DWSRLF federal distributions (currently $8 million annually), state matching funds from the PPRF and repayments from the loans of projects already awarded. Expenditures from the fund go primarily to the projects themselves and also to the Department of Environment (NMED) and for operations. The NMFA's proposed 2015 budget indicates that DWSRLF costs will total 9.94% of the NMFA's total budget.

Ms. Trujillo discussed the NMFA's newest program, which is to provide funding for infrastructure in communities that qualify as colonias. She indicated that the budget for the colonias program is completely derived from severance tax bond proceeds. (The Colonias Infrastructure Project Fund (CIPF) receives 5% of the estimated bonding capacity each year.) She reported that costs for the colonias program fluctuate due to the program's newness but that future templates for grants and loans should stabilize professional costs.

In reporting on the Local Government Planning Fund (LGPF), Ms. Trujillo said that the fund began with a focus on planning for water and wastewater projects and required repayment by the grantee if the planning resulted in a project. Eventually, this was expanded by the legislature to include water conservation and economic development plans. Later this was expanded again to include all infrastructure plans and the repayment requirement was removed. The LGPF, as projected for the NMFA's 2015 budget, will require 4.39% of the NMFA's total budget. Ms. Trujillo said that because the program was broadened, activity and costs have increased.

Ms. Trujillo stated that Smart Money LPP costs by category as proposed for 2015 will be at 1.14% of the NMFA's total budget. The Collateral Support PP costs by category for 2015 will
be at 4.96% of the NMFA's total budget, she added. The new market tax credits budgeted costs for 2015 will be at 7.81% of the NMFA's total budget. She then spoke about some of the NMFA's smaller programs, which include the Behavioral Health Capital Fund, the Child Care Facility Revolving Loan Fund, local government transportation projects under the Department of Transportation (Governor Richardson's Investment Program, or "GRIP", funding, which is being closed out) and the Primary Care Capital Fund, all of which represent 4.32% of the NMFA's total budget as proposed for 2015.

For 2015, the NMFA's proposed budget is $8.65 million. Ms. Trujillo highlighted that from fiscal year 2012 through fiscal year 2015, the NMFA's total revenues have increased by 1.7%.

The chair then opened up the meeting to questions and concerns from committee members. Questions and responses included the following.

- The NMFA's external auditors will complete their work by December 2014.
- The overall number of full-time-equivalents at the NMFA has remained the same, but the allocation of staff between programs is likely to shift.
- Not until 2020 will the bonds in the GRIP program be paid off and the program closed entirely; although no additional money is going to the program, there are projects in progress that are still drawing reimbursements.
- The NMFA continues to work with issues of refinancing on GRIP and other bonds, but this will not affect the budget.
- The NMFA's need for automation is critical, as it wastes time doing manual spreadsheets when loan officers could be out in the field providing outreach.
- The backing of the GGRT allows the NMFA to provide low-cost loans, which the bond rating agencies take into account when evaluating the NMFA's bonding program; the NMFA has a triple-A rating from Standard & Poor's.

Committee members requested that the NMFA share its risk assessment report with the oversight committee.

**Light at the End of the Tunnel: Compliance with 2012 Audit Recommendations**

The NMFA presented a handout showing its process in tracking and correcting findings after its fraudulent audit, with a matrix that scores progress in each item tracked. Mr. Coalter said that of all of these items, two have not been completed: (1) filling the internal auditor position; and (2) system automation through SILO. He stated that all employees at the NMFA are willing to engage in what is required to get SILO going. Mr. Coalter indicated that the NMFA must ensure that procedures are in place for each position so that when an employee leaves, the function can successfully continue. He also said that the NMFA needs to free up time to get into communities more and also to improve compliance. The NMFA has hired a consultant, he stated, and part of the process over the next few months will be to document procedures of all employees from the ground up. He added that the NMFA staff has
begun to put together what is needed and wanted in a system. In addition, a data dictionary or document is being developed that all can use that defines each term in each program so all are using the same language. He provided a time line for undertaking system readiness that includes: preparation of documents; review of requirements and needs; issuance of an RFP; receipt and evaluation of responses; and completion of the RFP process.

Legislators expressed concern over putting an automated system in place, given the difficulties encountered with the SHARE system, and requested that a copy of the point system used to evaluate bids for the RFP be sent to committee members.

**El Agua Es Vida: Follow-Up on Availability of Emergency Fund for Ancones and El Llanito**

Representative Rodella reported that the State Board of Finance (SBOF) held a meeting on July 15, and the two projects that did not receive funding for Ancones and El Llanito were on the agenda. The SBOF approved emergency funding for $87,900 for these projects, for which bonds will now be sold.

**Fountains of Hope: DWSRLF and WTF Programs — Applications and Approvals; Case Studies: Grindstone Dam, Alto Lakes and Ute Pipeline**

Ms. Russel spoke about the creation of the DWSRLF, which is a low-cost way that small and disadvantaged systems may address construction, rehabilitation and compliance needs. The program is administered by both the NMED and the NMFA, she added, and 27% of each grant is available to the NMED to perform services such as capacity development and technical assistance. She said that the NMED has the authority to choose projects for funding. The NMFA then makes the loans and administers the funds, she added, and is required to make loans at or below market interest rates. At least 20% of the funding has to benefit systems in the form of a grant, negative interest rate or principal forgiveness, which are all grant-like terms, she explained. The program has been capitalized at $163,623,500 to date. Ms. Russel gave details of several loans made, saying that $30 million in loans had been obligated, but funds were not drawn down, and the program is very different now from when the Legislative Finance Committee visited and drew up its report. The unspent fund total has dropped from 30% two years ago to 20% at present and is projected to drop further, to 2% by January 2015. She added that the state has many programs in place to fund water projects and that the drawbacks of the DWSRLF are that it does not fund water rights, dam rehabilitation or reservoir improvements. Also, these projects have to go through a substantial environmental review process that can be time intensive and costly, as the funds come through the EPA. Ms. Russel reported that 78 projects have been funded to date through the DWSRLF, totaling over $150 million.

Bobbye Rose, community development director, Village of Ruidoso; Debi Lee, village manager, Village of Ruidoso; David Edington, district manager, Alto Lakes Water and Sanitation District (WSD); and Paul van Gulick, project manager, Occam Consulting Engineers, Inc., presented their experiences seeking and receiving funding for water projects.
Ms. Lee described the disasters that Ruidoso has been through in the past few years, including two floods, a freeze and two fires, which caused bridges to be washed away, water breaks throughout town and loss of homes, buildings and the village's watershed. Water had to be pumped from the confluence of Carrizo Creek and Rio Ruidoso, and lines were installed to accomplish this, she added. In addition, after the fires, Grindstone Dam dropped to 56 feet below the spillway and water was being pumped from the bottom of the dam, which created unsafe drinking water and caused the NMED to issue an administrative order to the Village of Ruidoso. Ms. Lee said that the village needs 10 bridges and has only been able to replace one. The Federal Emergency Management Agency (FEMA) projects now in progress as a result of these disasters total over $68 million. Both FEMA and the federal Department of Homeland Security want the village to front money for infrastructure projects, but the village cannot do this. She said that the village was four years behind on its audits and $10 million out of balance on its budget, and its finances were in a disastrous state five years ago. The village has now declared water issues to be its highest priority and is looking to all possible funding sources. Ms. Lee explained that Ruidoso's water system is complex, with 41 different pressure zones, 13 wells with water rights and many antiquated water tanks. All sources of water production produce 2.6 million gallons of water a day. She added that the village has taken aggressive steps that include getting itself in order financially, creating a new water rates ordinance, passing a general obligation bond issue to replace leaky pipes, applying for funding from many sources, decreasing operating costs, reducing staff, leveraging resources, updating its water plan, replacing meters and adopting a water source protection plan. She stated that all of this is required as part of the WTB application process for funding.

Ms. Rose spoke about difficulties encountered with the Grindstone Dam liner project when applying for WTB funding for this $4.5 million project. She said that the dam's integrity was compromised, with one million gallons of water leaking from it daily. The village attempted to recoup water with pumps, but this proved costly, she added. This led to the decision to install a liner on the dam, which would address leakage and stability issues. The funding challenges included: Executive Order 2013-006 and subsequent audit findings; that funding applications are burdensome for small communities; changing project scopes during the application process; and communication issues between the entities and agencies. She explained that Ruidoso was on a roller coaster ride: it had been qualified, then disqualified, for funding over and over. At last, Ruidoso qualified for 2014 funds and will finally have full funding available for the liner project, she reported.

Mr. Edington stated that the Alto Lakes WSD has 1,275 residential homeowners, of which 40% to 50% are permanent residents. He said this area faces the same financial challenges as the Village of Ruidoso and that, for a small system, these are nearly insurmountable. The biggest concern, he explained, is leveraging finances, and with a budget of under $3 million each year, everything must be leveraged. In citing differences between applying for funding from the DWSRLF or through the WTB process, Mr. Edington said that both application processes are daunting, but funds are available sooner through the DWSRLF process, and if the requirements are met, the loan is pretty much ensured. With the WTB
process, however, you could meet all application requirements yet not be approved for a loan or you could be selected but still not get a loan because funding runs out. He also pointed out that it is more costly to complete a project with DWSRLF funding than with WTB funding because of administrative costs.

Mr. van Gulick spoke about the dying of the Ogallala Aquifer and gave an update on the Ute Pipeline Project, which is in Phase 1 construction. This is the largest work phase to date and includes a vertical shaft, intake bench and tunnel. It will be completed by the end of September. The reservoir was built in 1963 to mitigate the effects of the death of the aquifer, he added. The next phase will be the interconnection of surrounding communities in four pipeline packages that will include Clovis, Cannon Air Force Base, Portales and Texico. He stated that this is one of the largest regional projects in the state and will eventually include both Melrose and Elida. The project will be shovel-ready in 2015. Mr. van Gulick said that the project could not be constructed until all funding was in place and that it could not receive federal dollars until this happened. He then held up a WTB application to show to committee members. It was about five inches high. He said that the supporting documentation required is immense.

The chair then opened up the meeting to questions and concerns from committee members. Questions and responses included the following.

- Insurance rates went up somewhat due to the fires and floods in Ruidoso, and a coalition has been formed between the village and U.S. Forest Service to take care of cutting and clearing the land.
- The final estimate of funding provided for the Ute project is 75% federal funding, 15% state funding and 10% local funding.
- For the Ute project, there is no repayment obligation on federal funding, and the local portion is paid for according to the amount of water used, with Clovis and Portales being the predominant users.
- Although the supporting documentation changes with projects over time, the engineering documentation does not; still, a huge amount of paper is produced that requires tracking, which can prove difficult for smaller communities.
- The executive order put in place after the capital outlay bill was signed (Executive Order 2013-006) was challenged as unconstitutional — it essentially gives the governor unlimited veto power; cities and counties could challenge the executive order if they have had money held up by getting it rescinded through a court order.
- With Senate Bill (SB) 112 from the 2014 legislative session, the democratic process was intact, given that projects were vetted in several committee meetings and viable projects, such as the Grindstone Dam and Ute projects, were added into the bill after testimony was heard on their viability.
- For the Ute project, all funds are encumbered, although they may not yet be expended, and the project is shovel-ready; the project is receiving increasing
amounts from the federal government each year, and communities are coming together to bond all they can to pay for the results of the disasters facing them.

- Having a state fund that could be drawn upon to assist systems in smaller communities or instituting a different funding process for those communities is needed.

Responding to a request made by committee members, Ms. Lee said she would be glad to put together a position paper for the committee and WTB staff on the funding process from a small community perspective.

**Legislative Priorities or Throwing the Baby out with the Bath Water: SB 112 (2014 Regular Session)**

Ms. Russel gave a brief history of the procedures in place prior to the introduction of SB 112, saying that the WTB has been providing project information to the NMFA Oversight Committee earlier in the year so that it has a sense of the proposed content of the authorization bill. To do that, the application process was changed to require entities to get their applications in earlier so that an overview of each project in terms of applicants' status, project descriptions and amounts requested could be reviewed at the committee's October meeting. The altered time frame means that applicants are allowed time from October through April to complete their applications, whereas before they only had 30 days. SB 112 contained a shorter list of projects than was presented to the interim committee and included $120 million in projects; the WTB had $30 million available.

Ms. Russell touched on some vetting criteria: whether there was a federal match; if the project was shovel-ready; whether health or safety issues were being addressed; if the project was new to WTB funding; or if the entity had made multiple requests previously. This year, the NMFA added a questionnaire to gather more project information for the legislature and to catch any problems with applications well ahead of time so they can be addressed. Mr. Coalter added that the WTB wants legislative input on what is needed to further change the vetting process. Debbie Hughes, a WTB member, said that she has conveyed many of the legislative concerns to the WTB, but she is not on its policy committee. She said that major rule changes made last year have hurt small communities, but there is not time to change the rules this year.

Continued concern was expressed by members regarding the selection of projects for the WTB authorization bill; the need for the committee to see a realistic list of proposed projects that it can then approve; and the time frame under which projects are funded and, once authorized, remain eligible for funding.

Among the requests made by committee members for follow-up actions are the following:

- have the WTB policy committee make a presentation at the next meeting;
• delineate the WTB's process in determining project funding;
• dedicate time at the next meeting to continue exploring the unresolved issues related to the WTB authorization bill and to come up with a plan for legislative action;
• review the current makeup of the WTB and proposed changes in SB 112; and
• discuss the question of a demonstration of water rights for the WTB to approve a project.

Friday, July 18

Approved Colonias Infrastructure Fund Applications: A Colonia in Ruidoso Downs?

Rick Martinez, director of business development, NMFA, talked about two colonias infrastructure projects, one in the Agua Fria subdivision near Ruidoso, where an EPA order was issued because of wastewater discharge into the river, and the other for a water system in Nogal, which was funded with WTB, colonias and federal funds. He said that 47 projects were funded for colonias projects and, of those, $14 million was funded from the CIPF. Mr. Martinez stated that this year is the NMFA's most successful in funding colonias projects due to a more efficient funding and application process.

As defined in the Colonias Infrastructure Act, "colonia" means a rural community with a population of 25,000 or less located within 150 miles of the United States-Mexico border that lacks basic infrastructure as defined in that act, Mr. Martinez explained. There are 155 designated colonias, with the farthest north being San Antonio, he said. He added that communities can approach cities or counties to be designated as colonias and that since the program began, only two have been designated.

Gary L. Williams, mayor, Ruidoso Downs, spoke about the misconception regarding the level of affluence in Ruidoso Downs. He clarified that Ruidoso is affluent, but Ruidoso Downs is really a community where the racetrack happens to be. He added that the Downs Racetrack has benefited greatly from the colonia designation of Ruidoso Downs. He said that both Ruidoso and Ruidoso Downs were involved in a lawsuit because of the contaminants released into the river from the wastewater plant and that they were both mandated to do something about this problem. They became partners in building a state-of-the-art wastewater treatment plant, which is one of the top five in the country and cost $32 million. In order to ensure that contamination does not continue, they are working at putting a septic system in place, and the Agua Fria subdivision is where this would begin, he explained. He said that they have accessed funding from the CIPF for the past two years. Mr. Martinez explained that funding is awarded based on workable phases, and the colonias board ensures that each phase funded is stand alone and workable. Mayor Williams added that he keeps technical documents for each phase and that as each phase is completed, the homes in that phase become part of the larger system. Mr. Martinez said that the councils of governments work with the smaller communities on their applications and assist with legal advice. Also, when
an area is unincorporated, rates are considered in the application process and have to meet the NMFA's criteria, and the NMFA works with entities on rate structuring.

Questions and responses included the following.

- Before passage of the New Mexico Subdivision Act, subdividers could split and sell lots without providing infrastructure.
- An aerobic septic system is mandated by the EPA and is much more expensive at $12,000 a system compared to around $4,000 for a conventional one.
- It is the residents' responsibility to connect their systems to the city's streets, and the city hooks into them from that point.
- The CIPF was capitalized at $14 million this year.

Among the requests made by committee members for follow-up actions are the following:

- a report that indicates all projects funded from the CIPF and the Tribal Infrastructure Project Fund, the criteria used for project selection and how much has been leveraged for projects and the funding sources for each project;
- a way for legislators to learn what other funding has been sought for capital outlay projects requested to be funded through the legislature;
- the NMFA will provide a flow chart of the CIPF review process; and
- inviting the colonias board and the county officials to attend the upcoming Las Cruces meeting.

Engineering Fees; Understanding the Memoranda

Martin Lopez, general manager, and Karen Nichols, projects manager, Lower Rio Grande Public Water Works Authority (LRGPWWA), addressed the committee on problems and possible solutions on funding for regional and mutual domestic water consumer association (MDWCA) capital projects. Ms. Nichols said that in 2009, five MDWCAs were consolidated into the LRGPWWA, and over time, the organization has grown and now serves 14 colonias. The area is 15 miles south of Las Cruces and covers about 100 square miles, with 70 miles of water line serving 500 connections. She said that they have been learning about the funding processes over time and have received funding from the PPRF, the CIPF, the WTB and the DWSRLF, but communities are often caught in the middle between the NMED's review and oversight functions and the funding processes at the NMFA. Ms. Nichols cited many areas of concern, including: documents having to be resubmitted because the memorandum of understanding (MOU) has not been in continual effect; the NMED's review is not consistent among projects; and engineering reviews are taken as final without consideration of other factors, which results in extra cost.

Ms. Nichols gave some specific examples of these issues of delays and redoing of project applications and reviews that include: a WTB project for a water treatment facility that was delayed due to expiration of the MOU; a DWSRLF project that was delayed due to
reviewer misunderstanding; delays on an engineering report for water system improvements
due to the NMED not following standard review guidelines; and problems with the
Berino/Mesquite-Del Cerro water system project due to an NMED reviewer's interpretation of
Procurement Code requirements. Ms. Nichols stated that the first time the LRGPWWA had
an amendment to an engineering agreement, it was forced by the NMED to complete an
entirely new agreement, which was subject to more fees. In another case, new criteria were
added to an application because the NMED realized there was more than one funding source,
she added. The LRGPWWA's current concern is the Berino/Mesquite-Del Cerro project,
which is finally under construction but which has been through several ups and downs related
to bidders coming in over budget and the NMED requiring re-bidding when rural development
reviewers did not. Now, the LRGPWWA will have to go before the WTB to request a time
extension on these funds.

Mr. Lopez stated that the LRGPWWA acknowledges the need for review and
oversight of public funds, but it would like to have standardized guidelines followed to avoid
the pitfalls of this review/re-review process in which the LRGPWWA keeps getting mired.
He wondered if the LRGPWWA could request a different reviewer at the NMED when
projects are delayed.

Questions and responses included the following.

- There was concern that no one from the NMED was present at the meeting to
  provide input and dialogue on these issues.
- Most NMED programs are fee-based, and perhaps the agency needs a change in its
  budget to accommodate increased costs to the agency; this needs to be clarified for
  the committee.
- Plans and specifications for projects funded through the WTB must be approved by
  the NMED, and the NMFA has an MOU with the NMED in which it negotiated a
  fee of approximately $75.00 per hour to be paid to the NMED; the NMFA
  contracts with the Construction Programs Bureau of the NMED to cover project
  oversight costs.

Among the requests made by committee members for follow-up actions are the
following:

- invite the secretary of environment to the next meeting;
- a report on the breakdown of fees for the NMFA's programs; and
- an update on the Mesa del Sol tax increment development district (TIDD), on
  transportation issues related to how much the Department of Transportation has
  paid the NMFA for the management of GRIP bonds and a better understanding of
  how TIDD programs are working.

Adjournment

There being no further business, the committee adjourned at 10:26 a.m.
The fourth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, chair, on September 10, 2014 at 10:10 a.m. at the Belen Public Library in Belen, New Mexico.

**Present**
- Sen. Joseph Cervantes, Chair
- Rep. Patricia A. Lundstrom, Vice Chair (9/10, 9/11)
- Rep. Alonzo Baldonado
- Rep. Ernest H. Chavez
- Sen. Lee S. Cotter
- Rep. Candy Spence Ezzell
- Rep. Roberto "Bobby" J. Gonzales
- Sen. Phil A. Griego
- Sen. Ron Griggs
- Rep. Jimmie C. Hall (9/10)
- Rep. Yvette Herrell (9/10, 9/11)
- Sen. Michael Padilla
- Rep. Jane E. Powdrell-Culbert
- Rep. Debbie A. Rodella
- Sen. Nancy Rodriguez (9/11, 9/12)
- Sen. John C. Ryan
- Rep. James P. White

**Absent**
- Rep. Dona G. Irwin
- Rep. Henry Kiki Saavedra

**Advisory Members**
- Sen. Sue Wilson Beffort (9/10)
- Rep. Sharon Clahchischilliage
- Rep. Anna M. Crook
- Rep. Kelly K. Fajardo
- Sen. John Pinto
- Sen. Clemente Sanchez (9/11, 9/12)
- Rep. Monica Youngblood
- Sen. Jacob R. Candelaria
- Rep. Mary Helen Garcia
- Sen. Stuart Ingle
- Rep. Emily Kane
- Sen. Timothy M. Keller
- Rep. W. Ken Martinez
- Sen. George K. Munoz
- Sen. Bill B. O'Neill
Welcome to Valencia County

Jerah Cordova, mayor, City of Belen, thanked the committee for convening the meeting in Belen and for its continuing support. He provided a brief history of Belen and noted the area's economic growth and its service to the state as a rail hub and as the site of the only municipal airport in the county.

Jeff Condrey, county manager, Valencia County, drew the committee's attention to notable features of the county, including a travertine quarry, agricultural resources and the Luna Mansion. He gave a preview of Thursday's planned tour of the east mesa on the outskirts of Los Lunas, including a visit to the Meadowlake Community Center and its surroundings. Mr. Condrey noted that he had only recently been made aware of the illegal dumping and related environmental hazards that plague the east mesa and asked the committee's help to find resources to address the area's needs.

Board Report

John E. McDermott, board chair, NMFA, impressed upon the committee the importance of compliance with new oversight regulations that the federal Securities and Exchange Commission (SEC) and Internal Revenue Service (IRS) are implementing. He
stated that adherence to the new regulations will give the markets confidence that New Mexico can continue to issue debt at affordable rates and maintain an excellent credit rating.

Robert P. Coalter, chief executive officer, NMFA, presented a financial summary and highlights from the NMFA's loan activities in July and August 2014. Mr. Coalter reported that the overall decrease in loan volume experienced last year has rebounded with an increase in loan volume and expenses. He added that lower balances in the escrow funds reflect increased spending of borrowers' loan proceeds and that increased NMFA expenditures reflect hiring to fill vacant positions. Mr. Coalter stated that NMFA expenditures are on track with budget projections and that significant progress has been made toward reviewing and revising NMFA policies and procedures. A request for proposals is in process to secure an internal audit contract, and an external auditor entrance conference for fiscal year (FY) 2014 was held the previous week. A focus for FY 2015 will be automation of NMFA processes, according to Mr. Coalter.

Mr. Coalter explained that the NMFA will hire independent contractors for a risk assessment and to review procedures. Committee members expressed concerns about using outside contractors, due in part to the unique features of a financial institution such as the NMFA. Mr. Coalter agreed that there is a need to ensure that audit requirements are met. In furtherance of that consideration, provisions for special consultations with any contractors will be included in the contract.

The NMFA has become more proactive with borrowers to ensure that funds are being used to move projects forward in accordance with committee and legislative intent, according to Mr. Coalter. Mr. Coalter explained the difference between the taxable and nontaxable bonding mechanisms for some recent loans. Funds drawn from taxable bonds have a much wider test of use. Tax-exempt bonds have a very strict set of rules limiting their expenditure. The new IRS rules impose heavy fines and penalties for inappropriate use of proceeds from tax-exempt bonds. Mr. McDermott added that private usage of nontaxable bond proceeds would move the bond into the taxable category and that bond status changes can take place after the time of issuance.

Some members expressed concern that smaller communities may not have the resources necessary to monitor bond proceeds for tax-exempt bonds. Mr. Coalter suggested that taxable bonds could help those smaller communities because they allow more flexibility in spending. Mr. McDermott observed that it may be more economical to gain flexibility with taxable bonds for local school district purposes but agreed with members that it is important for communities to understand the distinct uses of taxable and tax-exempt bond proceeds.

Mr. Coalter elaborated on the NMFA's support services for borrowers. The NMFA keeps records for the life of the loan, and the NMFA staff is proactive in explaining recordkeeping requirements to the community. The NMFA can fulfill those recordkeeping responsibilities if called upon to do so. The NMFA plans to produce a procedures manual that
will include legal information and accounting guidelines to help borrowers comply with new SEC and IRS rules.

The NMFA maintains loan funds in trust under current policy, Mr. Coalter explained. To draw down funds, a borrower must present valid signatures and documentation of expenses. Mr. McDermott added that the process is similar to that of a construction loan with a bank. He further noted that it is critical that the lender validate that funds have been applied to eligible expenses and that, in the case of tax-exempt bonds, the purchases will not trigger a taxable event.

Mr. Coalter then discussed the New Market Tax Credits Program (NMTC). Finance New Mexico (FNM), a certified community development entity, was established in 2007 by the NMFA to effectuate the program. At that time, FNM was awarded $110 million in federal NMTC authority, enabling it to sell tax credits to generate capital to lend directly to qualified businesses in low-income areas. FNM secured an additional $46 million in federal NMTC authority in 2010. The NMTC intends to provide greater access to financing for new, expanding or relocating businesses in underserved areas.

**Requested Approval of Local Government Planning Fund Rule Changes**

Marquita D. Russel, chief of programs, NMFA, presented proposed rule changes for the Local Government Planning Fund (LGPF). The LGPF was created by the legislature in 2002 to fund preliminary engineering reports necessary to plan water and wastewater projects and to anchor federal funding applications. In 2005, the legislature broadened eligibility to include master plans, conservation plans and economic development plans and amended grant repayment requirements to allow the NMFA to forgo repayment if the grantee finances a project through the NMFA. The last rule change in 2012 removed all planning grant repayment requirements and broadened eligibility to include planning for infrastructure and energy audits.

Ms. Russel outlined three major areas for the proposed revisions: 1) bringing definitions in rule and closing documents into conformance; 2) creating parity for metropolitan redevelopment districts (MRDs) with Local Economic Development Act projects; and 3) providing explicitly for the use of median household income studies in place of census data.

The proposed changes are intended to help smaller communities qualify for assistance through the LGPF. Ms. Russel further explained that public funds are available under the Metropolitan Redevelopment Code (MRC) only if an MRD has a plan addressing land acquisition, public improvements, transportation and other site development issues. Main Street projects, intended to revitalize and strengthen traditional commercial districts, are using the MRC to develop those districts.

Committee members discussed matching requirements, qualifying household income levels, cash-reserve requirements for applicants and how the applicant pool might increase as
a result of the rule changes. Ms. Russel observed that the proposed rule changes will likely expand the Main Street and metropolitan redevelopment projects within the communities in question by affording more access to planning grants. Some members expressed concern that eliminating local matching requirements will compromise project completion. Ms. Russel explained that the NMFA has hired one person to oversee local government planning and provide the expertise needed to keep projects on track. A community must now start its planning document within five months of receiving a grant. At present, the NMFA processes applications quarterly but expects to begin a monthly process soon.

Ms. Russel noted that the proposed rule changes allow one other exception for economically distressed communities from small counties. Those areas would be given additional consideration for loans because of their limited tax base. A local planning process has been established specifically for those communities to eliminate inapplicable requirements. Ms. Russel asserted that the NMFA board has approved the proposed rule changes.

On a motion duly made and seconded, the proposed rule changes were approved and adopted. The motion was passed without objection.

Proposed Legislation: Delegation of Duties for Certain Securities Issuances

Michael Zavelle, chief financial strategist, NMFA, and Mr. Coalter reviewed proposed legislation to allow public bodies to delegate approval authority regarding certain aspects of bond issuances. Mr. Zavelle reported that all public bodies that issue bonds in the state, including the NMFA, will enjoy the following benefits of the delegation process:

- increased flexibility to react to market conditions and target optimal sale dates;
- enhanced decision-making as designees more fully monitor the sale process;
- elimination of "rubber stamp" special meetings that can cripple sale processes; and
- removal of pricing premiums on bond issues for risk of delayed approval.

Mr. Coalter reviewed the following safeguards in the legislative proposal summarized by Mr. Zavelle:

- sale parameters to determine what can be approved are set in public meetings;
- bond counsel will not allow closing to take place outside the set parameters;
- designees report sales results in a public meeting;
- entities are not required to delegate authority; and
- borrowers may pool financing to close with reduced risk and lower costs.

Mr. Coalter asserted that the delegation process allows for a much more educated and informed board. For example, after every sale, results are reported back and fully discussed with the board. Everyone could become more knowledgeable about the process, which would strengthen oversight. Members discussed various aspects of the proposal and agreed that if
strict guidelines and parameters were established, then the delegation process would enhance the NMFA's services.

The SEC and the Municipal Securities Rulemaking Board: the Public Project Revolving Fund (PPRF) and Your Community

Lawrence "Chip" Pierce, financial advisor, Western Financial Group, LLC, addressed the committee regarding the changing landscape of municipal finance. He presented an overview of the failure of mortgage-lending standards that led to the "Great Recession" and the resultant changes in the municipal bond market. Mr. Pierce characterized these changes as profound and noted that the reforms introduced by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) have added complexity to the bond-issuance process. Among other provisions of Dodd-Frank, the new SEC Office of Credit Ratings is charged with increasing the accuracy of ratings provided by the agencies that evaluate the financial strength of businesses and governments.

According to Mr. Pierce, enforcement actions by the SEC and the IRS are likely to increase as the municipal bond industry, which for decades has been largely unregulated, is scrutinized by federal regulators. Newly defined fiduciary responsibilities for municipal advisors will likely result in higher costs for smaller communities, as smaller firms will now incur disproportionately large professional liability insurance costs to meet disclosure requirements. As a result, Mr. Pierce noted, the role that the NMFA staff plays in working with smaller communities will become increasingly important.

Mr. Pierce stated that disclosure requirements will result in new reporting procedures as well as a need to report any past materially inaccurate statements made by broker-dealers in municipal bond sales under the SEC's Municipalities Continuing Disclosure Cooperation Initiative (MCDC). He added that the IRS is aggressively pursuing post-issuance audits to ensure compliance with federal tax rules for municipal bonds.

Committee members discussed the effect of the new SEC and IRS regulations on the NMFA's ability to lend. Mr. Coalter stated that the practical results of the regulations will be to centralize compliance and to increase oversight, reporting and follow-up. He said that these functions are already in place at the NMFA but must now be refocused to assure compliance and to educate clients regarding the new rules.

Mr. Pierce commended the NMFA for being proactive in increasing compliance review and noted that bond counsel has done an excellent job in limiting potential liability for the NMFA with regard to the MCDC. Mr. Coalter observed that one of the NMFA's goals is to mitigate the higher costs that fall to smaller communities in the municipal bond arena. Moreover, the NMFA will continue to provide that service. Both Mr. Pierce and Mr. Coalter assured the committee that the overall change for the NMFA as a result of the new regulations will be minimal over the coming year. In response to a committee member's question, they said that it is difficult at this point to estimate what additional costs may attend compliance issues in the future.
Minutes of the Meetings of July 1, 2014 and July 17-18, 2014

On a motion made and seconded, the minutes of the joint meeting of the NMFA and the Water and Natural Resources Committee of July 1, 2014 and the minutes of the NMFA meeting of July 17-18, 2014 were approved without objection.

Disclosure of Governmental Gross Receipts Tax (GGRT) Revenue Amounts

Mr. Zavelle proposed that legislation be drafted to collect information on GGRT, a tax of five percent imposed on the receipts of New Mexico state agencies and local governments from the sale of various public services and resources, to provide relevant bond-issuer facts to investors. The request for proposed legislation is due in part to the enhanced focus on compliance and disclosure for municipal bonds. Critical business information for the issuance of PPRF bonds includes particularized data on the GGRT revenue. The NMFA has not been able to collect data from the Taxation and Revenue Department (TRD) at the level of detail needed to explain GGRT revenue trends to investors.

Committee members discussed the Dodd-Frank regulations requiring disclosure postings on the Electronic Municipal Market Access System (EMMA) site and the transparency that the EMMA affords investors for information on municipal bonds. Mr. Zavelle reported that rating agencies do care about the GGRT data because revenue concentrations of over five percent need to be reported. Providing information about the GGRT collected by each entity in New Mexico would enable investors to analyze trends and thereby increase their confidence. At present, the information is provided by the TRD in the aggregate, which provides a limited explanation of increases or decreases in the annual NMFA share of GGRT revenue.

A member observed that the executive branch is apparently entrusted with this information but not the coequal legislature. The member noted the difficulties inherent in analyzing or developing tax policy without such information. The member suggested that the legislature call a cabinet secretary to testify on the matter.

In response to committee discussion about the level of specificity that the NMFA needs with regard to GGRT data, Mr. Coalter stated that the NMFA needs to be able to explain the relative significance of changes in revenue sources to investors. A motion was duly made and seconded to send a letter from the committee to NMFA staff requesting that NMFA staff members work with the TRD to obtain specific information regarding the compelling need for detailed GGRT revenue information. The motion was approved without objection.

PPRF Update

Zach Dillenback, chief lending officer, NMFA, provided an overview and status update on the PPRF. The flagship program of the NMFA, the PPRF was created in 1992 to assist governmental entities in accessing capital markets at a competitive rate. PPRF applicants include municipalities, counties, school districts, institutions of higher education, state agencies and other political subdivisions of the state and Indian nations, tribes and
Mr. Dillenback added that the PPRF is funded through loan repayments and the NMFA's share of the GGRT revenue. He also noted that because of its AAA rating, the PPRF is used as a benchmark for comparing public financing alternatives.

Mr. Dillenback said that since its inception, the NMFA has made 1,192 PPRF loans totaling over $2.45 billion. Of those loans, 624 included $73 million targeted to disadvantaged entities. Mr. Dillenback also presented graphic information regarding the size, type and diversity of the loans made as well as their geographic distribution.

Committee members discussed the loans given to volunteer fire departments, a critical need in many rural areas. It was noted that the majority of the loans made to counties are categorized as "disadvantaged" funding. PPRF loans are repaid by the borrower with the exception that some loans made under the state agency category are repaid with cigarette tax funds.

Ms. Russel clarified that GGRT revenue received by the NMFA is deposited in a reserve fund used to secure the loans. Once the loans have been repaid, the GGRT revenue for that year is released and is deposited in the NMFA's loan fund, whereupon "disadvantaged" loans may be made at a lower interest rate. Ms. Russel stated that these are generally smaller loans wherein the first $200,000 is financed at zero percent and any amount over that is financed at three percent under current market conditions.

Mr. Dillenback stated that assets purchased through loans from the NMFA are owned by the public entity and that the responsibility for maintaining the assets resides with those entities. He further noted that the NMFA has made one loan to a charter school that has entered into a lease-purchase agreement for a property in Albuquerque. The NMFA board has not authorized any other lending associated with charter school lease-purchase agreements.

**Loan Portfolios in 3D**

Ms. Russel reviewed the basic structure of the PPRF and its mission. She provided information on two PPRF loans that are on credit watch. Greentree Solid Waste Authority in Ruidoso Downs is in litigation with Lincoln County but is current on its loan payments. Several special assessment district (SAD) loans were made to Rio Rancho, and some have been restructured to help prevent default. Payments on the loans are current, but SAD loan no. 6 in particular remains on watch.

Ms. Russel reported that no borrowers are in default or on credit watch under the Water Project Fund, the Drinking Water State Revolving Loan Fund, the Colonias Infrastructure Project Fund, the Collateral Support Participation Program or other community services loan programs. She reviewed the status of other NMFA loan programs and borrowers.
• The NMTC has one default to date. The Fuels 4 Less travel center in Deming was forced into bankruptcy by another (primary) lender.
• The Primary Care Capital Fund shows no defaults and has one project on credit watch. The NMFA granted a forbearance of principal payments for one year while the board of the Mesilla Valley Hospice in Las Cruces diversifies its revenues.
• The Smart Money Initiative shows no defaults to date and has two projects on credit watch. The Plaza Hotel in Las Vegas is in default. Western Wood Products, Inc., in Raton is operating under a reorganization plan, and timely payments have resumed. Resources for Children and Youth, Inc., in Las Cruces suffered financial losses as a result of the state's behavioral health audit. A new lessor has taken over the property for which the loan was made and is current on the lease.
• A special appropriation loan is in default. Pathways, Inc., a behavioral health care provider adversely affected by the state's behavioral health audit, is in foreclosure. The NMFA expects to sell the collateral for a full recovery.

Committee members discussed aspects of the projects currently in default or on credit watch. Ms. Russel observed that defaults as a percentage of the NMFA's overall portfolios amount to less than one percent. One member questioned why, with the apparent tremendous need for child care services, no loans were being made from the Child Care Facility Revolving Loan Fund (CCFRLF). Ms. Russel reported that there is no money in the fund and that strict licensing requirements sometimes conflict with project loan eligibility requirements. A member offered to look into funding for the CCFRLF and the eligibility requirements.

Proposed Legislation to Regionalize and Consolidate Small Utility Companies Such As Mutual Domestic Water Associations (MDWAs)

Rick Martinez, director of business development, NMFA, presented information regarding a proposed small utility authority act. He reported that many areas with multiple MDWAs want to organize as small utility authorities. The proposed legislation would create opportunities to consolidate services and improve local planning and coordination. Mr. Martinez reported that this idea has been evolving since 2003 and that there are numerous partners for the project at the state and local levels. The idea will be presented to the Water and Natural Resources Committee.

Mr. Martinez observed that, if the proposed legislation passes, the act would increase audit and reporting requirements for the participating entities. The NMFA would be able to work with the MDWAs to restructure their debt and help them become more effective in water delivery without having to create separate legislation for each entity. Mr. Martinez asserted that the proposed legislation would create regional water and wastewater authority umbrellas for local water systems.

Moreover, Mr. Martinez stated, under the proposed legislation, small utility authorities would be political subdivisions of the state. The NMFA is already working with the U.S. Department of Agriculture to refinance some of the MDWA loans to help save money and equalize rates. He noted that the NMFA loan programs now in use by the Lower Rio Grande
Public Water Works Authority would not be accessible to the authority without its designation as a utility authority.

Some committee members described several successful programs in their respective areas wherein water users combined their rights to improve local systems and benefit their communities. It was posited that water rights issues will continue to dominate the legislative agenda. A member observed that the continuing failure to adjudicate water rights is problematic. A member asserted that, despite the many obstacles to cooperative agreements identified by other members, continued efforts to improve water quality and supply will be critical.

**Recess**

The meeting recessed at 4:45 p.m.

**Thursday, September 11**

The chair called the meeting to order at 9:34 a.m. at Los Lunas Transportation Center.

Alicia Aguilar, vice chair, Valencia County Commission, reported serious deficiencies in the water table at the southern end of the county and problems with contaminants from excess and poorly maintained septic systems in Los Chavez. In Meadow Lake, a large concentration of mobile homes is contributing to ground water pollution. Many area problems have not been fully identified or addressed. Ms. Aguilar noted that the area meets all of the criteria for designation as a colonia except for its distance of more than 150 miles from the border. She urged the committee to address the need for funding for colonias established at a distance from the border and to address the high cost of flood insurance in the area by working with the Middle Rio Grande Conservancy District and local governments to establish levees on the river.

Charles Griego, mayor, Los Lunas, told the committee that Los Lunas is the second-fastest growing community in the state. He elaborated on the need for a second exit from Interstate 25 (I-25) to Los Lunas as well as a second river crossing. Details of the proposed development will be presented to the Transportation Infrastructure Revenue Subcommittee. Members invited the mayor to bring information on the project to the legislature during the next legislative session.

**Department of Environment (NMED): Providing Technical Assistance to Communities and to the NMFA**

Ryan C. Flynn, secretary, NMED, spoke to the committee about ground water pollution. He lauded the accomplishments of the NMED's Construction Programs Bureau (CPB) and its chief, Jim Chiasson, in the areas of water and wastewater management. Secretary Flynn reported that many New Mexico communities have failing septic systems that need to be replaced or connected to a municipal system. He asserted that there are ways to solve this costly and difficult problem.
Secretary Flynn observed that, many times, septic system problems are not corrected until property changes ownership, at which point the fund for indigent assistance may be the only resource available to a homeowner to improve the septic system. The secretary noted that Valencia County and other counties are experiencing serious ground water contamination as a result of septic system failures. He indicated that even half a million dollars appropriated to an indigent assistance fund would enable huge progress in addressing this critical infrastructure problem.

Mr. Chiasson elaborated on the CPB's technical services assistance program for New Mexico communities. The CPB's mission is to help communities to develop sustainable and secure water, wastewater and solid waste infrastructure. Mr. Chiasson said that this is accomplished by providing funding for planning, design and construction; technical assistance and project oversight; and resources for system development and operation.

Mr. Chiasson presented an overview of the CPB's organizational structure and outlined the following CPB financial services programs: 1) the Special Appropriations Program, which offers capital outlay grants for water, wastewater and solid waste projects throughout the state; 2) the Rural Infrastructure Program, a state capitalized revolving loan fund; and 3) the Drinking Water State Revolving Loan Fund.

The CPB provides a variety of planning, engineering and construction bidding assistance and review and construction oversight services to communities throughout the state, according to Mr. Chiasson. He explained that these services are particularly valuable to smaller communities that lack the resources to plan and monitor major water and wastewater projects. Many of these services are provided in collaboration with the NMFA. Discussion ensued regarding the need for additional staffing for the CPB. Secretary Flynn again noted how valuable the CPB and its highly qualified and dedicated personnel are to the critical infrastructure programs they support. It was also noted that the CPB staff works under a memorandum of understanding (MOU) with the NMFA to provide oversight and guidance for community projects. Ms. Russel stated that more direct funding for the CPB would be necessary to eliminate MOUs.

A motion was made and seconded to request an appropriation of an additional $200,000 for engineering services to be provided by two new full-time-equivalent positions. The motion passed without objection.

Members and the panel discussed several areas of the state, including Corrales and Ruidoso Downs, where additional funding is needed to assist homeowners in connecting to municipal wastewater systems or to develop such systems. Some members suggested that more stringent development and enforcement of requirements for septic systems be implemented. Mr. Chiasson offered that part of the CPB's role is to come up with viable sustainable solutions. He noted that whenever a community-wide system is installed, there is a cost of connection for homeowners. Frequently, this creates problems that could have been anticipated and addressed in planning such systems. Mr. Chiasson asserted that connection to
a municipal system assists the homeowner and the community by preventing further drinking water contamination.

**Emergency Water-Needs Case Studies: Magdalena and Hanover**

Stephanie Stringer, chief, Drinking Water Bureau (DWB), NMED, reviewed the mission and organizational structure of the DWB. The DWB's mission is to preserve, protect and improve New Mexico's drinking water for present and future generations. Ms. Stringer also provided information on the Sustainable Water Infrastructure Group and its mission of assisting the development of sustainable communities through collaborative planning and training.

Ms. Stringer provided an overview of two recent water emergency incidents, one in Magdalena in Socorro County and one in Hanover in Grant County. The DWB's incident response process seeks to plan the best short- and long-term remedies for emergencies and to assess, develop and implement those plans. Ms. Stringer related two observations from the water supply emergencies in Hanover and Magdalena. The first was that most emergencies are preventable with proper maintenance, planning and infrastructure development. Secondly, according to Ms. Stringer, many communities have reserve funds that can be applied to emergency situations.

Secretary Flynn thanked the legislators for their help in addressing emergency needs. He noted that the NMED can go to the State Board of Finance for emergency funding but emphasized the time-critical nature of being able to access such funding. The previously authorized emergency funding will revert this year, but the secretary urged the members not to underestimate the potential need for such funding as they consider reauthorizing emergency funds.

Secretary Flynn added that water supply and infrastructure problems affect many areas of New Mexico and that the NMED has been working to understand various community needs. He stated that the NMED is also trying to ensure that emergency plans and maintenance systems are up to date. Secretary Flynn described a recently established water infrastructure team (WIT) that includes representatives from mission-critical state agencies, municipal and county associations, rural water interests, the LCS, the Legislative Finance Committee and others.

Secretary Flynn informed the committee that the WIT has already disseminated a water infrastructure survey to begin to assess need, and it intends to pursue long-term planning and asset management on an ongoing basis. Nearly 180 responses to the survey have been received. He added that part of the WIT’s intent is to help resolve issues related to multiple requests from the same projects as well as to try to match projects with appropriate funding sources. Ultimately, the WIT intends to produce a resource to share with the legislature and others to better understand the problems and to identify what funding, technical assistance, planning and development resources are available and appropriate to address those problems.
Secretary Flynn and the committee discussed some of the problems that may continue to prevent development of a uniform application process for water projects, including the varying timing and intended uses of different funding streams. The hope is to assess needs and provide the basic level of planning needed to understand local system requirements. At that point, a community may be able to work with the NMFA or other entities to fund its system needs.

Discussion ensued regarding the requirement for asset-management plans for smaller communities. One member questioned whether this requirement is another unfunded mandate that creates an undue burden on smaller communities. Secretary Flynn stated that the requirement is needed to effectively manage capital investments. The secretary promised to get a copy of the WIT infrastructure survey to inquiring legislators, and he noted that the WIT will be correlating responses with the Infrastructure Capital Improvement Plan (ICIP) and other funding sources. It was suggested that some coordination in this regard should be a performance measure for staff. Secretary Flynn complimented Mr. Coalter on moving the NMFA into a much stronger position in the short time he has served as chief executive officer and identified the challenge as an institutional need to maintain efforts to address water issues consistently over time.

**Water Trust Board (WTB): New Project Approval Time Line and WTB Policy Committee Project Approval Criteria**

Ms. Russel outlined proposed changes in the project approval time line, noting that the only things that can change in the process are the length of time allowed to accept proposals and the length of time included to evaluate proposals. Options for change include accelerating the existing process, reverting to the previous process or implementing a hybrid process.

Tom Clifford, secretary, Department of Finance and Administration (DFA), presented information regarding fixed dates and the amount of time required to complete specific processes that affect the approval time line. Secretary Clifford concluded that, as requested, the committee should receive a vetted list of projects prior to the legislative session. As a result of the approval time line constraints, however, some of the projects will not be ready for approval by the WTB prior to the legislative session. Local projects unable to receive final WTB approval in a given year would remain eligible for funding or could be reauthorized in subsequent years.

A member noted that last year's process became unwieldy when all of the applicant projects were included in the proposed legislation instead of a winnowed list of viable projects likely to receive WTB approval. The member observed that part of the challenge was that a water project list came from the executive branch during the last few days of the session that had not been presented previously to the legislators. Further, the member questioned the WTB's emphasis on funding only large projects. A lengthy review process makes sense for large projects, the member asserted, but small projects may never get funded because of the intensity of that process. Some members suggested establishing different application criteria for large and small projects. Another suggestion was to establish a dollar-amount threshold.
for categorizing projects with a mandated percentage of funds going to serve smaller projects. It was also noted that some projects are so large that they cannot be completed under the WTB programs.

Committee members asked for a spreadsheet with project comparisons addressing the funding criteria for the next meeting. It was noted that any proposed rule changes adopted for the process would not apply to this year's process. Discussion ensued regarding the need to develop WTB legislation that could be passed during the upcoming session and not be subject to veto.

**Tour: Desperate Water Needs at Meadow Lake — Don't Dump on the East Mesa**

Valencia County staff, including Mr. Condrey, County Financial Director Nick Telles and Director of Planning, Zoning and Code Enforcement Jacobo Martinez, gave members an overview of what the planned tour of Meadow Lake and the east mesa would encompass. County staff characterized the problem areas as well-intentioned subdivisions gone wrong. Years ago, a developer subdivided a large tract of land on the east mesa, abutting the Manzano Mountains, into quarter-acre lots that were sold worldwide with the promise of wide-open living. The land can never be developed due to lack of water and infrastructure. Illegal dumping of tires and every manner of trash, as would be evident during the tour, is now rampant in the area.

The county has asked for grants to do some cleanup, start an education program and install signage, but little code-enforcement money is available. Officials hope to focus on education to prevent illegal dumping. The area also suffers from large numbers of abandoned trailer homes, exceedingly high foreclosure rates in the subdivisions with permanent housing near the area and a large immigrant population residing in mobile homes where water and electricity are unsafely shared among dwellings. Unsafe road conditions exist with poor lighting near the school complex (elementary, middle and high schools) that was built on the east mesa at a considerable distance from anything.

During the tour, members stopped at the Meadowlake Community Center, now being repurposed as a youth recreation center by a nonprofit organization. Rights to water rights that fed the now-dry lake were sold some time ago, and the lake bed was used as a landfill. Some 90 tons of trash have been removed from the lake bed to date to begin to rehabilitate that area. Members also viewed the mounds of trash and tires being dumped haphazardly on the east mesa; makeshift trailer parks housing a large population of Mexican and Central American immigrants; and Morris Road, the site of the proposed new river crossing and I-25 exit to Los Lunas.

NMFA staff members were asked to follow up on whatever means are found to address the challenges of substandard housing, illegal and hazardous waste dumping, ground water pollution and urban sprawl in the area for use as a case study. Mr. Coalter asked county officials and legislators to keep him apprised of developments in addressing these challenges.
Recess
The meeting recessed for the day at 5:30 p.m. following the tour.

Friday, September 12

The chair called the meeting to order at 8:45 a.m. at Los Lunas Transportation Center. Mr. Condrey followed up on the tour of the east mesa, noting that the purchasing procedure for a county contract for trash removal and pickup had been successfully challenged in court, consuming over a year of time in the process, and that the county was back to "square one" in this regard with no effective system for solid waste disposal. He further described efforts to produce a master plan for solid waste disposal and observed that the biggest objection to the proposed plan was sole-sourcing the service. Mr. Condrey stated that the DFA had dismissed the county's application for community development block grants to address these and related equipment needs. The county is particularly concerned about abandoned mobile homes in the area and how they can be safely removed. It was also reported that if the high number of illegal immigrants residing in the area was included in population estimates, the county would qualify for additional funding as a Class A county.

Jacobo Martinez recapped the difficulties the county is facing as a result of poorly planned development on the "urban rural fringe". Many residents have set up recreational vehicles in the east mesa area as housing and are sharing electricity over exposed power lines. There is no affordable housing plan in the county, and a lot of the mobile homes are dilapidated. At the same time, these residents are making long, costly commutes to work and paying a lot for their substandard housing. School bus conditions are poor due to poor road conditions, and the one existing landfill in the county is not easily accessible. County residents must decide how to proceed with development in the area and how to create the infrastructure needed to achieve that end. In conclusion, Jacobo Martinez stated that the county needs funding to develop the Meadowlake Community Center as a commercial kitchen to enhance and expand small business opportunities.

Committee members discussed options to address solid waste disposal needs. One member observed that this is a challenging problem throughout the state. The member described a successful private enterprise model established in the member's district. A local ordinance imposed a trash-disposal fee on residents that was slightly higher than fees charged by private services. The fee is waived if a resident provides proof that the resident is employing a private disposal service. This model allows multiple providers to operate, although in this instance it would not solve the problem of limited access to the landfill and the lack of transfer stations. Some members characterized the issue as a local government problem that should be addressed through local ordinances.

One member asserted that the legislature had long since passed legislation requiring that developers plan and provide infrastructure for new subdivisions. The committee discussed how to assist the county with the problem of the untenable east mesa subdivision owned by literally hundreds of thousands of absentee property owners. The county incurs
costs far in excess of the annual taxes due on the lands just to send out tax notices each year. Mr. Condrey suggested that one option is to designate this truly beautiful area as a regional or county park before it suffers further degradation. He noted that the county receives many offers to donate lots, but at present, it cannot afford the liability associated with accepting individual noncontiguous parcels. It was suggested that recovering contiguous stretches of land through eminent domain for use as open space with the assistance of the legislature may be the only real solution.

The chair reported that much of the upcoming October meeting in Las Cruces will be devoted to updates on the spaceport and how to utilize and maintain this $250 million asset. Plans for a spaceport tourism center will also be discussed.

There being no further business before the committee, the fourth meeting of the NMFA for the 2014 interim adjourned at 10:00 a.m.
The fifth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, chair, on October 20, 2014 at 9:05 a.m. in the Pan American Center at New Mexico State University (NMSU) in Las Cruces.

### Present
- Sen. Joseph Cervantes, Chair
- Rep. Alonzo Baldonado (10/20)
- Rep. Ernest H. Chavez
- Sen. Lee S. Cotter
- Rep. Candy Spence Ezzell
- Rep. Roberto "Bobby" J. Gonzales
- Sen. Ron Griggs
- Rep. Jimmie C. Hall
- Rep. Yvette Herrell
- Rep. Dona G. Irwin
- Sen. Michael Padilla (10/20)
- Rep. Jane E. Powdrell-Culbert
- Sen. John C. Ryan
- Rep. James P. White

### Absent
- Rep. Patricia A. Lundstrom, Vice Chair
- Sen. Phil A. Griego
- Rep. Debbie A. Rodella
- Sen. Nancy Rodriguez
- Rep. Henry Kiki Saavedra

### Advisory Members
- Rep. Sharon Clahchischilliage
- Rep. Anna M. Crook
- Rep. Kelly K. Fajardo (10/20)
- Rep. Mary Helen Garcia
- Sen. Mary Kay Papen (10/20)
- Sen. John Pinto
- Rep. Sheryl Williams Stapleton
- Sen. Sue Wilson Befort
- Sen. Jacob R. Candelaria
- Sen. Stuart Ingle
- Rep. Emily Kane
- Sen. Timothy M. Keller
- Rep. W. Ken Martinez
- Sen. George K. Munoz
- Sen. Bill B. O'Neill
- Sen. William H. Payne
- Sen. Clemente Sanchez
- Rep. Edward C. Sandoval
- Rep. Thomas C. Taylor
Monday, October 20

Welcome and Introductions
The chair welcomed members and guests and introduced Dan Howard, Ph.D., executive vice president and provost, NMSU, and Billy G. Garrett, chair, Dona Ana County Commission, who welcomed the committee to NMSU and Dona Ana County.

Spaceport Authority (SA) — Past, Present and Future Costs
Christine Anderson, executive director, SA, provided an overview of the vision and mission of the SA and Spaceport America's importance to New Mexico in creating jobs, expanding tourism and serving the needs of the commercial space industry. Spaceport America is the world's first purpose-built commercial spaceport licensed by the Federal Aviation Administration and is owned and operated by the SA. New Mexico has invested over $200 million to develop the spaceport, which currently has two launch tenants, Virgin Galactic and SpaceX. Twenty vertical launches have taken place to date from Spaceport America.

Ms. Anderson compared the commercial space industry's level of maturity to that of the commercial aviation industry in the 1950s. She noted that there are eight other commercial spaceports in operation in the United States serving a market for commercial human and space cargo transportation, communications and remote sensing and imaging. In addition, the industry anticipates future markets for exo-planetary resource mining and space colonization. There are proposals for more spaceports across the nation, and it is predicted that spaceports will one day be as common as airports.

Ms. Anderson gave a history of state funding for the SA and reviewed the SA's current and proposed capital and operating budgets. According to Ms. Anderson, fiscal year (FY) 2015 and FY 2016 will be critical transition years for the SA, while Spaceport America moves from preoperations to operations and to an increased reliance on revenues generated by the
spaceport to support operational expenses. The SA has so far depended in part on gross receipts tax (GRT) bond proceeds generated in Dona Ana and Sierra counties, excess pledged revenue from the bond proceeds and direct appropriations from the state legislature.

Committee members expressed concern that there is no sunset provision for the GRT imposed on residents of Sierra and Dona Ana counties to support Spaceport America, and residents of those counties are shouldering a cost that more appropriately belongs to the state. Several members questioned the process by which excess pledged revenues from the GRT bond proceeds were directed to the SA, noting that there should have been some consultation with the NMFA Oversight Committee. One member observed that the SA is not asking for an increase in its FY 2016 budget even though several development needs have been identified, including major road improvements and visitor centers. The member asserted that most state agencies appear to have been directed to maintain a flat budget without regard to agency needs.

**Capital Projects for Spaceport America: Southern Road**

Robert Armijo, county engineer, Dona Ana County, supplemented the information provided by Ms. Anderson regarding the need for improvements to the southern access road to Spaceport America. In cooperation with the SA and Sierra County, Dona Ana County engineers have provided a range of planning and design services to begin the improvement project. Mr. Armijo reported that short-term solutions are being employed to deal with the road's poor, sometimes impassable, conditions. Commissioner Garrett presented a resolution from the Dona Ana County Commission petitioning the state, without delay, to construct an interchange at Upham Road and Interstate 25 and to adopt the southern road.

Members were divided in their responses to the proposed road improvements. Some members stated that with the considerable investment the state has already made in Spaceport America, it should follow that the state provide reasonable access to the site. Some of these members held the view that to make money with the spaceport, it is necessary to spend money for the access road. Other members held that too many other areas of the state require road improvements that should be prioritized over the southern access road.

Many members expressed support for a plan to extend Rail Runner service to Las Cruces and El Paso and then to the spaceport. Several other ideas for access to the spaceport were also presented. Karen Perez, former county commissioner, Dona Ana County, named the idea of a rail spur that extends from Hatch to the spaceport being used to transport space travelers and tourists on antique trains across the Camino Real to Spaceport America and the idea of providing helicopter service from Las Cruces or Truth or Consequences to Spaceport America.

**Capital Projects for Spaceport America: Visitor Centers**

Ms. Anderson noted that the vertical and horizontal launch services offered by Spaceport America are supplemented by a developing tourism and marketing business and that both are necessary for the long-term success of the spaceport and its efforts to become
self-sustaining. Ms. Anderson reported that roughly $6.5 million is needed for construction of visitor centers in Truth or Consequences and Hatch to welcome visitors to Spaceport America and provide a staging area for transportation to the spaceport. Some difficulties have arisen in locating sites for the proposed visitor centers. Questions remain as to whether revenues from spaceport tourism and marketing activities will cover operating expenses for the centers.

SA: Economic Development Plan

Aaron Prescott, business operations manager, SA, reported on two target areas of the SA’s economic development plan: aerospace support services and infrastructure; and tourism and hospitality support services and infrastructure. In the short term, the SA is working with existing contractors and providers to meet customer requirements. Over the long term, Mr. Prescott reported that the SA will be working with educational institutions to develop curricula to fill skill gaps for New Mexico workers.

Mr. Prescott reported that the SA is seeking to promote corporate events and conferences and commercial film, photography and related opportunities to generate income. Members discussed the need to ensure that the many jobs being created to support the spaceport go to New Mexicans. Some members observed that only a fraction of the money and contracts to build the spaceport has gone to New Mexico companies. Ms. Anderson stated that almost all of the construction money and contracts went to New Mexico companies.

Following the above-described discussion about having construction money and contracts benefit New Mexicans, one committee member asserted that the member will propose legislation to strengthen requirements for in-state hiring and contracting preferences.

SA: Terms of Contracts with Virgin Galactic and SpaceX

Ms. Anderson reported that Virgin Galactic has a 20-year facilities lease with the SA at $1 million per year for the first five years and approximately $3 million per year thereafter. SpaceX has a three-year land lease, with two one-year renewal options at approximately $60,000 per year. Ms. Anderson also reviewed the various user fees that apply to the contracts, performance guarantees and tenant investments in infrastructure.

SpaceX has been testing a means of vertical launch and vertical landing that can be supported by Spaceport America, and Virgin Galactic has already relocated some 15 support staff members and their families to New Mexico in anticipation of the first Virgin Galactic flights from the facility. Around 60 Virgin Galactic personnel will reside in the state when launches begin, according to Mark Butler, senior program manager, Virgin Galactic. Several representatives from Virgin Galactic were in the audience, and Mr. Butler confirmed that Sir Richard Branson, founder of Virgin Galactic, is committed to flying from Spaceport America.

Regional Spaceport Local GRT

Representatives of Dona Ana and Sierra counties and superintendents of several area school districts discussed the regional spaceport local GRT with members of the committee.
Ms. Perez and others reported that the spaceport GRT was supported by area residents because it was promoted as a means to serve local school system needs, particularly with regard to science, technology, engineering and math (STEM) skills development. The district superintendents reported on several STEM school and after-school programs that the districts are able to offer as a result of the spaceport GRT revenue flow to the districts.

Commissioner Garrett presented an analysis of the spaceport tax, noting that 75 percent of the tax revenue is dedicated to spaceport construction projects and that, by state law, the remainder is for space-related projects. The commissioner noted that in 2008, the county commission decided to use the 25 percent share for educational purposes, but Commissioner Garrett recently asked local officials, business leaders and academic institutions to consider adjusting that use by also spending on business development. He asserted that good financial management requires periodic reassessment of investments based on relevant goals, conditions and trends.

One member objected to local use of the 25 percent share for educational purposes as "disequalizing" with respect to the state equalization guarantee (SEG) for school districts. Stan Rounds, superintendent, Las Cruces Public School District, gave the committee members a copy of a recent legal opinion on the SEG that found that "acceptance of the monies from the Spaceport Tax (excise or sales tax) has no effect on the School District's SEG revenues". One member observed that other school districts also have the capacity to issue bonds to generate revenue for schools but have chosen not to do so. The member asserted that the tax is not unequal in that respect because all school districts can exercise that capacity.

**Increasing Commerce in the Border Area**

Jon Barela, secretary of economic development, reported on New Mexico's trade profile, noting that the state led the nation in export growth percentage in 2012 and that its exports to Mexico have grown by 33 percent (to $802 million). Secretary Barela noted that the San Jeronimo-Santa Teresa binational community offers a number of competitive advantages over other regions in the context of United States-Mexico trade.

One member suggested more active promotion of U.S. Highway 54, the Southwest Passage Initiative for Regional and Interstate Transportation Corridor for trade purposes. The corridor runs from the border with Mexico at El Paso, Texas, through New Mexico, Texas and Oklahoma to Wichita, Kansas. In response to committee member questions regarding development of a deep water port in the Sea of Cortez, Secretary Barela stated that financing and rights of way are in place now and that planning for such a port is ongoing as a multistate effort. Secretary Barela also reported that the Mexican government has released a request for proposals to start the planning and development process for the port within five years.

Secretary Barela stated that a central region of the North American Free Trade Agreement corridor is located on both sides of the border in the San Jeronimo-Santa Teresa area. He noted that chile and cattle imports and exports are increasing through that area. Secretary Barela also reported that the Mexican constitution was recently amended to allow
foreign partnership in oil and gas exploration, and current gas and oil production in southeastern New Mexico will likely expand to the other side of the border.

Members raised questions regarding development of the Palomas and Antelope Wells border crossings as 24-hour ports of entry and the status of the Mexican Affairs Division (MAD) of the Economic Development Department (EDD). Secretary Barela anticipates continuing growth for Palomas and Antelope Wells and observed that the road to Antelope Wells requires development on the Mexico side of the border. Secretary Barela reported that no funding has been requested to fill three full-time-equivalent (FTE) positions in the MAD. Another member asked if there are problems in finding skilled labor in New Mexico to fill new jobs in the border region. Secretary Barela responded that there are employment and skills gaps in transportation, engineering, health care and other fields, but New Mexico's two-and four-year higher education institutions are responding to those needs.

Recess

The committee recessed at 5:20 p.m.

Tuesday, October 21

Border Authority (BA) Update and Budget

Erika De La O-Medina, deputy director, BA, reported that the authority works with the local trade community, local government jurisdictions and federal enforcement agencies in the United States and Mexico. The BA serves as the point of contact for the governor and the state's congressional delegation in matters related to the border. Ms. De La O-Medina also stated that the BA leads New Mexico's efforts to expand its border development partnership with the Mexican state of Chihuahua and New Mexico's trade platform with Mexico.

Ms. De La O-Medina reported on the New Mexico-Chihuahua Commission, which was established to stimulate trade efforts with Mexico. The commission focuses on seven areas that address issues of common interest between both states, including border crossings and infrastructure. The pact authorizes duplication of infrastructure improvements on both sides of the border. Ms. De La O-Medina updated the committee on the status of improvements for the ports of entry in Hidalgo, Luna and Dona Ana counties, and she provided an overview of vehicle and pedestrian traffic through those ports. Therese Trujillo, director, Administrative Services Division, EDD, told the committee that the BA budget request from the general fund for FY 2016 will remain unchanged from the current year.

The committee discussed the various methods and procedures used to inspect agricultural products and livestock crossing the border in both directions at the ports of entry. Ms. De La O-Medina reported that more than 400,000 head of cattle have crossed from Mexico to the United States this year. They are inspected in Mexico and then classified by size and gender. The BA was instrumental in persuading the United States Department of Agriculture to have an entomologist on site at the Columbus port of entry to identify any pests found on chile exports to speed up the export process.
Ms. De La O-Medina reported that there is a need for a dedicated crossing lane to move heavy equipment across the border at the Santa Teresa port of entry. The committee discussed a federal grant made to the BA seven years ago that now constitutes a large part of the authority's budget. The grant has been rebudgeted to conduct a transborder rail line study. The conditions of the grant are now such that the money cannot be used for anything other than conducting the study, according to Ms. De La O-Medina.

Alvin C. Dominguez, former secretary, Department of Transportation, informed the committee that the funding in question originally included $1.2 million in federal funds and another $500,000 from a private donor. Mr. Dominguez noted that the planned border rail crossing for which the grant was intended entails a complex binational permitting process that may take years. One member asked the BA to provide a memorandum to the committee describing the original intent of the grant, its history and its current status.

**NMFA Board Report**

John E. McDermott, chair, board of directors, NMFA, and Robert P. Coalter, chief executive officer, NMFA, presented information on six NMFA loans that closed during September 2014. One of the loans, to the Espanola Public School District, was for $1.6 million. Mr. Coalter reported that an internal auditor has been selected, that all prior-year external audits have been completed and that the current external audit is on track to be completed by December 15.

Zach Dillenback, chief lending officer, NMFA, and Mr. Coalter presented information on the SA's GRT bonds and provided a summary of the tens of millions of dollars in debt service left outstanding on those bonds. Mr. Coalter reported that all of the project funds have been drawn from the Series 2009 Spaceport GRT bonds. A debt service reserve fund balance of $4,380,000 remains, with over $40 million of debt service left outstanding. A project fund balance of over $4 million remained unspent in the Series 2010 spaceport GRT bonds issuance in October 2014, as reported by Mr. Coalter, with a debt service reserve fund balance of $2,056,000 and millions more in outstanding debt service. Mr. Coalter informed the committee that the debt service on the bond issuances cannot be reduced by early repayment before the call date of the bonds.

Mr. McDermott reported that the NMFA hopes to compete for a $6.9 million loan that the SA is seeking for land and construction for one of the proposed visitor centers. Members expressed concern over loan-forgiveness issues. Mr. Coalter stated that loan-repayment revenue must be viable in order for the NMFA to make a loan. Another member said he believed there could be a conflict for the committee with respect to any SA loans, as the committee is charged with oversight of both the NMFA and the SA. The member observed that the projections for spaceport revenues are only projections and that such a loan might never be repaid.

Mr. McDermott stated that the NMFA board has discussed the issues surrounding the use of excess revenue from the spaceport GRT for SA operational and other expenses. He
participated in discussions about the use of excess revenue from the spaceport GRT and the higher taxation burden on Dona Ana County.

**Proposed Legislation for Committee Endorsement**

On a motion made and seconded, with one member objecting, the committee voted to endorse proposed legislation making an appropriation of $2 million from the Public Project Revolving Fund (PPRF) to the Local Government Planning Fund for expenditure in FY 2016 and subsequent fiscal years to make grants to eligible entities to evaluate and estimate the costs of implementing the most feasible alternatives for infrastructure, water or wastewater projects and related planning activities.

Marquita Russel, chief of programs, NMFA, presented proposed legislation that would provide a $1.8 million appropriation from the PPRF to the Drinking Water State Revolving Loan Fund for drinking water system financing. On a motion made and seconded, with one member objecting, the committee voted to endorse the legislation.

Ms. Russel also presented proposed legislation authorizing the NMFA to make loans from the Water Project Fund for water infrastructure projects, and she provided a comprehensive list of applicants and projects applying for assistance from the Water Trust Board (WTB) for the 2015 application cycle. Committee members discussed the prioritization process and the importance of regional planning to that process. Ms. Russel reported that the Water Trust Fund has roughly $32 million to $35 million available, that 128 projects are under consideration and that those projects' costs total approximately $159 million.

One member noted the mismatch between available resources and requests and observed that the current WTB process lends itself to more sophisticated users. The member suggested that the committee review funding priorities, make flood control projects a priority and focus on smaller users. Members debated the value of having more input from the committee in the WTB prioritization process. One member suggested reconsidering the composition of the WTB to ensure that all areas of the state have equal and adequate representation. Members deferred action on the proposed legislation but requested that Ms. Russel provide information to the committee regarding census tract data that are used to inform some of the NMFA's loan decisions.

On a motion made and seconded, the committee voted to endorse proposed legislation to appropriate $200,000 from the general fund to the Department of Environment for expenditure in FY 2016 for two FTE positions to provide engineering services for the Water Trust Fund program. The motion passed without objection.

Mr. Zavelle presented proposed legislation that would allow public bodies to delegate authority for making certain determinations regarding the sale of public securities. Some committee members expressed concern about delegating such authority. The committee deferred action on endorsement of the proposed legislation.
Colonias Infrastructure Project Fund

Rick Martinez, director of business development, NMFA, and members of the Colonias Infrastructure Board (CIB) presented the 2014 annual report for the Colonias Infrastructure Project Fund. Mr. Martinez observed that a considerable amount of federal funding is leveraged by money in that fund. Receipt of such funding depends upon state-program conformance with a federally recognized definition of a colonia, including that the community be within 150 miles of the United States-Mexico border. CIB members observed that the program addresses high-priority needs for housing and water and wastewater systems. Board members also described how the program works with communities to help them establish themselves financially.

Adjourn

There being no further business before the committee, the NMFA Oversight Committee adjourned at 12:12 p.m.
MINUTES
of the
SIXTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

November 20-21, 2014
Room 321, State Capitol
Santa Fe

The sixth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Patricia A. Lundstrom, vice chair, on Thursday, November 20, 2014, at 9:35 a.m. in Room 321 of the State Capitol in Santa Fe.

Present
Rep. Patricia A. Lundstrom, Vice Chair
Rep. Alonzo Baldoñado
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales
Sen. Ron Griggs
Rep. Jimmie C. Hall
Rep. Dona G. Irwin
Rep. Jane E. Powdrell-Culbert
Rep. Debbie A. Rodella (11/20)
Sen. Nancy Rodriguez

Absent
Sen. Joseph Cervantes, Chair
Rep. Candy Spence Ezzell
Sen. Phil A. Griego
Rep. Yvette Herrell
Sen. Michael Padilla
Sen. John C. Ryan
Rep. Henry Kiki Saavedra
Rep. James P. White

Advisory Members
Sen. Sue Wilson Beffort (11/20)
Sen. Jacob R. Candelaria
Rep. Sharon Clahchischilliage
Rep. Anna M. Crook
Rep. Kelly K. Fajardo
Rep. Mary Helen Garcia
Sen. Mary Kay Papen (11/20)
Sen. John Pinto (11/20)
Rep. Sheryl Williams Stapleton (11/20)
Rep. Monica Youngblood

Sen. Stuart Ingle
Rep. Emily Kane
Sen. Timothy M. Keller
Rep. W. Ken Martinez
Sen. George K. Munoz
Sen. Bill B. O'Neill
Sen. William H. Payne
Sen. Clemente Sanchez
Rep. Edward C. Sandoval
Rep. Thomas C. Taylor

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

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

Staff
Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Tessa Ryan, Staff Attorney, LCS
Amy Chavez-Romero, Assistant Director for Drafting Services, LCS

Guests
The guest list is in the meeting file.

Handouts
Handouts and other written testimony are in the meeting file.

Thursday, November 20

Representative Lundstrom welcomed all present and announced that Representative Garcia would help chair the meeting.

New Mexico Renewable Energy Transmission Authority (NMRETA) Report — Budget and Programs

Jeremy Turner, executive director, NMRETA, provided the committee with an overview of existing and new projects under review by the NMRETA and the NMRETA's budget. He stated that in the past six to eight months, an interest in renewable energy has been prevalent. He first described the High Lonesome Mesa wind farm project. He explained that bonds for the project were issued in 2005 and that $36.5 million in debt remains outstanding. Mr. Turner stated that the project has outperformed revenues modeled for the project.

Mr. Turner next described a project involving the Western Spirit clean line, which is a joint development between Clean Line Energy and the NMRETA. The NMRETA will own the project and lease it back to Clean Line Energy. Mr. Turner noted that this project is the first instance in which the NMRETA will act as a project owner. He stated that the NMRETA is currently working on acquisition of rights of way with three pueblos. The project would include construction of 200 miles of new line and will cost approximately $350 million. A service date of 2018 is planned. The NMRETA expects to obtain $2 million in lease payments from the project for 20 years.

Mr. Turner also described a project involving a memorandum of understanding between Lucky Corridor, LLC, and the NMRETA. The project would provide 700 megawatts of capacity and would run 130 miles across northern New Mexico.
Mr. Turner additionally described the Wheatland project involving Blue Mesa Energy. The project would involve a 150-megawatt development affecting 40,000 acres of land. The project would be located adjacent to the Cap Rock wind project and has a prospective transmission intertie located within the optioned boundaries.

Mr. Turner next described the SunZia transmission project, involving a transmission line from New Mexico to Arizona. He indicated that SunZia applied to the NMRETA for a memorandum of understanding and that the NMRETA will recommend it to its board in December. He stated that SunZia has reached an agreement with the federal Department of Defense with respect to portions of the project affecting White Sands Missile Range.

Mr. Turner described other projects for which no agreements have yet been reached between the project proponents and the NMRETA. Those projects include the proposed Southline project in southern New Mexico and the Tres Amigas project located near Clovis. Mr. Turner noted that the NMRETA is in support of the Tres Amigas project, but the project faces regulatory issues.

Next, Mr. Turner described the goals of the NMRETA for 2015. Those goals include: signing a memorandum of understanding with SunZia; keeping the military informed of new projects; completing a 2014 audit without findings; and continuing existing partnerships with Lucky Corridor, LLC, Blue Mesa Energy and Western Spirit.

Mr. Turner indicated that the NMRETA will make a request for a special appropriation of $350,000 in the 2015 legislative session, with the goal of becoming self-sufficient in 2018. From 2007 to 2009, the NMRETA received $2 million in legislative appropriations. In 2010 through 2012, no appropriations requests were made since the NMRETA continued its operations with prior appropriations and project funds received from private sources. Mr. Turner presented the committee with a chart summarizing the sources of the NMRETA's private source funding from fiscal years (FY) 2010 through 2014 and the amounts budgeted for FY 2015. He also presented the committee with a table containing the NMRETA's operating cash flow budget for FY 2015 and FY 2016.

Committee members asked Mr. Turner about the number of jobs that could be created from the projects he described during his presentation to the committee. Mr. Turner indicated that approximately 200 construction workers were hired to build the High Lonesome Mesa wind farm and that seven permanent positions have been created to maintain operation of the wind farm. He noted that the average salary for a permanent job is approximately $65,000 per year in an area where the average income is about $32,000 per year. In response to a question from a committee member, Mr. Turner indicated that not all of the 120 jobs expected to be created from the Western Spirit clean line are projected to include New Mexico-based jobs. He stated that the Bureau of Business and Economic Research at the University of New Mexico has been requested to conduct an analysis of job creation related to similar projects. Mr. Turner indicated that 60 to 70 permanent jobs could be created from the Lucky Corridor project and that 10 jobs could be created from the Wheatland project. He stated that nine
permanent jobs could be created from the transmission line associated with the SunZia project, but up to 100 jobs could be spread throughout the project development. He estimated that 60 to 70 of those jobs could be based in New Mexico.

A committee member additionally asked about the location of the transmission line proposed by Lucky Corridor, LLC. Mr. Turner stated that the project is intended to use existing infrastructure in northern New Mexico and build 130 miles of transmission line. The committee member additionally inquired about any agreements that are required to be obtained from Public Service Company of New Mexico permitting use of its transmission line to be used by another entity. Mr. Turner explained that the Federal Energy Regulatory Commission has issued an order requiring a utility to allow use of its system if the other party pays a service fee and costs and meets other conditions.

Committee members also asked about the location of the Southline project, including its location near any federal air force bases. Committee members encouraged the NMRETA to send letters to representatives from White Sands Missile Range, Holloman Air Force Base and other air force bases affected by Southline or other projects.

Committee members expressed concern about the costs of obtaining rights of way for renewable energy projects. Mr. Turner indicated that some project developers have explored financing for obtaining rights of way and that inquiries have been made about the NMRETA's eminent domain authority. He stated that the NMRETA hopes to avoid use of that authority.

A committee member asked about the NMRETA's progress in achieving self-sufficiency through project revenues. Mr. Turner indicated that significant progress has been achieved in its projects and that it expects to become self-sufficient.

Approval of Minutes
Upon a motion made and seconded, the minutes of the September meeting of the NMFA Oversight Committee were approved, as amended. Upon a motion made and seconded, the minutes of the October meeting were approved.

Tax Increment Development Districts (TIDDs)
Ryan Gleason, tax policy and research director, Taxation and Revenue Department (TRD), provided the committee with a primer on TIDDs. He explained that the TIDD mechanism was created through the Tax Increment for Development Act. The statutory purpose is to provide for "gross receipts tax financing and property tax financing for public infrastructure for the purpose of supporting economic development and job creation".

Mr. Gleason explained the formation of a TIDD. First, a governing body approves a tax increment development plan. The approved plan is then filed with the county clerk and a petition with signatures of at least 50 percent of the property owners within the proposed TIDD is submitted. At that point, the appropriate governing body may adopt a resolution of intent to form a TIDD. Mr. Gleason noted that certain petitioners may enter into an agreement
with the governing body about improvement of specific property and that the petitioners may be required to prepare a feasibility study and to bear the cost of the study. A public hearing after adoption of the resolution is held, and at that point, a governing body may adopt a resolution forming the TIDD and set an election, unless the election has been waived. An election is then held and, if successful, required parties are notified.

Mr. Gleason stated that a TIDD is governed by a five-member board appointed by the appropriate governing body and the secretary of finance and administration. At the end of an appointed member's term, that member's replacement is determined through an election by a majority vote of owners and qualified resident owners.

Mr. Gleason explained how tax increments are determined pursuant to the Tax Increment for Development Act. He stated that a taxing entity can dedicate up to 75 percent of its gross receipts tax increment. The increment is measured against a baseline, which is estimated by the appropriate local government, in consultation with the TRD, for the prior calendar year. Mr. Gleason noted that the TRD reviews gross receipts data and accounts for gross receipts anomalies, such as construction spikes, in the determination of the baseline.

Next, Mr. Gleason described the process for issuance of gross receipts tax increment bonds. He explained that a TIDD first adopts a resolution to authorize the issuance of gross receipts tax increment bonds. He stated that the NMFA is next required to review a proposed issuance of bonds issued against the state's share of the gross receipts tax. The NMFA must determine whether the bonds will be used in accordance with the tax increment development plan. If the NMFA determines that the bonds will be used in accordance with the tax increment development plan, the legislature may authorize the issuance of the bonds. If that authorization is obtained, the TIDD adopts a resolution to authorize the issuance of the bonds. Upon a question from a committee member, David Buchholtz, bond attorney, noted that only Mesa del Sol has used sponge bonds to finance a TIDD project. An entity might use sponge bonds to translate a spike in gross receipts taxes into debt service.

Mr. Gleason noted that while baseline gross receipts tax calculations for an undeveloped TIDD are relatively straightforward, such calculations for developed TIDDs can be relatively complicated. He also added that for a TIDD to get the benefit of gross receipts tax collections in the determination of its baseline, taxpayers must use correct location codes. He clarified that tax rates are not affected by a taxpayer's location within a TIDD. Mr. Gleason then presented the committee with maps showing the locations of existing TIDDs in New Mexico, in addition to information sheets showing the effective dates of the formation of the TIDDs and the tax dedications and bond issuances associated with the TIDDs.

A committee member asked whether the TIDDs have achieved their economic development goals and sought clarification on the history of the Winrock TIDD, which Mr. Buchholtz, an attorney whose firm represents clients with TIDD-related interests and who was in the audience, helped to provide. Mr. Gleason indicated that results have been mixed. He indicated that the Winrock TIDD, for instance, might be particularly well-positioned to
achieve such goals, especially if the option to adjust revenue streams through a recently enacted mechanism is exercised. Rick Martinez, director of business development, NMFA, said that the NMFA staff would prepare a report on TIDDs for the committee.

Committee members sought clarification on the history of other TIDD projects, including Upper Petroglyphs and Mesa del Sol. Mr. Gleason responded that the developer of Upper Petroglyphs, SunCal, achieved the first phase of TIDD formation but failed to get legislative approval for a state gross receipts tax dedication. Mr. Buchholtz added that after not securing that approval, the recession began, the company went bankrupt and the land was foreclosed upon; but there has been some discussion about reactivating that TIDD. He also said that Mesa del Sol was formed using two mechanisms: the TIDD and the public improvement district. Mr. Gleason said that he would provide the committee with a fact sheet on Mesa del Sol.

Spaceport Authority (SA) Update

Christine Anderson, executive director, SA, introduced Richard Holdridge, SA board chair, and noted that other SA board members, including Mr. Buchholtz, were present in the audience. Mr. Holdridge provided a brief summary of his involvement with the SA, which dates to the time of its inception, and commented that the SA is striving to diversify its customer base while ensuring that it is ready for spaceflights by Virgin Galactic (VG), the spaceport’s anchor tenant. In response to a query about the profile of the board, Mr. Holdridge told of his experience in the military working on space projects and mentioned that others on the board have experience in astronautics, bonding and accounting. He characterized the board as diverse and active. Mr. Buchholtz described himself as a bond lawyer who represents governments and private-sector entities. Mr. Buchholtz offered that he has been a board member since 2011 and brings expertise in finance and government matters.

Ms. Anderson focused her presentation on the SA's business plan and model, which include aerospace, events and tourism sectors; capital outlay request; and operating budget. She noted that the business plan, which is available on the SA web site and which covers the period between 2013 and 2018, emphasizes diversification of business sector and customer base. Ms. Anderson highlighted some of the activity that has occurred in each of the sectors and stressed that, given the SA's goal to become self-sustaining, such diversification has been sought since the SA's creation. Ms. Anderson discussed a proposal — the result of an evaluation of what would be needed to attract new customers — for a capital outlay appropriation of $4.5 million to build a 25,000-square-foot hangar. She closed with an update on the SA's budget request, which was adjusted based in large measure on the realization that VG would not conduct flights in FY 2015 or 2016. The current SA budget request includes a special appropriation of approximately $1.78 million to make up for projected shortfalls, and that, she said, would be used only to the extent needed.

Committee members responded by asking for clarification on aspects of the presentation and expressing their concerns about the SA's progress and the prolonged delays in the SA's achievement of self-sufficiency, particularly given the decline in anticipated "new"
state revenue and the SA's heavy reliance on state money. Some members discussed their concerns about the southern road and whether it will be sufficiently durable; in response, Ms. Anderson noted that road development is in phase one of three, that the Bureau of Land Management is conducting an environmental assessment, that Dona Ana County continues to work on design, that additional funding sources are being sought and that planners hope to begin construction in June.

Members expressed additional concerns. A member commented on the perceived unfairness in the balance between costs incurred by and benefits afforded to Dona Ana and Sierra counties, given that Dona Ana County appears to be shouldering much of the burden for supporting the spaceport and that the visitors center is planned to be built in Sierra County. Some members were critical of the capital outlay request, saying that too little detail was provided. A member questioned the propriety of use of the excess pledged gross receipts tax revenues. Ms. Anderson responded that, in the past two years, the boards involved in determining the use of excess revenues dedicated these revenues to operations; she said that they would be dedicated to construction and infrastructure in FY 2016.

Members voiced criticisms of the SA and the presentation. Some highlighted the SA's failure to develop and present a plan, based on sound business principles, that makes the spaceport competitive and a worthy state investment; they questioned whether what was presented could be considered acceptable in any business context and whether it would be advantageous for the state to privatize the venture. A member criticized the presentation for its overreliance on pictures and its sparse detail, particularly with respect to the special appropriation request. A member recommended that the SA coordinate more closely with the Economic Development Department and expressed an expectation that more evidence of the spaceport's strength relative to its competition be made available during the legislative session.

The presenters responded to the committee's reactions. Ms. Anderson indicated that the SA plans to actively seek new tenants and customers, expand spaceport events and complete planned tourist sites. Mr. Holdridge said that the committee would receive more detail about the special appropriation and that, in his understanding, the previous presentation to the committee was intended to cover in greater detail the plan and budget and that this presentation was intended as an update in light of the setback caused by VG's recent test-flight accident. Mr. Buchholtz expressed that he takes seriously the committee's comments and that he would relay them to the board at the meeting that it had scheduled upon learning of the accident. He added that the board has confidence in Ms. Anderson, who has faced many challenges in her role as executive director.

Statewide Economic Development Finance Act (SWEDFA)

Marquita Russel, chief of programs, NMFA, and John Brooks, director of commercial lending, NMFA, gave an update on the Economic Development Revolving Fund (EDRF). The SWEDFA, through which the fund was created, was enacted in 2003 to create a financing tool, consisting of two loan-participation programs, for for-profit and nonprofit businesses. The programs are the Smart Money Loan Participation Program (SMLPP), in which the
NMFA shares a collateral interest equal to that of the bank involved, and to which an initial $5.1 million appropriation was made, and the Collateral Support Participation Program (CSPP), in which the NMFA has a subordinated collateral interest and to which the federal government contributed $13.2 million. Money in the EDRF supports these programs. The programs offer participants a low-cost borrowing rate and efficiency in the loan process. Ms. Russel and Mr. Brooks reviewed some SMLPP and CSPP projects, noting that, while some assets in the SMLPP are troubled, several loans made through the CSPP have been repaid.

**NMFA Board Report**

Robert Coalter, chief executive officer, NMFA, presented a report on the recent activity of the NMFA board. He first provided the committee members with an overview of the recent loan activity at the NMFA. He stated that 10 loans were closed during October 2014, with six loans funded through the Public Project Revolving Fund (PPRF); one loan funded through the State Small Business Credit Initiative Program; two loans funded from funds for drinking water; and one loan funded from the Colonias Infrastructure Project Fund. Mr. Coalter additionally indicated that eight grants totaling $322,000 were closed for the Local Government Planning Grant Program. Mr. Coalter additionally stated that the NMFA's internal auditor contract is complete and work with respect to that contract is expected to begin this month.

Mr. Coalter provided the committee members with financial information for the NMFA, including its net position statement, dated October 31, 2014, and its statement of revenues and expenditures for the month ending October 31, 2014. He highlighted that the net position statement reflects an increase in cash relative to the previous year, due to bond reimbursement and loan activity. With respect to the NMFA's statement of revenue and expenditures, Mr. Coalter highlighted that grant revenue has increased from $14.3 million on October 31, 2013 to $25 million on October 31, 2014. Mr. Coalter additionally presented the NMFA's operating budget analysis, which indicates that the NMFA has expended 31.8 percent of its FY 2014 budget through October 31, 2014.

Mr. Coalter provided the committee with a summary of loans made by the NMFA. He identified the five largest loans made by the NMFA for each quarter for the last two fiscal years. In the last quarter, Mr. Coalter said the largest loans were made to the City of Roswell, the Cuba Independent School District, the Carrizozo Municipal School District, the Hatch Valley Public School District and the Portales Municipal School District. Mr. Coalter also provided the committee with information on the NMFA's most recent bond issues, with the last bond issue occurring in August 2014.

Finally, Mr. Coalter reviewed an audit findings status matrix prepared by the NMFA to address findings from previous audits, investigations and reviews of the NMFA. He pointed out that most of the items were completed. However, action items to address timeliness of external audits and system implementation for loan originations are currently in progress.
Committee members asked questions about the timing in which loans are made and bonds are issued. Mr. Coalter stated that loan and bond cycles are not concurrent due to Internal Revenue Service (IRS) requirements. He indicated that bonds are issued for the entire amount of a loan at once. For a bond issuer to avoid an arbitrage rebate, IRS rules require 85 percent of bond proceeds to be spent within three years of a bond issuance and 100 percent of bond proceeds to be spent within five years. In response to a committee member's inquiry, Mr. Coalter indicated that the advantage to issuing bonds for the entire loan amount is that it permits borrowers to immediately know the cost of a loan.

A committee member asked whether the NMFA acts as a fiscal agent for municipalities or school districts, and Mr. Coalter responded that it does not act as a fiscal agent for those entities. Another committee member asked how many public schools have received loans through the NMFA. NMFA staff members indicated that they would research and provide that information to the committee member. A committee member asked about sources of revenue pledged by tribes and school districts for loan repayment. Mr. Coalter stated that tribes often pledge cigarette tax revenue, gasoline tax revenue, hotel fees and other revenue sources. He added that the NMFA may obtain audit reports to identify revenue sources. He stated that school districts often pledge ad valorem taxes as a source of loan repayment. In response to another question, Mr. Coalter indicated that school districts typically use NMFA loans for capital projects.

A committee member asked about the identification of the proper venue for resolution of disputes between tribes and the NMFA regarding loan agreements. Mr. Coalter responded that appropriate state courts are identified as the stipulated venue in existing agreements.

Committee members next discussed whether entities, such as charter schools and land grants, could obtain loans from the NMFA. The members also expressed differing opinions on whether councils of government could act as fiscal agents for entities such as land grants.

**NMFA Proposed Legislation**

NMFA staff presented, for the committee's endorsement, a bill to provide a $3 million appropriation from the PPRF to the Local Government Planning Fund for expenditure in FY 2016 and subsequent fiscal years to make grants "to qualified entities to evaluate and estimate the costs of implementing the most feasible alternatives for infrastructure, water or wastewater public projects or to develop water conservation plans, long-term master plans, economic development plans or energy audits and to pay the administrative costs of the local government planning program". Mr. Coalter noted that in 2014, the committee endorsed a $2 million appropriation to the PPRF for the same purpose. Upon a motion made and seconded, the committee endorsed the bill without objection.

NMFA staff also presented, for the committee's endorsement, a bill to authorize the NMFA to make loans for public projects from the PPRF. Upon a motion made and seconded, the committee endorsed the bill without objection.
Next, Ms. Russel presented for endorsement a bill that would authorize the NMFA to make loans or grants from the Water Project Fund for certain specified water projects. NMFA staff presented a list of the proposed projects, with the total cost of the projects approximating $160 million. Committee members asked how the projects would be funded, and Ms. Russell responded that it would depend upon the determination of the Water Trust Board. In response to another question from a committee member, Ms. Russel stated that an entity's chance of receiving funds from the Water Project Fund may increase when the entity obtains funding from a local match or otherwise leverages funding from other sources. In response to a committee member's question, Ms. Russel said that matches from both federal and local sources could be considered. In addition to funding sources, she added that the board also takes human health and safety concerns into account. A committee member suggested that claims of public health concerns should be substantiated through a tested evaluation process.

Some committee members expressed concern that the proposed bill would provide a broad outline of projects that may be funded but would not specify which projects would, in fact, receive funding. Committee members also expressed concern with the current status of a southwest regional water plan.

Some committee members questioned whether the NMFA already has the authority to make loans and grants from the list of qualifying water projects. A committee member asked about the manner in which accountability for expenditures from the Water Project Fund is provided. Ms. Russel indicated that reporting of the manner in which the funds are expended is required pursuant to the Water Project Finance Act.

A committee member asked if a small water system could be eligible for funding from the Water Project Fund if it does not have the resources available to complete an asset management plan. Ms. Russel stated that small water systems are required to begin the asset management process within a three-year period, and assistance in completing that process is offered through local government planning funds. In response to a question from another committee member, Ms. Russel indicated that the NMFA makes available information with respect to pertinent deadlines for an application for funding from the Water Project Fund.

With respect to the bill draft presented for endorsement, Ms. Russel indicated that the projects listed as Items 95 and 96 in Section 1 are duplicate projects, and she requested deletion of Item 96. Representative Gonzales made a motion to endorse the proposed legislation, with the removal of Item 96. Representative Hall seconded the motion, and the committee endorsed the bill, as amended, without opposition.

Michael Zavelle, chief financial strategist, NMFA, and Paul Cassidy, managing director, RBC Capital Markets, presented for the committee's endorsement a bill that would allow public bodies to delegate authority for making certain determinations regarding the sale of public securities. Mr. Zavelle stated that the bill would bring New Mexico's law into conformity with laws in other states. Mr. Cassidy stated that the bill would provide the NMFA and other public bodies with the increased flexibility in the determination of when a
bond sale occurs. Mr. Cassidy stated that, often, local governments must set bond sales for
dates upon which the appropriate governing board or council meets. He said that those
meeting dates are often not the optimal dates to meet when the status of the bond market on
those dates is taken into account. Mr. Cassidy indicated that the bill would permit public
bodies to permit delegates to determine the optimal time for a bond sale from a market
perspective. He added that a public body would still retain its authority to approve bond
issuances.

Lou Hoffman, director, Finance and Administrative Services Department, City of
Albuquerque, recommended endorsement of the bill. He stated that since public bodies do not
currently have the power to delegate certain aspects of bond sale authority, the process of
finalizing the necessary documents for bond sales is often rushed. He also indicated that if the
necessary closing documents are not signed by the appropriate officials until after a transaction
takes place, pursuant to current law, then additional risk is transferred to bondholders, while
public bodies are still subject to risk and basis point losses. John McDermott, chair, NMFA
board, also encouraged endorsement of the bill. He stated that the bill would assist the NMFA
in delivering financing to entities at a lower cost.

Committee members asked about the amounts of money that local governments could
save from implementation of the bill. Mr. Hoffman responded that savings could range from
hundreds of thousands of dollars to millions of dollars. Another committee member asked if
the proposed legislation had been considered before, and Mr. Zavelle indicated that a similar
proposal was explored a few years ago.

Committee members discussed whether the bill should include a provision to require
reporting of the use of the delegated authority to the committee. Representative Gonzales
moved to endorse the bill, as amended by inclusion of the suggested additional language.
Representative Powdrell-Culbert seconded the motion. The committee endorsed the bill, as
amended, without opposition.

Committee members next discussed the process by which public schools and charter
schools receive funding for capital projects. A committee member expressed concern that
some entities would seek capital funding from the NMFA, rather than first approaching the
Public School Capital Outlay Council. Ms. Russel indicated that the NMFA staff would be
willing to ask such entities whether funding has been sought through the council. A
committee member requested that charter schools be asked whether they have properly
coordinated with the appropriate school districts. A committee member stated that any
implications with regard to the Zuni lawsuit should be carefully considered.

Friday, November 21

Compliance with Auditor Recommendations

Mr. Coalter and Robert Brannon, interim chief financial officer, NMFA, presented a
report on the current status of the NMFA's process in addressing findings from investigations,
audits and reviews of the NMFA. They first reported on the status of various changes required pursuant to the passage of Senate Bill 12 (2013) and indicated that each of those changes is complete.

Mr. Coalter and Mr. Brannon also reported on the status of an external audit. They stated that an auditor was selected and a contract has been approved by the State Auditor's Office for its FY 2014 audit. They added that field work is now complete, test work is near completion and financial statements are in progress. An exit conference is scheduled for December 8. They also stated that the NMFA is now current with all federal reporting requirements and bond disclosure statements. According to Mr. Coalter and Mr. Brannon, an internal audit contract was recently signed with McGladrey, and an initial meeting with that auditor was held November 17. Risk assessment field work for that audit is in progress.

Mr. Coalter and Mr. Brannon discussed a number of issues that the NMFA has addressed with respect to compliance with state requirements. They reported that the NMFA has resolved audit findings involving the following:

- payment of funds without an approved audit contract;
- timely cash receipts deposits;
- travel and per diem; and
- inventory of equipment and depreciation schedules requiring updates.

Finally, Mr. Coalter and Mr. Brannon discussed efforts to update the NMFA's accounting practices. They indicated that the NMFA is considering the development of a new system to automate all accounting procedures and expects to enter into a contract for a new system within the next fiscal year.

A committee member asked if the NMFA uses the Statewide Human Resources Accounting and Reporting (SHARE) system. Mr. Coalter indicated that the NMFA uses the SHARE system only for certain limited entries. A committee member asked about the NMFA's plans to hire an internal auditor. Mr. Brannon indicated that an outside firm would be hired to conduct an initial risk assessment and that it might be suggested that an audit correspond with the risk assessment. He stated that no information from the internal auditor will be available until the risk assessment is complete.

Adjournment

There being no further business, the committee adjourned at 9:35 a.m.
ENDORSED LEGISLATION
HOUSE BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

INTRODUCED BY

ENDORSED BY THE

NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

AN ACT

RELATING TO FINANCE; AUTHORIZING THE NEW MEXICO FINANCE AUTHORITY TO MAKE LOANS FOR PUBLIC PROJECTS FROM THE PUBLIC PROJECT REVOLVING FUND; DECLARING AN EMERGENCY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. AUTHORIZATION OF PROJECTS.--Pursuant to the provisions of Section 6-21-6 NMSA 1978, the legislature authorizes the New Mexico finance authority to make loans from the public project revolving fund for public projects as defined in Section 6-21-3 NMSA 1978. Pursuant to Section 6-21-6 NMSA 1978, loans of less than one million dollars ($1,000,000) do not require specific authorization and need not be identified in this act. Authorization is given to the New Mexico finance authority to make loans to the following qualified entities on terms and conditions established by the
authority:

1. the Albuquerque-Bernalillo county water utility authority in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

2. the city of Albuquerque in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, rail spur, water, wastewater, water rights, solid waste and special assessment district projects;

3. the Alma d'Arte charter school in Dona Ana county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

4. the Alto Lakes water and sanitation district in Lincoln county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

5. the Angel Fire public improvement district in Colfax county for building, equipment, infrastructure, road, land acquisition, water, wastewater, water rights and solid waste projects;

6. the village of Angel Fire in Colfax county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights, solid waste and special assessment district projects;
7. the Anthony charter school in Dona Ana county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

8. the Ask academy in Sandoval county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

9. the city of Aztec in San Juan county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

10. the town of Bernalillo in Sandoval county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights, solid waste and special assessment district projects;

11. the city of Bloomfield in San Juan county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

12. the Canones mutual domestic water consumers and mutual sewage works association in Rio Arriba county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;
13. the Carrizozo municipal school district in Lincoln county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;
14. the Cimarron municipal school district in Colfax county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;
15. the Cottonwood Classical preparatory school in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;
16. the Cottonwood Valley charter school in Socorro county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;
17. De Baca county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;
18. the Dexter consolidated school district in Chaves county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;
19. the East Mountain High charter school in Bernalillo county for building, equipment, infrastructure, debt
refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

20. the East Torrance soil and water conservation district in Torrance county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

21. the eastern plains council of governments in Curry, De Baca, Guadalupe, Harding, Quay, Roosevelt and Union counties for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

22. the eastern Sandoval county arroyo flood control authority in Sandoval county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

23. the town of Edgewood in Santa Fe county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

24. the Estancia Moriarty Willard gas cooperative in Torrance county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

25. the Estancia Valley solid waste authority in
Torrance county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

26. the city of Eunice in Lea county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

27. the village of Folsom in Union county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

28. the Grants campus of New Mexico state university in Cibola county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

29. Guadalupe county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

30. the Hagerman municipal school district in Chaves county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

31. Harding county for building, equipment, infrastructure, debt refinancing, road, land acquisition,
water, wastewater, water rights and solid waste projects;

32. the Hatch Valley public school district in Dona
Ana county for building, equipment, infrastructure, debt
refinancing, road, land acquisition, water, wastewater, water
rights and solid waste projects;

33. La Academia de Esperanza charter school in
Bernalillo county for building, equipment, infrastructure, debt
refinancing, road, land acquisition, facilities acquisition,
water, wastewater, water rights and solid waste projects;

34. the Las Vegas city public school district in
San Miguel county for building, equipment, infrastructure, debt
refinancing, road, land acquisition, water, wastewater, water
rights and solid waste projects;

35. the city of Las Vegas in San Miguel county for
building, equipment, infrastructure, debt refinancing, road,
land acquisition, water, wastewater, water rights and solid
waste projects;

36. Los Alamos county for building, equipment,
infrastructure, debt refinancing, road, land acquisition,
water, wastewater, water rights, solid waste, public
improvement district and special assessment district projects;

37. Los Puentes charter school in Bernalillo county
for building, equipment, infrastructure, debt refinancing,
road, land acquisition, facilities acquisition, water,
wastewater, water rights and solid waste projects;
38. the higher education department for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects for Luna community college in San Miguel county;

39. the Maxwell municipal school district in Colfax county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

40. the Media Arts Collaborative charter school in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

41. the Mescalero Apache housing authority in Otero county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

42. the mid-region council of governments in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, rail spur, water, wastewater, water rights and solid waste projects;

43. the village of Milan in Cibola county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;
44. the Monte del Sol charter school in Santa Fe county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

45. the Montessori of the Rio Grande charter school in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

46. Mora county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights, solid waste, public improvement district and special assessment district projects;

47. the Mora independent school district in Mora county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

48. the village of Mosquero in Harding county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

49. the Nambe Pueblo development corporation in Santa Fe county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;
50. the Pueblo of Nambe in Santa Fe county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

51. the board of regents of New Mexico highlands university in San Miguel county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

52. the board of regents of New Mexico institute of mining and technology in Socorro county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects for the research park corporation;

53. the board of regents of the New Mexico school for the blind and visually impaired in Otero county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

54. the board of regents of New Mexico state university in Dona Ana county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects for the Arrowhead center;

55. the board of regents of New Mexico state university in Dona Ana county for building, equipment,
infrastructure, debt refinancing, road, water, wastewater, water rights and solid waste projects;

56. the New Mexico state university foundation in Dona Ana county for building, equipment, infrastructure, debt refinancing, road, water, wastewater, water rights and solid waste projects;

57. the Nor-Lea hospital district in Lea county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

58. the north central regional transit district in Santa Fe, Rio Arriba, Los Alamos and Taos counties for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

59. the north central regional transit district in Santa Fe, Rio Arriba and Taos counties for railroad infrastructure;

60. the northwest New Mexico council of governments in McKinley, Cibola and San Juan counties for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

61. the northwest New Mexico regional solid waste authority in Cibola and McKinley counties for building,
equipment, infrastructure, debt refinancing, road, land
acquisition, water, wastewater, water rights and solid waste
projects;

62. Ohkay Owingeh in Rio Arriba county for
building, equipment, infrastructure, debt refinancing, road,
land acquisition, water, wastewater, water rights and solid
waste projects;

63. the village of Pecos in San Miguel county for
building, equipment, infrastructure, debt refinancing, road,
land acquisition, water, wastewater, water rights and solid
waste projects;

64. the Pueblo of Pojoaque in Santa Fe county for
building, equipment, infrastructure, debt refinancing, road,
land acquisition, water, wastewater, water rights and solid
waste projects;

65. the city of Portales in Roosevelt county for
building, equipment, infrastructure, debt refinancing, road,
land acquisition, water, wastewater, water rights and solid
waste projects;

66. the Public Academy for performing arts in
Bernalillo county for building, equipment, infrastructure, debt
refinancing, road, land acquisition, facilities acquisition,
water, wastewater, water rights and solid waste projects;

67. the Questa independent school district in Taos
county for building, equipment, infrastructure, debt
refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

68. the city of Raton in Colfax county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

69. the Robert F. Kennedy charter school in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

70. the village of Roy in Harding county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

71. the higher education department for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects for San Juan college in San Juan county;

72. San Miguel county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

73. the higher education department for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects for Santa Fe community college
in Santa Fe county;

74. the Santa Rosa consolidated school district in Guadalupe and San Miguel counties for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

75. the Sierra Vista hospital in Sierra county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

76. the south central council of governments in Dona Ana, Sierra and Socorro counties for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

77. the south central regional transit district in Dona Ana, Sierra and Socorro counties for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

78. the southeastern New Mexico economic development district in Lincoln, Chaves, Lea, Eddy and Otero counties for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

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79. the South Valley academy in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

80. the southern Sandoval county arroyo flood control authority in Sandoval county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

81. the southwest council of governments in Catron, Grant, Hidalgo and Luna counties for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

82. the Southwest Secondary learning center in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

83. the Springer municipal school district in Colfax and Union counties for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

84. the village of Taos Ski Valley in Taos county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;
solid waste projects;

85. the Tsay corporation in Rio Arriba county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

86. the 21st Century public academy in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects;

87. the board of regents of the university of New Mexico in Bernalillo county for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects for the University of New Mexico medical group, incorporated;

88. the Vaughn municipal school district in Guadalupe and Torrance counties for building, equipment, infrastructure, debt refinancing, road, land acquisition, water, wastewater, water rights and solid waste projects;

89. the Wagon Mound public school district in Mora county for building, equipment, infrastructure, debt refinancing, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects; and

90. the board of regents of Western New Mexico university in Grant county for building, equipment, infrastructure, debt refinancing, road, land acquisition,
facilities acquisition, water, wastewater, water rights and solid waste projects.

SECTION 2. VOIDING OF AUTHORIZATION.--If a qualified entity listed in Section 1 of this act has not certified to the New Mexico finance authority by the end of fiscal year 2018 its desire to continue to pursue a loan from the public project revolving fund for a public project listed in that section, the legislative authorization granted to the New Mexico finance authority by Section 1 of this act to make a loan from the public project revolving fund to that qualified entity for that public project is void.

SECTION 3. EMERGENCY.--It is necessary for the public peace, health and safety that this act take effect immediately.
BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

INTRODUCED BY

DISCUSSION DRAFT

FOR THE NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

AN ACT

RELATING TO FINANCE; AUTHORIZING THE NEW MEXICO FINANCE
AUTHORITY TO MAKE LOANS OR GRANTS FROM THE WATER PROJECT FUND
FOR CERTAIN WATER PROJECTS; DECLARING AN EMERGENCY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. AUTHORIZATION OF QUALIFYING WATER PROJECTS.--
Pursuant to the provisions of Section 72-4A-9 NMSA 1978, the
legislature authorizes the New Mexico finance authority to make
loans or grants from the water project fund to the following
qualifying entities for the following qualifying water projects
on terms and conditions established by the water trust board
and the New Mexico finance authority:

1. to the city of Anthony in Dona Ana county for a
   flood prevention project;

2. to the city of Belen in Valencia county for a
flood prevention project;

3. to the eastern Sandoval county flood control authority in Sandoval county for a flood prevention project;

4. to the middle Rio Grande conservancy district in Socorro county for a flood prevention project;

5. to the Pueblo of Santa Clara in Rio Arriba county for a flood prevention project;

6. to the city of Santa Rosa in Guadalupe county for a flood prevention project;

7. to the city of Socorro in Socorro county for a flood prevention project;

8. to the southern Sandoval county arroyo flood control authority in Sandoval county for a flood prevention project;

9. to the Pueblo of Acoma in Cibola county for a water conservation, treatment, recycling or reuse project;

10. to the Agua Sana water users association in Rio Arriba county for a water conservation, treatment, recycling or reuse project;

11. to the city of Carlsbad in Eddy county for a water conservation, treatment, recycling or reuse project;

12. to the town of Carrizozo in Lincoln county for a water conservation, treatment, recycling or reuse project;

13. to the Chamita mutual domestic water consumers association in Rio Arriba county for a water conservation,
treatment, recycling or reuse project;

14. to the village of Cimarron in Colfax county for
a water conservation, treatment, recycling or reuse project;

15. to the Cuatro Villas mutual domestic water
users association in Santa Fe county for a water conservation,
treatment, recycling or reuse project;

16. to the town of Edgewood in Santa Fe county for
a water conservation, treatment, recycling or reuse project;

17. to the city of Hobbs in Lea county for a water
conservation, treatment, recycling or reuse project;

18. to La Luz mutual domestic water association in
Otero county for a water conservation, treatment, recycling or
reuse project;

19. to Los Alamos county for a water conservation,
treatment, recycling or reuse project;

20. to Los Alamos county for an additional water
conservation, treatment, recycling or reuse project;

21. to the Northeastern soil and water conservation
district in Union county for a water conservation, treatment,
recycling or reuse project;

22. to Rio Arriba county for a water conservation,
treatment, recycling or reuse project;

23. to the city of Rio Rancho in Sandoval county
for a water conservation, treatment, recycling or reuse
project;

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24. to the city of Rio Rancho in Sandoval county for an additional water conservation, treatment, recycling or reuse project;

25. to the city of Santa Rosa in Guadalupe county for a water conservation, treatment, recycling or reuse project;

26. to the Pueblo of Tesuque in Santa Fe county for a water conservation, treatment, recycling or reuse project;

27. to the Pueblo of Tesuque in Santa Fe county for an additional water conservation, treatment, recycling or reuse project;

28. to the acequia de la Isla in Mora county for a water storage, conveyance and delivery project;

29. to the Ancones mutual domestic water consumers association in Rio Arriba county for a water storage, conveyance and delivery project;

30. to the village of Angel Fire in Colfax county for a water storage, conveyance and delivery project;

31. to the village of Angel Fire in Colfax county for an additional water storage, conveyance and delivery project;

32. to the village of Angel Fire in Colfax county for an additional water storage, conveyance and delivery project;

33. to the town of Bernalillo in Sandoval county
for a water storage, conveyance and delivery project;

34. to the town of Bernalillo in Sandoval county
for an additional water storage, conveyance and delivery
project;

35. to the city of Bloomfield in San Juan county
for a water storage, conveyance and delivery project;

36. to the Bluewater water and sanitation district
in Cibola county for a water storage, conveyance and delivery
project;

37. to the Buena Vista mutual domestic water
consumers and sewage works association in Mora county for a
water storage, conveyance and delivery project;

38. to the Canoncito at Apache Canyon mutual
domestic water consumers and mutual sewage works association in
Santa Fe county for a water storage, conveyance and delivery
project;

39. to the village of Capitan in Lincoln county for
a water storage, conveyance and delivery project;

40. to the village of Capitan in Lincoln county for
an additional water storage, conveyance and delivery project;

41. to the city of Carlsbad in Eddy county for a
water storage, conveyance and delivery project;

42. to the town of Carrizozo in Lincoln county for
a water storage, conveyance and delivery project;

43. to the village of Causey in Roosevelt county
for a water storage, conveyance and delivery project;

44. to the Chama West water users association in Rio Arriba county for a water storage, conveyance and delivery project;

45. to the Chamberino mutual domestic water consumers and sewer association in Dona Ana county for a water storage, conveyance and delivery project;

46. to the Chupadero water and sewage corporation in Santa Fe county for a water storage, conveyance and delivery project;

47. to the village of Corona in Lincoln county for a water storage, conveyance and delivery project;

48. to the Cuatro Villas mutual domestic water users association in Santa Fe county for a water storage, conveyance and delivery project;

49. to Curry county for a water storage, conveyance and delivery project;

50. to the Desert Aire mutual domestic water and sewer works association in Dona Ana county for a water storage, conveyance and delivery project;

51. to the village of Eagle Nest in Colfax county for a water storage, conveyance and delivery project;

52. to the East Culpepper Flats domestic water users association in San Juan county for a water storage, conveyance and delivery project;
53. to El Salto mutual domestic water consumers
association in Taos county for a water storage, conveyance and
delivery project;

54. to El Valle de los Ranchos water and sanitation
district in Taos county for a water storage, conveyance and
delivery project;

55. to El Valle water alliance in San Miguel county
for a water storage, conveyance and delivery project;

56. to the Eldorado area water and sanitation
district in Santa Fe county for a water storage, conveyance and
delivery project;

57. to the Eldorado area water and sanitation
district in Santa Fe county for an additional water storage,
conveyance and delivery project;

58. to the Eldorado area water and sanitation
district in Santa Fe county for an additional water storage,
conveyance and delivery project;

59. to the town of Elida in Roosevelt county for a
water storage, conveyance and delivery project;

60. to the eastern New Mexico water utility
authority in Curry and Roosevelt counties for a water storage,
conveyance and delivery project;

61. to the town of Estancia in Torrance county for
a water storage, conveyance and delivery project;

62. to the city of Eunice in Lea county for a water
storage, conveyance and delivery project;

63. to the city of Gallup in McKinley county for a water storage, conveyance and delivery project;

64. to the Garfield mutual domestic water consumers and mutual sewage works association in Dona Ana county for a water storage, conveyance and delivery project;

65. to the greater Glorieta community regional mutual domestic water consumers and sewage works association in Santa Fe county for a water storage, conveyance and delivery project;

66. to the Green Ridge mutual domestic water consumers association in Bernalillo county for a water storage, conveyance and delivery project;

67. to the town of Hagerman in Chaves county for a water storage, conveyance and delivery project;

68. to the town of Hagerman in Chaves county for an additional water storage, conveyance and delivery project;

69. to the Hanover mutual domestic water consumers association in Grant county for a water storage, conveyance and delivery project;

70. to the village of Hatch in Dona Ana county for a water storage, conveyance and delivery project;

71. to the city of Jal in Lea county for a water storage, conveyance and delivery project;

72. to La Cueva mutual domestic water consumers
association in San Miguel county for a water storage,
conveyance and delivery project;

73. to the Pueblo of Laguna in Cibola county for a
water storage, conveyance and delivery project;

74. to the city of Las Vegas in San Miguel county
for a water storage, conveyance and delivery project;

75. to Lea county for a water storage, conveyance
and delivery project;

76. to the village of Los Lunas in Valencia county
for a water storage, conveyance and delivery project;

77. to the Lower Arroyo Hondo mutual domestic water
consumers association in Taos county for a water storage,
conveyance and delivery project;

78. to the Lower Des Montes mutual domestic water
consumers association in Taos county for a water storage,
conveyance and delivery project;

79. to the village of Magdalena in Socorro county
for a water storage, conveyance and delivery project;

80. to McKinley county for a water storage,
conveyance and delivery project;

81. to McKinley county for an additional water
storage, conveyance and delivery project;

82. to McKinley county for an additional water
storage, conveyance and delivery project;

83. to the Mescalero Apache Tribe in Otero county
for a water storage, conveyance and delivery project;

84. to the Mescalero Apache Tribe in Otero county for an additional water storage, conveyance and delivery project;

85. to the town of Mesilla in Dona Ana county for a water storage, conveyance and delivery project;

86. to the Otis mutual domestic water consumers and sewage works association in Eddy county for a water storage, conveyance and delivery project;

87. to the village of Pecos in San Miguel county for a water storage, conveyance and delivery project;

88. to the Pojoaque Valley public school district in Santa Fe county for a water storage, conveyance and delivery project;

89. to the city of Portales in Roosevelt county for a water storage, conveyance and delivery project;

90. to the Rainsville water and sanitation district in Mora county for a water storage, conveyance and delivery project;

91. to the town of Red River in Taos county for a water storage, conveyance and delivery project;

92. to the Regina mutual domestic water consumers association in Sandoval county for a water storage, conveyance and delivery project;

93. to Rivera's mutual domestic water consumers
association in Guadalupe county for a water storage, conveyance and delivery project;
  94. to the Rowe mutual domestic water consumers and mutual sewage works association in San Miguel county for a water storage, conveyance and delivery project;
  95. to the city of Ruidoso Downs in Lincoln county for a water storage, conveyance and delivery project;
  96. to the city of Ruidoso Downs in Lincoln county for an additional water storage, conveyance and delivery project;
  97. to the Pueblo of Santa Clara in Rio Arriba county for a water storage, conveyance and delivery project;
  98. to the Santa Cruz irrigation district in Santa Fe county for a water storage, conveyance and delivery project;
  99. to the city of Santa Fe in Santa Fe county for a water storage, conveyance and delivery project;
 100. to the city of Santa Fe in Santa Fe county for an additional water storage, conveyance and delivery project;
 101. to the city of Santa Rosa in Guadalupe county for a water storage, conveyance and delivery project;
 102. to the village of Taos Ski Valley in Taos county for a water storage, conveyance and delivery project;
 103. to the village of Taos Ski Valley in Taos county for an additional water storage, conveyance and delivery project;
104. to the town of Taos in Taos county for a water storage, conveyance and delivery project;

105. to the city of Texico in Curry county for a water storage, conveyance and delivery project;

106. to the Timberon water and sanitation district in Otero county for a water storage, conveyance and delivery project;

107. to the Timberon water and sanitation district in Otero county for an additional water storage, conveyance and delivery project;

108. to the Timberon water and sanitation district in Otero county for an additional water storage, conveyance and delivery project;

109. to the Tres Piedras mutual domestic water consumers association in Taos county for a water storage, conveyance and delivery project;

110. to the city of Truth or Consequences in Sierra county for a water storage, conveyance and delivery project;

111. to the village of Tularosa in Otero county for a water storage, conveyance and delivery project;

112. to the Union del Llano mutual domestic water consumers association in Taos county for a water storage, conveyance and delivery project;

113. to the town of Vaughn in Guadalupe county for a water storage, conveyance and delivery project;
114. to the village of Wagon Mound in Mora county
for a water storage, conveyance and delivery project;

115. to the Canadian River soil and water
conservation district in Quay county for a watershed
restoration and management project;

116. to the Ciudad soil and water conservation
district in Bernalillo county for a watershed restoration and
management project;

117. to the Claunch-Pinto soil and water
conservation district in Bernalillo, Santa Fe and Torrance
counties for a watershed restoration and management project;

118. to the Claunch-Pinto soil and water
conservation district in Bernalillo, Santa Fe and Torrance
counties for a watershed restoration and management project;

119. to the Colfax soil and water conservation
district in Colfax county for a watershed restoration and
management project;

120. to the village of Cuba in Sandoval county for
a watershed restoration and management project;

121. to the Guadalupe soil and water conservation
district in Guadalupe county for a watershed restoration and
management project;

122. to the Merced del Pueblo de Cebolleta in
Cibola county for a watershed restoration and management
project;
to the Mescalero Apache Tribe in Otero county for a watershed restoration and management project;

124. to the Pueblo of Santa Clara in Rio Arriba county for a watershed restoration and management project;

125. to the city of Santa Fe in Santa Fe county for a watershed restoration and management project;

126. to the Sierra soil and water conservation district in Sierra county for a watershed restoration and management project;

127. to the Upper Hondo soil and water conservation district in Lincoln county for a watershed restoration and management project; and

128. to the Ute Creek soil and water conservation district in Harding county for a watershed restoration and management project.

SECTION 2. EMERGENCY.--It is necessary for the public peace, health and safety that this act take effect immediately.
BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

INTRODUCED BY

DISCUSSION DRAFT

ENDORSED BY THE
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

AN ACT

RELATING TO PUBLIC SECURITIES; ALLOWING PUBLIC BODIES TO
DELEGATE AUTHORITY FOR MAKING CERTAIN DETERMINATIONS REGARDING
SALES OF PUBLIC SECURITIES; CLARIFYING THE DEFINITIONS OF
"PUBLIC BODY" AND "PUBLIC SECURITIES"; REQUIRING REPORTING TO
THE NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 6-14-9 NMSA 1978 (being Laws 1983,
Chapter 265, Section 2) is amended to read:

"6-14-9. DEFINITIONS.--As used in the Supplemental Public
Securities Act:

A. "authorizing instrument" means the ordinance,
resolution, other official action or any applicable combination
thereof by which public securities are authorized to be issued
by a public body;

.197807.3SA
B. "public body" means this state or any department, board, agency or instrumentality of the state, any county, city, town, village, school district, other district or educational institution or any other governmental agency or political subdivision of the state or the New Mexico finance authority;

C. "public securities" means any bonds, notes, loans, warrants or other obligations now or hereafter authorized to be issued by any public body pursuant to the provisions of any general or special statute, any constitutional or statutory charter or any other law; and

D. "registrar" means the treasurer or any other officer of the public body or of any other public body or any corporate or other trustee, registrar, paying agent, transfer agent, custodian or other financial intermediary within the United States as may be appointed or designated in the authorizing instrument."

SECTION 2. A new section of the Supplemental Public Securities Act is enacted to read:

"[NEW MATERIAL] DELEGATION OF AUTHORITY BY PUBLIC BODY--AUTHORIZING INSTRUMENT.--

A. A public body may adopt an authorizing instrument that delegates to one or more members, officers or employees of the public body the authority to sign a contract for the purchase or sale of public securities or to accept a
binding bid for public securities and to determine the final terms for public securities to be issued pursuant to Subsection C of this section. The authorizing instrument shall be effective for one hundred eighty days or for a specified shorter period.

B. An authorizing instrument delegating authority pursuant to Subsection A of this section shall establish the conditions for the public securities, including:

(1) the public purpose for which the public securities are to be issued;

(2) the maximum par amount of the public securities;

(3) the maximum term for which the public securities may be outstanding;

(4) the maximum interest rate that the public securities may bear;

(5) each tax or revenue source that is pledged to or that shall secure payment for the public securities;

(6) whether the public securities will be sold at a public or a private sale;

(7) the minimum sales price or the maximum sales price of the public securities;

(8) the maximum amount of underwriting discount, if any, as a percentage of the aggregate principal amount of the public securities;
(9) the form of the public securities, subject to the final terms described in Subsection C of this section;

(10) the public securities that may be refunded, if any; and

(11) the appointment of a trustee, paying agent, registrar, escrow agent, tender agent, remarketing agent, dissemination agent or any other agent or service provider required for the sale, issuance and delivery of the public securities and the form of agreement for each appointment.

C. Subject to the conditions established in Subsection B of this section, a delegatee may be authorized, pursuant to the authorizing instrument, to determine any or all of the following final terms of the public securities:

(1) the interest and principal payment dates;

(2) the principal amount, denominations and maturity amortization;

(3) the sale price;

(4) the interest rate;

(5) the interest payment periods;

(6) the redemption and tender provisions;

(7) the procurement of municipal bond insurance and any related covenants or agreements;

(8) the creation of any capitalized interest or debt service reserve funds, including the size and funding
of the funds;

(9) the amount of underwriting discount, if any;

(10) the public securities to be refunded, if any; and

(11) the final terms of agreements, if any, with one or more trustee, paying agent, registrar, escrow agent, tender agent, remarketing agent, dissemination agent or any other agent or service provider required for the purchase, sale, issuance and delivery of the public securities.

D. The public body shall determine and approve any term not listed in Subsection C of this section.

E. The delegatee shall certify in writing, prior to the delivery of the public securities, that the final terms determined pursuant to Subsection C of this section comply with the conditions established in the authorizing instrument pursuant to Subsection B of this section. The delegatee shall present the written certification containing the final terms of the public securities to the public body in a timely manner, before or after the delivery of the public securities, at a regularly scheduled meeting of the public body held in compliance with the Open Meetings Act.

F. A public body need not approve a determination made by the delegatee pursuant to Subsection C of this section if the determination complies with the conditions established...
in the authorizing instrument pursuant to Subsection B of this section. A determination made by the delegatee pursuant to this section has the same force and effect as a determination made by the public body.

G. A public body's adoption of an authorizing instrument that includes a delegation of authority pursuant to this section constitutes final passage of the authorizing instrument for the purposes of any applicable general or special law or any constitutional or statutory provision or municipal charter related to any referendum or petition right."

SECTION 3. A new section of the New Mexico Finance Authority Act is enacted to read:

"[NEW MATERIAL] REPORT TO LEGISLATURE--AUTHORIZING INSTRUMENT--DELEGATION OF AUTHORITY FOR PUBLIC SECURITIES ISSUANCES.--By September 30 of each year, the authority shall report to the New Mexico finance authority oversight committee about the authority's public securities issuances, completed in the prior twelve months, that involved a delegation of authority through an authorizing instrument pursuant to Section 2 of this 2015 act."

SECTION 4. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2015.
1

BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

INTRODUCED BY

DISCUSSION DRAFT

ENDORSED BY THE

NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE LOCAL GOVERNMENT PLANNING FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Three million dollars ($3,000,000) is appropriated from the public project revolving fund to the local government planning fund administered by the New Mexico finance authority for expenditure in fiscal year 2016 and subsequent fiscal years to make grants to qualified entities to evaluate and estimate the costs of implementing the most feasible alternatives for infrastructure, water or wastewater public projects or to develop water conservation plans, long-term master plans, economic development plans or energy audits and to pay the administrative costs of the local government planning program. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert

.197846.2SA
SECTION 2. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2015.

- 2 -
HOUSE BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

INTRODUCED BY

ENDORSED BY THE

NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION FOR DRINKING WATER SYSTEM FINANCING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--One million eight hundred thousand dollars ($1,800,000) is appropriated from the public project revolving fund to the drinking water state revolving loan fund for expenditure in fiscal year 2016 and subsequent fiscal years to provide state matching funds for federal Safe Drinking Water Act projects and to carry out the purposes of the Drinking Water State Revolving Loan Fund Act. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the public project revolving fund.

SECTION 2. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2015.