



NEW MEXICO LEGISLATURE

**NEW MEXICO
FINANCE AUTHORITY
OVERSIGHT COMMITTEE**

2016 INTERIM FINAL REPORT

LEGISLATIVE COUNCIL SERVICE
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INTERIM SUMMARY

NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

2016 Interim Summary

The New Mexico Finance Authority (NMFA) Oversight Committee met seven times in locations throughout the state to carry out its statutory duties and to monitor the activities and programs of the NMFA, the Border Authority, the Spaceport Authority (SA) and the funding and program projects of the Water Project Fund, Tribal Infrastructure Project Fund and Colonias Infrastructure Project Fund.

The first meeting of the NMFA Oversight Committee on January 14, 2016 was to review and endorse proposed water project legislation. Members directed NMFA staff to facilitate planning with the Water Trust Board (WTB) before the annual legislative session to allow member questions and concerns about particular projects to be addressed timely before endorsing project recommendations.

At the meeting on May 23, 2016, members of the WTB presented a list of prioritized projects developed over the last year. However, many of the prioritized projects did not receive funding during the 2016 legislative session due to the diversion of \$6.75 million to projects of the Office of the State Engineer; the Energy, Minerals and Natural Resources Department; the Department of Environment; and the Homeland Security and Emergency Management Department.

Continuing its examination of a 2011 audit anomaly from the previous interim, the committee heard an update from the NMFA board chair on internal and external audits and reported that the NMFA has since had clean audits. The NMFA has implemented procedures and training to prevent similar issues. NMSA staff reported that improvements are ongoing, with emphasis placed on succession planning to reduce specialized expertise concentrated into too few staff.

Economic development was a component part of several meetings, beginning with an NMFA report in July on the Economic Development Revolving Fund (EDRF). The EDRF was established in 2003 to help stimulate the state's economy. The NMFA operates two programs: the Smart Money Loan Participation Program (\$5.1 million in General Fund appropriation) and the Collateral Support Participation Program (\$8.2 million in federal funds). The NMFA used these funds to "buy" a portion of a loan made by a local bank, reducing financing costs for New Mexico businesses.

Water was again a topic during the interim. The WTB reported that New Mexico needs to invest \$1 billion over the next 20 years to maintain the existing water infrastructure. There are approximately 1,100 water systems in the state and 80 percent serve 500 or fewer users. The water systems, many of which were built before 1960, are in disrepair. Low use rates and reluctance to raise rates, inadequate technical and managerial capacity for small water systems and projects that are too small to leverage other funding sources are some of the issues that need to be addressed, according to the WTB.

The SA reported that it is optimistic about becoming fully operational, but continues to struggle as the anchor tenant has yet to launch manned suborbital flights. Some new, smaller contracts have materialized and tourism attractions are under development, but the mission of the SA remains stalled until the flights begin.

Endorsements

The committee at its final meeting endorsed the following bills for introduction in the 2017 legislative session:

- **Water Trust Projects (204813.1SA):** This bill proposes 32 projects statewide totaling \$29.3 million for flood prevention (two at \$1.8 million), water conservation (six at \$7.8 million), water storage (19 at \$16.5 million) and watershed management (five at \$3.2 million).
- **(204809.1SA):** This bill proposes a \$1.8 million appropriation to the Drinking Water State Revolving Loan Fund from the Public Project Revolving Fund (PPRF).
- **(204812.1SA):** This bill proposes delegation of bond sale completion authority to provide public entities sale flexibility, improved accountability, informed decisions by delegates due to involvement in pricing and decreased cost of issuing bonds.
- **(204810.1SA):** This bill proposes to authorize the NMFA to make loans from the PPRF for specific projects and grant approval authority to the NMFA to approve projects under \$1 million without further legislative approval.

WORK PLAN AND MEETING SCHEDULE

**2016 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

Members

Sen. Joseph Cervantes, Chair	Rep. Patricia A. Lundstrom
Rep. Jane E. Powdrell-Culbert, Vice Chair	Sen. Richard C. Martinez
Rep. David E. Adkins	Rep. Andy Nunez
Rep. Sharon Clahchischilliage	Sen. Michael Padilla
Sen. Lee S. Cotter	Sen. Nancy Rodriguez
Rep. Candy Spence Ezzell	Rep. Patricia Roybal Caballero
Rep. Bealquin Bill Gomez	Rep. Patricio Ruiloba
Sen. Ron Griggs	Sen. John C. Ryan
Rep. Dona G. Irwin	Sen. William P. Soules
Rep. Idalia Lechuga-Tena	Rep. Monica Youngblood

Advisory Members

Rep. Alonzo Baldonado	Sen. Bill B. O'Neill
Sen. Sue Wilson Beffort	Sen. Mary Kay Papen
Sen. Jacob R. Candelaria	Sen. William H. Payne
Rep. George Dodge, Jr.	Sen. John Pinto
Rep. Brian Egolf	Rep. Debbie A. Rodella
Rep. Kelly K. Fajardo	Rep. Tomás E. Salazar
Rep. Roberto "Bobby" J. Gonzales	Sen. Clemente Sanchez
Sen. Stuart Ingle	Rep. Sheryl Williams Stapleton
Rep. Sarah Maestas Barnes	Rep. Don L. Tripp

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 to the committee.

During the 2016 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) receive testimony and make recommendations to the NMFA on planning, setting priorities for and financing state and local capital projects;

(5) receive testimony about funding through the NMFA for public-private partnership projects;

(6) 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;

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

(8) receive testimony pertaining to NMFA board actions;

(9) 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;

(10) monitor and oversee the methods, proposals, programs and initiatives of the Spaceport Authority and make recommendations on those areas; and

(11) report to the legislature and recommend necessary changes in law or policy.

**New Mexico Finance Authority Oversight Committee
2016 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
May 23	Santa Fe
July 11-12	Taos
August 15-16	Deming
September 20-21	Anthony/Las Cruces
October 4-5	Santa Fe
December 1-2	Santa Fe

AGENDAS AND MINUTES

Revised: May 19, 2015

**TENTATIVE AGENDA
for the
FIRST 2016 INTERIM MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**May 23, 2016
State Capitol, Room 307
Santa Fe**

Monday, May 23

- 9:30 a.m. **Call to Order and Welcome**
—Senator Joseph Cervantes, Chair
—Representative Jane E. Powdrell-Culbert, Vice Chair
- 9:35 a.m. (1) **Board Report**
—Robert P. Coalter, Chief Executive Officer (CEO), New Mexico Finance
 Authority (NMFA)
- 10:15 a.m. (2) **2016 Session Legislation Summary**
—Robert P. Coalter, CEO, NMFA
—Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
- 10:45 a.m. (3) **Water Trust Board Report**
—Members, Water Trust Board
—Robert P. Coalter, CEO, NMFA
—Marquita D. Russel, Chief of Programs, NMFA
—Angela Quintana, Senior Program Administrator, NMFA
—Zach Thomas, Senior Water Resources Administrator, NMFA
- 12:00 noon (4) **Proposed Work Plan and Meeting Schedule**
—Lisa Sullivan, Staff Attorney, LCS
- 12:30 p.m. **Adjourn**

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

**May 23, 2016
Room 322, 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 May 23, 2016 at 9:49 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Joseph Cervantes, Chair
Rep. Jane E. Powdrell-Culbert, Vice Chair
Sen. Lee S. Cotter
Rep. Candy Spence Ezzell
Rep. Dona G. Irwin
Rep. Idalia Lechuga-Tena
Rep. Andy Nunez
Sen. Michael Padilla
Sen. Nancy Rodriguez
Rep. Patricia Roybal Caballero

Advisory Members

Rep. Kelly K. Fajardo
Rep. Roberto "Bobby" J. Gonzales*
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Tomás E. Salazar
Rep. Sheryl Williams Stapleton

Absent

Rep. David E. Adkins
Rep. Sharon Clahchischilliage
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Rep. Patricio Ruiloba
Sen. John C. Ryan
Sen. William P. Soules
Rep. Monica Youngblood

Rep. Alonzo Baldonado
Sen. Sue Wilson Beffort
Sen. Jacob R. Candelaria
Rep. George Dodge, Jr.
Rep. Brian Egolf
Sen. Stuart Ingle
Rep. Sarah Maestas Barnes
Sen. Bill B. O'Neill
Sen. Mary Kay Papen
Sen. William H. Payne
Sen. Clemente Sanchez
Rep. Don L. Tripp

* Appointed voting member by Speaker Tripp.

Staff

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)

Jeff Eaton, Research and Fiscal Policy Analyst, LCS

Diego Jimenez, Research Assistant, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Monday, May 23**NMFA Board Report**

During introductions, Robert P. Coalter, chief executive officer of the NMFA, introduced NMFA staff members in attendance:

- Marquita D. Russel, chief of programs;
- Zach Dillenback, chief lending officer;
- Dan Opperman, general counsel;
- Leslie Medina, director of loan operations;
- Angela Quintana, senior program administrator;
- Zachary Thomas, senior water resources administrator; and
- Charlotte Larragoite, senior administrative assistant.

Mr. Coalter indicated that the NMFA is in the process of interviewing applicants for the vacant position of compliance officer, which he hopes would be filled by mid-June.

Mr. Coalter and Ms. Russel presented to the committee a NMFA board report that included:

- April loan and grant funding activity;
- recent bond issuances;
- the five largest projects for each quarter during the period beginning January 2015 and ending March 2016;
- a table describing NMFA loan programs and the funding sources for each loan program;
- an audit findings status matrix; and
- listings of NMFA board and staff members.

Additional details from this presentation may be found online at https://www.nmlegis.gov/Committee/Interim_Committee?CommitteeCode=NMFA.

During the question and answer session, members discussed the following topics with Mr. Coalter and Ms. Russel:

- loans that the NMFA made from the Behavioral Health Capital Fund (with \$1.5 million left in available funds), the Child Care Facility Revolving Loan Fund (which finances the expansion, equipment acquisition, construction or remodeling of existing, licensed child care facilities, including home-based ones) and the Public Project Revolving Fund (which recently financed the Santa Fe Public School District's retrofit of school buildings with solar energy equipment);
- the availability of NMFA financing for public-private partnerships to install fiber-optic cables or equivalent technology infrastructure in trenches dug for gas or electrical lines in order to create 10,000 jobs for telecommuters and stimulate significant job growth in Rio Arriba County;
- Statewide Economic Development Finance Act programs administered by the NMFA (including a program to make available new markets tax credits loan funds);
- distinguishing "financing" from "funding";
- completion of audit recommendations; and
- the absence of Water Trust Board (WTB) members at the meeting, despite the invitation to attend the committee meeting and the importance of legislative oversight with respect to Water Trust Fund projects.

2016 Session Legislation Summary

Mr. Coalter presented a handout on NMFA-related legislation that was introduced during the last legislative session. Mr. Coalter stated that two of the committee-endorsed bills, House Bill 12 and House Bill 19, were signed by the governor. Additional NMFA-related legislation, House Bills 33, 134 and 167 and Senate Bill 106, also were signed by the governor. Identical committee-endorsed bills related to the delegation of limited authority during the sale of public securities, Senate Bill 89 and House Bill 317, did not pass during the last session, which was 30 days long.

Water Trust Board Report

Prior to the NMFA's presentation, handouts that may be viewed online at https://www.nmlegis.gov/Committee/Interim_Committee?CommitteeCode=NMFA were distributed, and a committee member commented that the WTB had worked hard to vet and develop a list of prioritized projects over the last year; yet, in the end, many of the prioritized projects did not receive funding due to diversion of \$6.75 million to the Office of the State Engineer, the Energy, Minerals and Natural Resources Department, the Department of Environment and the Homeland Security and Emergency Management Department.

Ms. Russel presented the WTB report and a summary of the 2016 WTB awards, totaling \$13.4 million (\$1.9 million in loans and \$11.5 million in grants). Ms. Russel explained that the prioritization of projects was based on:

- public health;
- public safety;
- regionalization;
- project readiness; and
- local funding matches.

Ms. Russel informed the committee that funding for the program has diminished in recent years as the revenue for the program derives from severance tax bonding capacity, which has been negatively affected by falling oil and gas prices. In January 2016, the WTB recommended, and the committee approved, a list recommending 42 projects totaling approximately \$42 million in need, despite the availability of only approximately \$22 million in the Severance Tax Permanent Fund.

A committee member commented that a few awardees appear to have unspent funds, and the member asked what the time limit was on expending the awarded funds. Ms. Russel replied that the WTB established a three-year time limit for expenditure of funds. Ms. Russel indicated that there are a few projects that have unspent balances and are beyond the three-year deadline. In response to a query about which projects are taking the longest time to complete, Ms. Russel said that, prior to the WTB policy, the Navajo-Gallup Water Supply Project, the City of Alamogordo Desalination Plant and a project at Eastern New Mexico University stood out in her mind as the longest-standing projects.

Proposed Work Plan and Meeting Schedule

Ms. Sullivan presented the proposed work plan for the committee. The committee discussed various meeting days, locations and topics. The three out-of-town meeting locations will be in Taos (July 11-12), Deming (August 15-16) and Anthony/Las Cruces (September 20-21). Meeting topics, in addition to the statutorily required oversight function of the committee of the various NMFA funds and programs, will include funding through the NMFA for public-private partnership projects. A motion to approve the committee-modified work plan was introduced and seconded and was approved unanimously by the committee.

Adjournment

The chair thanked committee members and staff, and the meeting was adjourned at 12:05 p.m.

Revised: July 8, 2016

**TENTATIVE AGENDA
for the
SECOND MEETING IN 2016
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**July 11-12, 2016
Taos County Complex
105 Albright Street
Taos**

Monday, July 11

- 9:30 a.m. **Call to Order and Welcome**
—Senator Joseph Cervantes, Chair
—Representative Jane E. Powdrell-Culbert, Vice Chair
- 9:35 a.m. **Welcome**
—Leandro Cordova, County Manager, Taos County
- 9:45 a.m. (1) **[New Mexico Finance Authority \(NMFA\) Update on Internal and External Audits](#)**
—John E. McDermott, Chair, NMFA Board
—Robert P. Coalter, Chief Executive Officer, NMFA
- 10:45 a.m. (2) **[NMFA Report on the Economic Development Revolving Fund](#)**
—Marquita Russel, Chief of Programs, NMFA
- 11:45 a.m. (3) **[Water Trust Board \(WTB\) Update \(Working Lunch\)](#)**
—Ryan C. Flynn, Chair, WTB; Secretary, Department of Environment
—Marquita Russel, Chief of Programs, NMFA
- 3:30 p.m. (4) **[Drinking Water State Revolving Loan Fund Project Update](#)**
—Ryan C. Flynn, Secretary, Department of Environment
—Marquita Russel, Chief of Programs, NMFA
- 4:30 p.m. **Recess**

Tuesday, July 12

- 9:30 a.m. (5) **[NMFA Report on Active Financing and Funding Programs and Refunding Activity](#)**
—Robert P. Coalter, Chief Executive Officer, NMFA
—Marquita Russel, Chief of Programs, NMFA
—Zach Dillenback, Chief Lending Officer, NMFA

11:25 a.m.

Minutes

11:30 a.m.

(6) **[Report from Lower Des Montes Mutual Domestic Water Consumers Association on Infrastructure Replacement and Capital Funding Needs](#)**

—Mike Martinez, President, Lower Des Montes Mutual Domestic Water Consumers Association

12:30 p.m.

Adjourn

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

**July 11-12, 2016
Taos County Complex
105 Albright Street
Taos**

The second meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, chair, on July 11, 2016 at 9:49 a.m. at the Taos County Complex in Taos.

Present

Sen. Joseph Cervantes, Chair
Rep. Jane E. Powdrell-Culbert, Vice Chair
Rep. Sharon Clahchischilliage
Sen. Lee S. Cotter
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Idalia Lechuga-Tena
Sen. Michael Padilla (7/11)
Sen. Nancy Rodriguez (7/11)
Rep. Patricio Ruiloba
Sen. John C. Ryan
Sen. William P. Soules

Advisory Members

Rep. Alonzo Baldonado
Rep. Kelly K. Fajardo
Rep. Roberto "Bobby" J. Gonzales
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Tomás E. Salazar

Absent

Rep. David E. Adkins
Rep. Candy Spence Ezzell
Rep. Dona G. Irwin
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Rep. Andy Nunez
Rep. Patricia Roybal Caballero
Rep. Monica Youngblood

Sen. Sue Wilson Beffort
Sen. Jacob R. Candelaria
Rep. George Dodge, Jr.
Rep. Brian Egolf
Sen. Stuart Ingle
Rep. Sarah Maestas Barnes
Sen. Bill B. O'Neill
Sen. Mary Kay Papen
Sen. William H. Payne
Sen. Clemente Sanchez
Rep. Sheryl Williams Stapleton
Rep. Don L. Tripp

(Attendance dates are noted for members that did not attend both days of the meeting.)

Staff

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Jeff Eaton, Research and Fiscal Policy Analyst, LCS
Alexandria L. Tapia, Staff, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and are posted at https://www.nmlegis.gov/Committee/Interim_Committee?CommitteeCode=NMFA.

Monday, July 11**Welcome and Introductions**

Senator Cervantes welcomed everyone to the meeting. Members of the committee and staff were asked to introduce themselves.

Leandro Cordova, county manager, Taos County, welcomed the committee and discussed how the Taos County Administrative Complex was constructed in large part with financing from the NMFA. He informed committee members that they were meeting in the new commission chambers. He highlighted some of the projects that Taos County has been able to complete with the financing help of the NMFA. For example, the county courthouse is currently being remodeled and updated, and the county is working on a new building for the fire department. Mr. Cordova thanked local legislators for their help in obtaining capital outlay funding and praised the NMFA, which he believes offers very advantageous lending terms to small governments. The very knowledgeable NMFA staff helps local governments learn about the funds and grants available to them, Mr. Cordova said. Mr. Cordova also acknowledged his deputy manager, Brad Jaramillo.

NMFA Update on Internal and External Audits

John E. McDermott, chair, NMFA Board, provided the committee with his personal background and experience. Mr. McDermott shared a brief history of the organization and the impact it has had on communities all over the state. The NMFA has maintained the absolute highest standards when it comes to audits and control and has had unblemished audits with no significant deficiency findings or systematic issues since the time of the 2011 audit anomaly. Several committees within the organization are designed to ensure proper audits, determine risks and thoroughly inspect contracts. Mr. McDermott added that the NMFA has maintained its AAA bond ratings due to effective policies, procedures and staff.

Dan Opperman, general counsel, NMFA, provided the committee with an update on the internal and external audits. Mr. Opperman explained that some of the issues surrounding the fake 2011 audit arose from the auditing committee not operating properly at that time, and he

talked about some of the measures that have been implemented to ensure that that situation does not occur again. The external audit is conducted as an annual review based on national standards. The internal audit is outsourced to an outside contract, which is a best-practice measure to ensure the outcomes that the external auditors will be looking at are correct. RSM US, LLP is the third-party contractor that the NMFA is using, and has used, for the internal audit.

Certain improvements to the organizational structure are ongoing. One of the biggest issues that the NMFA has faced has been inefficient data systems; a Systems Implementation for Loan Origination (SILO) program is under way to address that issue. Emphasis has been placed on succession planning to reduce concentrated staff — this helps prevent the loss of institutional knowledge when an employee leaves the organization. The NMFA receives proper board training and orientation, and an employee manual has been developed. The goal is to make sure that the board and the committees understand existing programs. Various trainings are offered to make sure that board members and staff are up to date on changes in the law and funding programs, such as the New Markets Tax Credit Program. The NMFA continues to evaluate its practices to improve its operations and take proactive steps to ensure efficiency at the highest level.

Following the presentation, Mr. McDermott and Mr. Opperman answered questions from committee members pertaining to the audits and the NMFA's operational functions, including:

- the 2011 audit — what the findings of that audit were and the causes of and steps taken to address those issues;
- the benefits of third-party review of agency management;
- an explanation of different types of bonds;
- an evaluation of salary structure; and
- the value of succession planning for all government agencies.

Several members of the committee commended the NMFA for its continuous work to improve its organization. It was noted that the use of internal and external audits by the NMFA could someday serve as a model for other state agencies on how to operate.

NMFA Report on the Economic Development Revolving Fund (EDRF)

Marquita D. Russel, chief of programs, NMFA, provided the committee with a report on the EDRF, noting that the report is one of two required presentations given to the committee. The Statewide Economic Development Finance Act (SWEDFA) was established in 2003 to help stimulate the economy, particularly in rural and underserved areas of the state, by creating financing tools that put New Mexico on par with neighboring states. The EDRF is the fund created in the SWEDFA from which the NMFA makes loans. The EDRF is segregated into two sub-accounts that allow for separate accounting for state and federal funds and from which the NMFA operates two programs:

1. the Smart Money Loan Participation Program: \$5.1 million in net state General Fund appropriations; and

2. the Collateral Support Participation Program: \$8,168,350 in federal funds received through the federal State Small Business Credit Initiative (SSBCI).

The Smart Money Loan Participation Program is a state-funded program that provides long-term, low-cost financing to businesses located predominantly in rural New Mexico. In the Smart Money Program, the NMFA shares equally in the collateral available to banks. The Collateral Support Participation Program provides short-term financing, such as construction or working capital lines of credit. In this program, the NMFA is able to purchase "subordinate" collateral interest, which allows more capital to be advanced to businesses.

Ms. Russel explained that loan participation programs allow the NMFA to participate in a business loan by buying a portion of a loan made by a local bank. Under these programs, the bank applies to the NMFA on behalf of a business by submitting the information the bank used to reach its lending decision. Participation in these programs allows the NMFA to fill financing gaps and reduce the financing costs incurred by New Mexico businesses. These programs aid in job creation and economic stimulation. Ms. Russel summarized the Smart Money Loan Participation Program, highlighting several projects around the state that received loans (please see handout posted at www.nmlegis.gov for more information).

John Brooks, director of commercial lending, NMFA, expanded on the Collateral Support Participation Program. In fiscal year (FY) 2016, the Economic Development Department received approval from the U.S. Department of the Treasury to redirect \$5 million to capitalize an early-stage equity program. These funds were transferred on June 30, 2016 and will help attract other programs to the state, he said. Mr. Brooks noted some of the portfolio highlights for the program, which include the granting of loans to expand existing businesses as well as funding start-ups, that all loans are made only to New Mexico businesses and that several of the original loans have been paid in full. Because of the program's success, community bank officials have begun to get comfortable with the program and understand the program's ability to help attract new businesses to their banks.

Next, Ms. Russel informed the committee about the New Mexico Catalyst Fund. In FY 2016, the U.S. Department of the Treasury approved the redirection of federal SSBCI funds toward an equity program now known as the New Mexico Catalyst Fund. The State Investment Council approved a co-investment of up to \$10 million, which is being managed and deployed as a "fund of funds" to investment managers who have market presence and experience in early state companies. This fund, which is being managed by Sun Mountain Capital, requires investment managers to match the investment with private capital on a one-to-one basis.

In response to the presentation on the EDRF, presenters and the committee discussed the following topics:

- eligibility of broadband projects for these fund programs;
- questions pertaining to specific projects listed in the handout;
- limitations resulting from the Anti-Donation Clause of the Constitution of New Mexico;
- participation by local community banks;
- clarification of some of the funds and the status of current projects;
- an explanation of the side-by-side lending process; and
- follow-up done by the NMFA regarding the number of jobs created from these loans.

Water Trust Board (WTB) Update

Ryan C. Flynn, chair, WTB, and secretary, Department of Environment (NMED), addressed the committee with a report on water infrastructure challenges and priorities in the state. There are 1,095 water systems in the state, 81 percent of which serve 500 users or fewer. According to the American Society for Civil Engineers, New Mexico needs to invest \$1 billion over the next 20 years just to maintain the existing water infrastructure. Most systems were built before 1960 and are in need of major repairs. Secretary Flynn noted that while emergencies most often compel action and are one way that systems get upgrades, measures that are taken to address an issue quickly are not necessarily taken with any strategic planning. There have been five water system emergencies in the last month alone. Secretary Flynn discussed some of the systemic challenges that exist in addressing the aging systems around the state, including the following.

Low rates in communities. An estimated 22 percent of New Mexicans live below the poverty line, and communities are very resistant to rate increases. The only way to get necessary system upgrades is by increasing rates, up to \$9.00 a month in some cases. More needs to be done to educate people on the importance of water, and people need to be willing to spend money on water, as opposed to other expenditures. To make his point, Secretary Flynn included the cost of several phone service provider plans to illustrate that individuals spending money on water needs to be made a priority.

Inadequate technical and managerial capacity for small systems. In some instances, areas have adequate systems, but do not have people with the training to properly operate the systems. Mutual domestic water consumers associations (MDWCAs) have a lot of dedicated volunteers who are able to accomplish a lot for their communities, Secretary Flynn said. There is concern, however, that with many associations composed of an aging population, knowledge of those water systems will be lost.

Difficulty leveraging existing funding mechanisms. Many communities are not large enough to make use of funding sources such as the Tribal Infrastructure Project Fund and funds available through the Local Economic Development Act.

Secretary Flynn discussed the history of collaboration between the NMED and the NMFA. Since 1999, the two agencies have worked to develop several memoranda of

understanding to benefit water projects around the state. The NMED and the NMFA continue to work to see how to leverage funds more effectively. The NMED provides technical services to the NMFA in the planning, design and construction phases of water projects. This avoids the need for contracting services, and it is beneficial because the NMED is already familiar with application processes and requirements. Secretary Flynn noted that the Construction Programs Bureau of the Water Protection Division of the NMED receives no money from the General Fund and relies on grants and other funding sources. As chair, Secretary Flynn outlined his priorities for the WTB, which include maintaining a strong working relationship with both the legislature and the NMFA.

Ms. Russel gave the committee an update on policy changes for the WTB. In October 2015, the WTB approved several significant policy revisions that increased the priority on health and safety.

Following the 2016 application cycle, the WTB reviewed those policies and adopted amendments that: clarify requirements for planning documents; slightly modify the targeted annual funding percentages; adjust the weighting of criteria; and establish preliminary expenditure targets that must be met prior to a project being recommended to the legislature.

Ms. Russel detailed the policy amendments and how the amendments will affect future applications. The amendments clarify that the WTB requires non-watershed planning documents to have been accepted within the last five years and watershed planning documents be updated and current, but not be subject to the five-year mark, Ms. Russel said. Based upon the history of recent applications, polices were changed to decrease the range of funding for federal Endangered Species Act of 1973 projects and increase the range of funding for watershed projects.

Ms. Russel explained how the project evaluation criteria had been adjusted to prioritize projects. The criteria themselves did not change — they were just reweighted. Under the newly revised evaluation criteria, health and safety constitute 50 percent of the evaluation; 40 percent is derived from statutory direction; and 10 percent is based on the state water plan. The WTB has also implemented new expenditure criteria to address the perception of large available balances in the Water Project Fund and to incentivize projects to expend funds more quickly. Ms. Russel detailed how the new expenditure criteria will affect projects and applications. (Please see the handout for a chart detailing the breakdown of how projects would be evaluated under the existing scale and under the proposed scale.)

Following the presentation, committee members discussed the following issues with Ms. Russel and Secretary Flynn:

- the types of water systems around the state, which are explained in a chart on the NMED website;

- the approach behind the federal Environmental Protection Agency's threshold for contaminants such as lead, copper and arsenic and testing available through the NMED;
- the need for increased coordination between state agencies on administering different funding mechanisms;
- the lack of information about basic infrastructure of some of the MDWCAs and the effort to do community outreach to educate associations on the services available through the NMED;
- the need for a one-page document with resource information that could be distributed to constituents;
- clarification on the evaluation process for funding and clarification of the reweighting of criteria;
- the NMED's education campaign on the value of water;
- training for water system operators and the need to maintain professional expertise for water systems;
- the oversight authority of private for-profit companies;
- the availability of loans and grants for tribal entities;
- staffing and budgetary issues facing the NMED;
- illegal tire dumping and efforts being taken to properly dispose of used tires; and
- the need for the public's understanding of water rate increases to aid in infrastructure improvements.

Drinking Water State Revolving Loan Fund Project Update

Ms. Russel provided an update on the Drinking Water State Revolving Loan Fund project. The federal Drinking Water State Revolving Fund was created in 1996 by the federal Safe Drinking Water Act of 1974 (SDWA). Through the Environmental Protection Agency, the SDWA provides capitalization grants to states to establish revolving loan funds and to fund activities that promote sustainable, safe drinking water systems. New Mexico's program was created in 1997 and is jointly administered by the NMFA and the NMED, Ms. Russel said. To date, New Mexico has received \$181,255,500 in federal grants, and the NMFA has provided \$33,261,100 of the 20 percent in state matching funds. The NMED administers the technical aspects of the program, and the NMFA administers the financial aspects of the funds. The NMFA uses the loan funds to provide below-interest financial assistance to water systems prioritized by the NMED that:

- address or prevent violations of health-based drinking water standards;
- are necessary to maintain compliance with drinking water regulations for contaminants that pose acute and chronic health effects; and
- focus on the needs of small and disadvantaged water systems.

Before the NMFA can make a loan, the NMED must determine that the applicant has adequate technical, managerial and financial capacity to undertake the project. Stephanie Stringer, director, Drinking Water Bureau, NMED, explained how the department provides

support for the fund by providing technical, financial and managerial aid to meet this requirement. This support is limited to small systems, which tend to be the ones that need this type of assistance. Once it has been determined that the applicant has technical, financial and managerial capacity, the project can be added to the fundable list, and the NMFA can move forward with loan approval.

Since 2010, federal grants have required that states provide "additional subsidy" to their borrowers, which the NMFA meets through loans it makes with principal forgiveness. For federal FY 2016, the federal capitalization grant requires a 20 percent subsidy, and, at the state's discretion, an additional 30 percent subsidy to be used for disadvantaged entities. New Mexico has opted to provide both pools of subsidy totaling 50 percent, or \$4,156,000. Ms. Russel explained the NMFA's assigned principal forgiveness, which cannot exceed 75 percent. A time line for New Mexico's expenditure of federal funds for this program was given to the committee, and Ms. Russel noted that it has increased over the last four years. The NMFA has fully obligated all federal funds presently secured, and the NMFA expects to utilize repaid principal and interest to fund future projects. To date, the NMFA has funded 102 projects in 25 counties totaling approximately \$173.5 million.

Secretary Flynn emphasized the successful relationship between the NMED and the NMFA — increased communication between the two agencies has been key to getting projects funded. Secretary Flynn commended the work done by the Drinking Water Bureau of the NMED under the leadership of Ms. Stringer. In response to a question from committee members, the presenters said that they are trying different forms of communication to get information to communities, including public meetings, robocalls and mail-outs. It was noted that there is still more work that needs to be done to better serve communities with limited access to internet and technology.

Approval of Minutes

On a motion made and seconded, the minutes of the June meeting were approved without objection.

Recess

The committee recessed at 3:45 p.m.

Tuesday, July 12

Reconvene

The second day of the meeting was reconvened at 9:41 a.m.

NMFA Report on Active Financing and Funding Programs and Refunding Activity

As requested at a previous meeting, Ms. Russel provided the committee with a presentation differentiating the various financing and funding programs offered by the NMFA. The NMFA meets its mission of helping New Mexico's communities by providing access to

capital through mission-based funding in three primary areas: infrastructure and capital equipment projects; water projects; and community facilities and economic development. The presentation provided details about the following projects. (Please see handout for full details.)

Public Project Revolving Fund (PPRF). The PPRF was established in 1992 as the NMFA's flagship program. It provides low-cost financial assistance for capital equipment, building and infrastructure projects. Total projects funded in FY 2016: 68, in the amount of \$212,313,231.

Local Government Planning Fund (LGPF). Created in 2002, the LGPF provides up-front capital necessary to allow for proper planning of vital water and wastewater projects. This grant can be used for many aspects of a project, including master plans, infrastructure plans, asset management plans and metropolitan redevelopment plans. Wastewater projects comprise the largest percentage of projects in this program. Total projects funded in FY 2016: 32, in the amount of \$1,305,516.

Colonias Infrastructure Project Fund Program (CIF). The CIF was created in 2010, with its first projects receiving funding in 2012, and the CIF provides capital to infrastructure projects in designated colonias. It is funded from five percent of the senior severance tax bonds annually. The CIF is overseen by a separate board that makes project recommendations to the WTB. Funds for this program are delivered as a 90 percent grant and a 10 percent loan. Total projects funded in FY 2016: 37, in the amount of \$18,020,574.

Drinking Water State Revolving Loan Fund. Established in 1998, this fund, with grant-like features, provides low-cost financial assistance for construction and improvements to drinking water facilities. Total projects funded in FY 2016: 10, in the amount of \$16,436,843.

Water Project Fund. Established in 2002, awardees are selected by recommendation from the WTB to the legislature. Both grants and loans are available through this fund. Total projects funded in FY 2016: 36, in the amount of \$44,619,505.

Acequia Project Fund. Created in 2004 with capital from a foundation interested in water projects, the Acequia Project Fund provides grants to planning projects recommended by the Interstate Stream Commission and authorized by the legislature. The maximum award for this grant is \$20,000.

Primary Care Capital Fund. Established in 1994, this fund is jointly administered by the NMFA and the Department of Health. The program provides loans with grant-like features to nonprofit primary care clinics with assets of less than \$20 million in rural and medically underserved communities. To date, 17 loans have been issued under this program without any defaults.

Behavioral Health Capital Fund. Created in 1994, this fund is jointly operated by the Human Services Department and the NMFA. Loans can be issued to finance the capital needs of small behavioral health clinics and nonprofit clinics with assets of \$10 million or less. There is currently \$1.5 million in the fund, and the department and the authority are looking for additional projects in rural and medically underserved communities.

New Markets Tax Credit Program. This program is operated under the SWEDFA, which was amended in 2006 to explicitly allow the NMFA to participate in the New Markets Tax Credit Program. Financing under this program may only occur in federally designated low-income communities. Total projects funded in FY 2016: one, in the amount of \$7,750,000.

Smart Money Loan Participation Program. This program allows the NMFA to purchase interests in loans made by banks to private for-profit and not-for-profit entities. Loan funds are used most often in instances in which the bank cannot extend additional funds due to bank lending policies.

Collateral Support Participation Program. The NMFA uses federal funds to buy interests in loans made by local banks. As a result of the NMFA's participation, more funds are able to be advanced to the businesses. Total projects funded in FY 2016: two, in the amount of \$1,321,668.

Zach Dillenback, chief lending officer, NMFA, provided more detail to the committee regarding the PPRF in a separate presentation. The PPRF was created to assist a wide range of governmental entities in accessing the capital markets at an all-in cost that is highly competitive. The PPRF is purely a loan-source program and not a grant. Qualified applicants range from local governments to special districts, and interest rates are not dependent on the borrower's credit rating. Funding amounts vary from as little as \$500 to several million dollars — projects in excess of \$1 million require legislative authorization. The PPRF maintains a AAA/Aa1 credit rating, and the PPRF's AAA interest rates are passed down to the borrower regardless of underlying credit. Applicants must have some type of collateral for a loan; typical loan revenue streams include law enforcement funds, governmental gross receipts taxes, general obligation (property taxes), mill levies and special assessments.

Since its inception, the NMFA has made 1,289 PPRF loans totaling over \$2.75 billion. More than 667 PPRF loans contain disadvantaged funding totaling more than \$82.3 million. In response to suggestions from the NMFA Oversight Committee given during the previous interim, changes to the PPRF's rules and regulations pertaining to disadvantaged funding have been made. These changes include lowering the three percent disadvantaged rate to two percent; increasing funding maximums from \$200,000 to \$500,000 per fiscal year; and revising the median-household-income qualifying criteria. Because these changes are relatively new, Mr. Dillenback provided the committee with data for the last six months that reflect the revisions to the PPRF disadvantaged funding.

In response to questions from the committee, the following topics were addressed:

- the importance of the continual education of the committee on the various funds to better prioritize projects in the state;
- various details of the programs — clarifying their purposes, advantages and differences;
- the locations of funded projects and loan recipients around the state;
- the approval process for WTB projects;
- the eligibility of charter schools for the New Markets Tax Credit Program;
- the membership composition of the WTB and the Colonias Infrastructure Board;
- issues of taking funds from these programs to address solvency in the state budget; and
- a requested report that illustrates the fund balances over time and their funding sources.

Report from Lower Des Montes (LDM) MDWCA on Infrastructure Replacement and Capital Funding Needs

Mike Martinez, president, LDM MDWCA, addressed the committee regarding infrastructure needs facing the LDM and the Valdez MDWCAs. Mr. Martinez thanked the committee for the opportunity to give a presentation and introduced several members of the board. After providing the committee with a geographical reference of where the two associations are located, Mr. Martinez read a statement outlining the issues and needs. The LDM water system was built in 1967, and the Valdez system was built in 1959. For the past six years, the boards of directors have worked to get funding for the improvements desperately needed for the infrastructure of the water systems. The LDM MDWCA currently has 105 members and a waiting list of approximately 10 families wanting to acquire membership. The water is available; however, the current system lacks the ability to deliver the water. The Valdez MDWCA has 37 members — its system is also in desperate need of repairs, with leaking tanks and corroded pipelines.

Mr. Martinez summarized some of the projects that have been accomplished and the funding that has been secured over the past several years. Working collaboratively since June 2012, the LDM MDWCA and the Valdez MDWCA were approved for multiple grants and loans, including one for a community development block grant of \$100,000 for the preparation of a preliminary engineering report; a rural infrastructure program loan for \$60,000 to complete the design for both water systems; and a \$125,000 grant from the NMED. There is currently \$385,000 to work with for their systems. The entire project will cost approximately \$1.5 million over three separate phases. Mr. Martinez noted that the project is approved and construction of phase one started in May of this year. He added that every project requirement has been complied with, including budgets, audits, surveys and inspections. Even though the MDWCAs are two small communities with dedicated volunteers, they have been held to the same compliance standards as large utilities in the state, including the Town of Taos. Mr. Martinez stated that the MDWCAs would like to be considered for programs that feature funding at a ratio

of 90 percent grant and 10 percent loan. He hopes that the committee can see the desperate need to help the LDM and Valdez MDWCAs complete the project at hand to provide drinking water to their communities.

Scott Medina, engineer, Medina Consulting, explained that these are two adjacent organizations and there are seven water systems that have attempted to regionalize. The two communities have merged administratively to combine their financial, accounting and reporting efforts. Mr. Medina talked about the extreme need of the aging systems and the several updates required. The construction has already begun, but the MDWCAs are in need of additional funding to complete the project.

Ms. Russel noted that the NMFA did award a grant under the Drinking Water State Revolving Loan Fund and encouraged the MDWCAs to apply for funding through the WTB. She added that the NMFA did not receive an application from them last year, but with the new requirements, they could have a very good chance of receiving the funding they need.

Committee members made the following inquiries regarding the presentation:

- the efforts of regionalization to benefit smaller systems;
- water rights settlements happening in the area;
- limited resources for completing resources; and
- difficulty in getting the younger generation active and involved in community water issues.

Adjournment

Senator Cervantes reminded members about the upcoming meeting in Deming with a tour of the Columbus and Palomas areas. There being no further business before the committee, the July meeting of the NMFA Oversight Committee adjourned at 11:54 a.m.

Revised: August 12, 2016

**TENTATIVE AGENDA
for the
THIRD MEETING IN 2016
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

August 15, 2016

St. Clair Winery Tasting Room, 1325 DeBaca Road

Deming

and

Van Transportation to Luna Rossa Winery, 3710 West Pine Street

Deming

August 16, 2016

Van Pickup at Mimbres Valley Learning Center, 2300 East Pine Street

Deming

and

Van Transportation to Columbus Community Center Annex, 500 Taft Street

Columbus

and

Columbus Port of Entry, State Highway 11, Mile Marker 0

Columbus

Monday, August 15

- 9:30 a.m. **Call to Order and Welcome**
—Senator Joseph Cervantes, Chair
—Representative Jane E. Powdrell-Culbert, Vice Chair
- 9:35 a.m. **Welcome**
—Benny L. Jasso, Mayor, City of Deming
—Aaron Sera, City Manager, City of Deming
—Ira Pearson, County Manager, Luna County
- 9:45 a.m. (1) **[An Overview of the Colonias Infrastructure Project Fund Program](#)**
—Doug Moore, Chair, Colonias Infrastructure Board (Invited)
—Debbie Romero, Designee for Member Duffy Rodriguez, Colonias
Infrastructure Board
—M. Keith Riddle, Member, Colonias Infrastructure Board
—Priscilla C. Lucero, Member, Colonias Infrastructure Board
—Orlando Jimenez, Former Member, Colonias Infrastructure Board
—Robert P. Coalter, Chief Executive Officer, New Mexico Finance
Authority (NMFA)
—Marquita D. Russel, Chief of Programs, NMFA
—Sarah Silva, Executive Director, NM CAFé

- 12:15 p.m. (2) [Border Authority Update; Report on Ports-of-Entry and Border Development Projects; Budget Presentation \(Working Lunch\)](#)
—William Mattiace, Executive Director, Border Authority
—Erika de la O, Deputy Director, Border Authority
—David Espinoza, Budget Analyst, Border Authority
- 1:45 p.m. **Van Transport to Luna Rossa Winery**
- 2:15 p.m. (3) [Legislative Finance Committee Progress Report: New Mexico Water Projects](#)
—Michelle Aubel, Program Evaluator, Legislative Finance Committee
- 3:30 p.m. (4) [A Report on Viticulture and Economic Development](#)
—Paolo D'Andrea, Owner, Luna Rossa Winery
—Sylvia D'Andrea, Owner, Luna Rossa Winery
- 4:30 p.m. **Recess**

Tuesday, August 16

- 9:30 a.m. **Van Transport to Columbus Community Center**
- 10:00 a.m. (5) [Reports on Port-of-Entry Development and Infrastructure Projects](#)
—Philip Skinner, Mayor, Village of Columbus
—Daniel Partida, Project Manager, United States General Services Administration
—Mario Juarez-Infante, P.E., Vice President, Wilson & Company
- 11:00 a.m. **Van Transport to Columbus Port of Entry**
- 11:15 a.m. (6) [A Report on the Port of Entry and Tour; A Tour of the Border Area](#)
—Robert Reza, Director, Columbus Port of Entry, United States Customs and Border Protection
- 12:00 noon **Lunch at the Pink Store, Palomas, Mexico**
- 1:30 p.m. **Adjourn**

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

**August 15, 2016
St. Clair Winery Tasting Room, 1325 DeBaca Road
Deming
and
Luna Rossa Winery, 3710 West Pine Street
Deming**

**August 16, 2016
Columbus Community Center Annex, 500 Taft Street
Columbus
and
Columbus Port of Entry, State Highway 11, Mile Marker 0
Columbus**

The third meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, chair, on August 15, 2016 at 9:42 a.m. in the St. Clair Winery Tasting Room in Deming, New Mexico.

Present

Sen. Joseph Cervantes, Chair
Rep. Jane E. Powdrell-Culbert, Vice Chair
Rep. David E. Adkins
Rep. Sharon Clahchischillage
Sen. Lee S. Cotter
Rep. Bealquin Bill Gomez
Sen. Ron Griggs (8/16)
Rep. Dona G. Irwin
Rep. Idalia Lechuga-Tena
Rep. Patricia A. Lundstrom (8/15)
Sen. Nancy Rodriguez
Rep. Patricio Ruiloba
Sen. William P. Soules

Advisory Members

Rep. Alonzo Baldonado (8/15)
Rep. Roberto "Bobby" J. Gonzales
Sen. Mary Kay Papen (8/16)
Sen. John Pinto

Absent

Rep. Candy Spence Ezzell
Sen. Richard C. Martinez
Rep. Andy Nunez
Sen. Michael Padilla
Rep. Patricia Roybal Caballero
Sen. John C. Ryan
Rep. Monica Youngblood

Sen. Jacob R. Candelaria
Rep. George Dodge, Jr.
Rep. Brian Egolf
Rep. Kelly K. Fajardo

Rep. Debbie A. Rodella
Rep. Tomás E. Salazar

Sen. Stuart Ingle
Rep. Sarah Maestas Barnes
Sen. Bill B. O'Neill
Sen. William H. Payne
Sen. Clemente Sanchez
Rep. Sheryl Williams Stapleton
Rep. Don L. Tripp

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

Staff

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Jeff Eaton, Research and Fiscal Policy Analyst, LCS
Alexandria L. Tapia, Contractor, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted at [https://www.nmlegis.gov/Committee/Interim Committee?CommitteeCode=NMFA](https://www.nmlegis.gov/Committee/Interim_Committee?CommitteeCode=NMFA).

Monday, August 15

Call to Order

Senator Cervantes welcomed everyone to Deming and asked members and staff to introduce themselves. Members shared memories of Representative Irwin, who is retiring this year. Dan Weaks, lobbyist, presented a gift to Representative Irwin on behalf of the New Mexico Wine Growers Association in appreciation for her dedication and service in the legislature.

Welcome

The committee also was welcomed to Deming by local city and county officials. Benny L. Jasso, mayor, City of Deming, informed the committee about some of the upcoming local projects, including the Columbus Port of Entry (POE) expansion. He believes this expansion will bring many new opportunities for trade and commerce, but it needs the continued support of the NMFA Oversight Committee and the legislature to be successful. Mayor Jasso invited members to learn about Deming's award-winning wineries and enjoy the tours that had been arranged for the committee. Aaron Sera, city manager, City of Deming, briefly mentioned the infrastructure needs that most other areas in the state are also facing. Mr. Sera noted that Luna County, the City of Deming and the Village of Columbus are all working together to maximize the use of existing funds for infrastructure needs.

An Overview of the Colonias Infrastructure Project Fund Program

Marquita D. Russel, chief of programs, NMFA, provided the committee with a brief overview of the Colonias Infrastructure Act and background on its governing board. The act defines a colonia as a rural community with a population of 25,000 or fewer located within 150 miles of the United States-Mexico border. These communities tend to lack potable water, adequate sewage systems and decent, safe and sanitary housing. There are 171 colonias within the 12 southern-most counties in the state. The act created the 12-member Colonias Infrastructure Board (CIB), which oversees the Colonias Infrastructure Project Fund.

Ms. Russel itemized the six types of projects that qualify for funding pursuant to the act and discussed how projects are prioritized based on selection criteria. To the greatest extent possible, the CIB leverages federal funds from multiple agencies to complete projects. To date, 301 project applications have been received, of which 155 awards totaling \$70,043,009 have been made.

Ms. Russel updated the committee on the CIB's fiscal year (FY) 2016 activities. A task force created by the CIB worked with staff to identify reasons behind the slow pace of expenditures and created policy recommendations to ensure an increased pace of spending. The CIB is considering some minor amendments to its project management policies and project selection criteria. The proposed amendments were posted for a 30-day public review, and final recommendations will be considered at the CIB's October 6, 2016 meeting.

Since the last committee meeting, the NMFA has increased its staff dedicated to colonias in efforts to provide greater outreach to communities, greater oversight of projects, timely project expenditures, accelerated closing processes and greater support to the CIB. Staff has been working to notify applicants about unspent funds and to remind them that those funds will be lost if not used within the designated time frame. The CIB has utilized the same staff from the Water Trust Board to help make the processes for both funding applications similar, providing client communities with greater predictability. For FY 2017, the application process will be done online; training on the new online application system will be provided in October. Ms. Russel shared with the committee the efforts being made to close out awards by focusing on expenditures. In FY 2016, 22 projects from the 2012 cycle were completed. The CIB and staff are committed to increasing the pace of spending for existing awards.

Sarah Silva, executive director, NM CAFé, shared her experience of working with communities along the border. She explained that colonias emerged out of unfilled promises of infrastructure and roads by developers who bought land and sold it to migrant families. Colonias present a lot of challenges but also a lot of opportunities. There are many social and economic impacts to communities when there is a lack of proper infrastructure.

Ms. Silva told the committee about the communities of Vado and Chaparral, which have been struggling to maintain and improve roads. The poor condition of the roads has become a problem for getting emergency services and school buses to homes. In 2015, community leaders

in Vado began raising money to grade one of the roads. The U.S. Environmental Protection Agency found a company that used recycled shingles to make millings for road resurfacing and donated some to the community. Vado was able to purchase the rest needed to pave a portion of one of the roads.

Ms. Silva informed the committee that many families in the colonias struggle with expenses of providing propane to heat homes because there is no access to gas lines. Of course, propane is much more expensive for heating than is natural gas. This contributes to community members' impoverishment. Withering communities will negatively affect the attractiveness and success of local business development. Ms. Silva urged the committee to continue its support of funding to colonias projects. She also suggested a cautious review of the Anti-Donation Clause of the Constitution of New Mexico, since portions of roads are frequently private, preventing county maintenance. Legislators can encourage local and county officials to help with some of the issues faced in colonias communities, she added.

Doug Moore, chair, CIB, echoed the great need for project funding in these communities. He noted that a lot of these communities are led by volunteers who do not know how to apply for available grants. The CIB has been working to train communities on grant applications. Mr. Moore discussed some of the challenges with grants from the U.S. Department of Agriculture and praised the colonias staff for its work with helping applicants meet requirements. The CIB is continuously evaluating its policies and adjusting them to meet the feedback from applicants. Under a new policy, applicants must be ready to actually build something; everything must be in place prior to funding. Instead of the CIB funding the entire project, it will fund the planning process. Once that is completed, applicants can reapply for funding to get the next step of the project done.

Robert P. Coalter, chief executive officer, NMFA, recognized the efforts of the CIB to focus on project needs. He noted that when working with multiple funding sources, one must comply with all of the individual requirements from each source, which frequently adds more burden to communities. The NMFA has attempted to centralize programs and create uniformity among definitions and requirements of the different programs. This makes it simpler for applicants and staff. Mr. Coalter thanked the CIB for taking the time to hear about every project. He said it helps communities feel that they are being heard and gets questions about their status answered. This has been very important in the process and the success of the program.

Several members of the CIB were present and provided their feedback to the committee. M. Keith Riddle, member, CIB, noted that many projects have been funded but are not progressing. Some delays have been caused by a lack of rights of way in the communities and other localized issues. The CIB has been working with the individual communities to transcend the impediments, and progress has resulted.

Debbie Romero, designee for member Duffy Rodriguez, CIB, agreed that the standardization of the processes has helped applicants and streamlined the process of training

staff. She added that the checklist created by the board has helped to ensure that projects are ready to go and that the money gets spent. Priscilla C. Lucero, member, CIB, underscored the importance of providing technical assistance to colonias communities that lack the capacity to do it on their own. Because she is familiar with the process and the different programs, Ms. Lucero can help colonias with their applications and make sure their audits and other necessary requirements are in order.

In response to the presentation, the committee addressed the following topics with the panel:

- inadequate access to roads and emergency services;
- usage and potential of recycled shingles for resurfacing roads;
- clarification on the criteria for colonia designation;
- concern over the lack of expenditures for existing projects;
- the impact of greater oversight and changes in processes on expenditures over the last several fiscal years;
- similarities of infrastructure needs in areas throughout the state beyond the 150-mile border mark;
- limitations under the Anti-Donation Clause;
- breakdown of federal funding from several agencies;
- the need to support infrastructure surrounding the various POEs; and
- concern over calls to eliminate the Colonias Infrastructure Project Fund and the CIB.

Border Authority Update; Report on POEs and Border Development Projects; Budget Presentation

William Mattiace, executive director, Border Authority, provided the committee with background on the executive agency. Created in 1991, the agency is charged with overseeing and facilitating projects at the international POEs in the state. New Mexico has three POEs: Santa Teresa; Columbus; and Antelope Wells. He informed the committee that the southbound road has been completed and approved for dual customs clearance at Santa Teresa. Open daily for commercial, noncommercial and pedestrian traffic, Santa Teresa is the newest POE on the U.S./Mexico border. The state-of-the-art facilities were completed in 1997, replacing the original port, which opened in 1992. Providing unique services, Santa Teresa is the only port in the region that processes most types of exported used vehicles destined for resale in Mexico. The port is also host to the largest livestock import/export facility on the Mexican border. Mr. Mattiace explained how the Foxconn facility will operate. A first of its kind, Foxconn is a binational community that is the model of cross-border development incorporating the largest inland port to facilitate economic development by consolidating a new industrial, commercial and residential community at the San Jeronimo-Santa Teresa border crossing. Santa Teresa also has a unique pending hazmat designation. Improvements at the Columbus and Antelope Wells POEs are also in progress through state and federal matching grants. The committee was provided with a handout listing all of the ongoing and recently completed projects at the POEs.

David Espinoza, budget analyst, Border Authority, gave a brief overview of the authority's budget. Most of the current budget is the same as the previous year, with one change: an interagency transfer of funds from the Economic Development Department.

In response to questions from the committee, the following topics were addressed:

- prioritization of POE projects;
- the need to create more tourism around the POEs to encourage economic development for surrounding communities beyond just shipment of cargo;
- operational hours and types of cargo at each location;
- inquiries about the total budget and staffing for the Border Authority;
- a request for the amount of direct foreign investments;
- Mexico's recent moves from internationalization to regionalization for vehicle manufacturing;
- a master border plan to expand infrastructure to support traffic increases;
- staffing levels of various agencies to handle increases in cargo and shipments;
- advancements in technologies to make scanning cargo more efficient and accurate;
- a rail system feasibility study;
- interest from rail companies for partnerships;
- the upcoming binational border conference in September;
- logistics and rates for trucks; and
- the potential for the state collection of tolls.

Tour of the St. Clair Winery

Members of the committee were taken on a tour of the winery. During the tour, members received information on the winery and viticulture in southern New Mexico and were shown the process of winemaking.

Luna Rossa Winery

Members were transported to the Luna Rossa Winery for the afternoon portion of the meeting.

Legislative Finance Committee (LFC) Progress Report: New Mexico Water Projects

Michelle Aubel, program evaluator, LFC, presented to the committee a progress report and an overview of the state's landscape on water projects as a whole, not just those through the NMFA (please see handout for additional details). Overall, water project dollars are slow to be spent, and while funding processes have improved, they still lack a coordinated approach. Since 2002, over \$1 billion has been allocated to improve water infrastructure, but needs are far exceeding that amount. Part of the issue is the lack of a clear estimate for investment needs and a comprehensive list for water needs in New Mexico. These water needs go beyond drinking water to include acequias and wastewater infrastructure. Using the 2017-2022 local infrastructure capital improvement plan (ICIP) as a proxy, the total water-related requests made by local entities, including tribal, county, acequia, town, village or city soil and water conservation

districts and mutual water associations, topped \$3 billion. Local entities are not required to submit an ICIP, so the final tally might be higher. Other considerations might lower the number, such as overestimating project costs due to the lack of a preliminary engineering report that would more accurately portray values.

Ms. Aubel noted that the Water Trust Fund (WTF) is projected to dry up in the next 20 years. The WTF was seeded with \$55 million in 2006, with the intention that it would be the main source for water projects in the state. But like the colonias and tribal infrastructure funds, the WTF is likely to see a decline in funds as severance tax bond revenue continues to face reductions. The LFC recommendation is for the legislature to clarify agency roles, with one agency charged with overseeing all projects. Despite the overwhelming challenge posed by meeting multiple water-related objectives in the face of uncertain funding, a long-term statewide capital outlay master plan to prioritize limited resources across these programs has not been developed, centrally coordinated or managed. The report includes a snapshot of the four different water programs and where they currently stand with projects and fund expenditures. Several projects in the programs are stalled in various stages, demonstrating a lack of planning and resulting in almost 80% of the funds unspent.

Ms. Aubel recognized efforts by the legislature to improve the capital outlay process. The LCS and LFC have been working to compile guidelines for funding local capital projects. At this time, those guidelines are just proposed and have not been adopted. Ms. Russel reiterated that several communities are constrained by limited technical assistance, and she reminded the committee that the NMFA does offer that type of help to communities.

Following the presentation, the committee approved a motion to send a letter to the secretary of environment directing him to notify communities, political subdivisions, county managers and city officials about available technical assistance from community outreach staff in the Department of Environment's Drinking Water Bureau. In addition, members of the committee discussed the findings of the LFC progress report. Some key points addressed were:

- the lack of communication about available programs and funding;
- the lack of debt capacity for communities to take on loans, furthering the length of time to get help with projects and making needs more critical;
- the need for asset management planning for communities around the state;
- an executive order for asset management plans that are required for some programs;
- specific requirements for the various funds and programs under the NMFA; and
- concerns about sweeping of funds to address the state budget deficit.

A Report on Viticulture and Economic Development

Sylvia D'Andrea, co-owner, Luna Rossa Winery, provided the committee with some history of the vineyards in the area. The Luna Rossa Winery grows wine grapes and sells them to wineries in New Mexico, Arizona and Texas. Ms. D'Andrea talked about her family's background and involvement with the business. The winery employs 18 individuals, and its

sister restaurant in Las Cruces has 31 employees. Wines from Luna Rossa have competed in many state and international competitions and have consistently received high awards for all of its varietals. Ms. D'Andrea encouraged the members to support New Mexico winegrowers.

Recess

The first day of the meeting recessed at 3:35 p.m.

Tuesday, August 16

Reconvene and Welcome

The second day of the NMFA Oversight Committee meeting was reconvened at 10:32 a.m. by Senator Cervantes in the Columbus Community Center Annex in Columbus. Philip Skinner, mayor, Village of Columbus, welcomed the committee and provided some history on the area. The village is excited to have partnered with the federal government to expand the POE and bring more economic opportunity to the community. Mayor Skinner recognized the NMFA and the support from the Colonias Infrastructure Project Fund. Members of the committee and staff introduced themselves.

Senator John Arthur Smith spoke to the committee about some public school capital outlay funding that has helped to fund a new school in the area. Senator Smith explained the partnership with Mexico that allows for students to come across the border for school. He believes educating the youth creates better communities along the border.

Reports on POE Development and Infrastructure Projects

Silvia Hernandez, regional administrator, U.S. General Services Administration (GSA), whose family is from the area, has been working closely on the Columbus POE project. She lauded the partnership with the federal government, county officials and the City of Deming for moving forward on the project.

Daniel Partida, project manager, GSA, shared a presentation with the committee regarding the expansion of the Columbus POE. First constructed in 1989, the facility sits on a 4.5-acre site. Over the years, it has seen major growth in pedestrian and private vehicle traffic. According to Mr. Partida, more than 450 children walk back and forth over the border to attend school every day. Part of the incentive of the expansion is to move commercial traffic to increase overall safety for pedestrians and alleviate the bottleneck that travelers and border security staff deal with daily. The site has also had issues with flooding, and there are efforts to divert water to nearby ponds.

Mr. Partida explained the plans behind the Columbus POE expansion, using presentation slides illustrating where the crossing points will be built. Local private landowners have both sold and donated land surrounding the area to support the expansion. A permitting process has been completed, and construction on some component of the expansion has begun. The GSA worked with an Albuquerque design firm and is preparing to send out a request for proposals for

the construction phase of the project. Mr. Partida emphasized the importance of contracting with a company that has experience and expertise in dealing with the radiation machines and high-tech equipment necessary at POEs. Mr. Partida hopes the new facility will be in use by March 2019.

The Columbus POE expansion has required coordination with various partners, including Mexico. The GSA has worked closely with Palomas, Mexico, which will be starting a 70-mile port on the Mexican side that will mirror this project. Mr. Partida provided details about the physical plans for the facility and the landscaping around it. An environmentally sustainable plan for the landscape is in the works. Renderings of the project are included in the presentation.

Mario Juarez-Infante, vice president, Wilson & Company, talked to the committee about leveraging federal funds for the Columbus POE expansion. Wilson & Company is working toward the final design stages of the project. It has partnered with the NMFA for funding the water studies in the area. Mr. Juarez-Infante explained the NMFA's role in border infrastructure and an economic, land use and infrastructure (ELI) plan, which is a guided economic development plan for the border area. The ELI plan includes the creation of a tax increment development district (TIDD). TIDDs are special areas created to allow for additional revenue generated by economic activity in the area to be diverted to finance infrastructure.

Mark Valenzuela, vice president, George K. Baum & Company, explained the benefits of a TIDD to the committee. According to him, Columbus has a unique opportunity to expand trade and economic development in the community. Columbus is asking for up to 75% of the state gross receipts tax. Areas such as Las Cruces and the Taos Ski Valley have done this without a tax increase to the community.

Chris Muirhead, shareholder, Modrall Sperling, explained the process of working with Columbus and the outreach to state agencies. Plans for the creation of a TIDD would need to be approved by the legislature during the upcoming legislative session, but it requires full community buy-in to proceed. The next several months will be devoted to educating the local community on the issue.

Following the presentation, the committee had several comments and questions, including:

- clarifications about the property and who will be in charge of maintaining it;
- improving surrounding roads to handle increased traffic and heavy trucks;
- additional infrastructure needs to support the facility expansion;
- possible expansion of the Santa Teresa and Antelope Wells POEs and recent feasibility studies; and
- the potential for job creation and economic development for the area.

Columbus POE and Tour of the Border Area

Members of the committee were transported to the Columbus POE. On the way, members were shown the area where the port expansion will occur.

Adjournment

There being no further business before the NMFA Oversight Committee, the third meeting of the 2016 interim adjourned at 1:30 p.m.

Revised: September 16, 2016

**TENTATIVE AGENDA
for the
FOURTH MEETING FOR THE 2016 INTERIM
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**September 20-21, 2016
New Mexico State University Golf Course Clubhouse
3000 Herb Wimberly Drive
Las Cruces**

Tuesday, September 20

- 9:30 a.m. **Call to Order and Welcome**
—Senator Joseph Cervantes, Chair
—Representative Jane E. Powdrell-Culbert, Vice Chair
- 9:35 a.m. **Local Greetings**
—Garrey Carruthers, President, New Mexico State University
—Diana Murillo Trujillo, Mayor, City of Anthony
- 10:00 a.m. (1) **[Energy Efficiency and Renewable Energy Bonding Act — Santa Fe Public Schools Project](#)**
—Robert P. Coalter, Chief Executive Officer (CEO), New Mexico Finance Authority (NMFA)
—Zach Dillenback, Chief Lending Officer, NMFA
- 11:25 a.m. **Approval of Minutes**
- 11:30 a.m. (2) **[Water Trust Board Update](#)**
—Marquita D. Russel, Chief of Programs, NMFA
- 12:30 p.m. (3) **[Lower Rio Grande Public Water Works Authority \(LRGPWWA\) Report \(Working Lunch\)](#)**
—Martin Lopez, General Manager, LRGPWWA
—Karen Nichols, Projects Manager, LRGPWWA
- 2:00 p.m. (4) **[New Markets Tax Credit Program — La Clinica de Familia Project](#)**
—Robert P. Coalter, CEO, NMFA
—Marquita D. Russel, Chief of Programs, NMFA
—Suzan Martinez de Gonzales, CEO, La Clinica de Familia
- 4:45 p.m. **Recess**

Wednesday, September 21

9:30 a.m. (5) **Spaceport Authority (SA) Budget and Funding Request; Economic Development Plans; Current Revenues Update and Potential Revenues Forecast; Reports on the Welcome Center and Progress on the Southern Access Road**

—Zach De Gregorio, CPA, Chief Financial Officer and Acting CEO, SA

—Bill Gutman, Vice President of Aerospace Operations, SA

—Chris Lopez, Vice President of Site Operations, SA

—Tammara Anderton, Vice President of Business Development, SA

—Richard Holdridge, Chair, Spaceport Authority Board of Directors (SAB)

—David Buchholtz, Member, SAB

—Nathan Lafont, Member, SAB

—Davin Lopez, Member, SAB

—David Wilson, Managing Partner, Wilson Binkley Advertising and Marketing

12:30 p.m. **Adjourn**

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

**September 20-21, 2016
New Mexico State University Golf Course Clubhouse
3000 Herb Wimberly Drive
Las Cruces**

The fourth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Jane E. Powdrell-Culbert, vice chair, on September 20, 2016 at 9:30 a.m. in the New Mexico State University Golf Course Clubhouse in Las Cruces, New Mexico.

Present

Rep. Jane E. Powdrell-Culbert, Vice Chair
Rep. Sharon Clahchischillage
Sen. Lee S. Cotter
Rep. Candy Spence Ezzell
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Dona G. Irwin (9/20)
Rep. Idalia Lechuga-Tena
Sen. Richard C. Martinez
Rep. Andy Nunez (9/21)
Sen. Michael Padilla (9/21)
Rep. Patricio Ruiloba
Rep. Tomás E. Salazar*
Sen. William P. Soules

Advisory Members

Rep. Alonzo Baldonado (9/20)
Rep. Kelly K. Fajardo (9/20)
Sen. Mary Kay Papen
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Sheryl Williams Stapleton (9/20)

Absent

Sen. Joseph Cervantes, Chair
Rep. David E. Adkins
Rep. Patricia A. Lundstrom
Sen. Nancy Rodriguez
Rep. Patricia Roybal Caballero
Sen. John C. Ryan
Rep. Monica Youngblood

Sen. Jacob R. Candelaria
Rep. George Dodge, Jr.
Rep. Brian Egolf
Rep. Roberto "Bobby" J. Gonzales
Sen. Stuart Ingle
Rep. Sarah Maestas Barnes
Sen. Bill B. O'Neill
Sen. William H. Payne
Sen. Clemente Sanchez
Rep. Don L. Tripp

(Attendance dates are noted for members who did not attend the entire meeting.)

Guest Legislator

Rep. Eliseo Lee Alcon

***Membership Note**

Representative Salazar was appointed a voting member for this meeting.

Staff

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)

Jeff Eaton, Research and Fiscal Policy Analyst, LCS

Anna Martin, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts and other written testimony are in the meeting file.

Tuesday, September 20**Welcome and Introductions**

Representative Powdrell-Culbert welcomed everyone to Las Cruces and asked members of the committee and staff to introduce themselves.

Garrey Carruthers, chancellor and president, New Mexico State University (NMSU), welcomed the committee and gave a general update on NMSU enrollment and development. After years of decreased enrollment, NMSU freshman student enrollment is up again this year. NMSU has created the "Aggie Pathway", a program that allows students who were not admitted to NMSU to begin their post-secondary education at a local community college and transition to NMSU to finish a four-year degree. Additionally, in an effort to accommodate budget cuts and reorganization, NMSU is focusing on five initiatives: organization and span of control, administrative assistance coverage ratios, information technology service delivery consolidation, centralization of finance service delivery and identifying cost-effective purchasing vendors. Lastly, NMSU is focused on utilizing outside funding to develop real estate projects, such as the development of a new hotel that will serve the Las Cruces Convention Center and students studying hotel management; a potential new retirement community near the NMSU golf course called "Aggie Uptown", which would provide commercial space, medical care and residential services; and a future "Heritage Farm" that would produce pecans, chile and wine grapes and operate a craft brewery and winery.

Diana Murillo Trujillo, mayor, City of Anthony, gave an update on the city's progress since its official incorporation in 2010. Mayor Murillo Trujillo outlined the city's five main development priorities: public services, including street lighting, road improvement and flood control infrastructure; healthy schools and communities, including youth programs and senior

center development; public safety, including expansion of the police and fire departments; affordable housing development; and economic development, including business creation and possible annexation of nearby land. The city has received funding for these projects from various sources, including capital outlay funds, the NMFA, colonias funds, a Local Economic Development Act grant and community development block grants.

In response to committee members' comments, Chancellor Carruthers stated the following:

(1) the Aggie Uptown real estate proposal will be a public-private partnership;
and

(2) NMSU has reduced its unrestricted expenditures by \$32 million in the past three years and has worked at the department and dean level to eliminate 126 employee positions, of which 36 were previously filled. If asked to make additional budget cuts, NMSU likely would have to eliminate programs.

In response to committee members' questions, Mayor Murillo Trujillo discussed the following.

(1) The Town of Anthony, Texas, is an older town across the state line at Antonio Street, with a population of approximately 4,000 people. Anthony, Texas, hosts most of the businesses because it is a longer-established community. Anthony, New Mexico, with approximately 9,400 people living in four square miles, is working on securing funding for further business development.

(2) The schools in Anthony, New Mexico, are highly rated and rank as some of the best schools in the surrounding area.

(3) In addition to the mayor being a woman, all of the city councilors and the local judge are women.

(4) While Anthony, New Mexico, does not have a hospital, there are plans to develop a small urgent care clinic in the future.

Energy Efficiency and Renewable Energy Bonding Act

Robert P. Coalter and Zach Dillenback, chief executive officer and chief lending officer, respectively, NMFA, gave an overview of the Energy Efficiency and Renewable Energy Bonding Act, which makes funds available to public schools and state agencies for energy-savings measures to help control and reduce energy usage. Mr. Dillenback described the energy audit process and the secondary Energy, Minerals and Natural Resources Department energy assessment that will qualify the agency for the bond. He also outlined the framework for which agencies can access this funding to implement these energy-savings measures and eventually use savings to pay for these measures. Since the act was authorized by the New Mexico Legislature in 2005, four bonds to date have been issued under the program for the Cultural Affairs Department, the Socorro Consolidated School District, the Mountainair Public School District and the Santa Fe Public School District.

Mr. Dillenback highlighted the Santa Fe Public School District conservation program, a project aimed at reducing energy and water use, conserving resources and modeling environmental stewardship for students and the community. Now in the fifth year of the program, the school district has reduced its energy usage by 10.5%, natural gas usage by 24% and water usage by 42%. The school district reduced overall consumption patterns while also installing solar panel systems, which will eventually produce 65% of Santa Fe High School's electricity and 31% of the Ramirez Thomas Elementary School's electricity.

Upon a request for improvement recommendations from the NMFA board of directors, staff presented to the committee a working bill draft that suggests changes to the act. Some of these proposed changes include: expanding the program to include higher education institutions; clarifying the energy assessment process and the roles of stakeholders in the bond certification; and shortening the duration of time the General Fund needs to recuperate.

In response to members' questions, Mr. Coalter and Mr. Dillenback noted that:

(1) the future total cost savings for the Santa Fe Public School District will be about \$200,000 per year;

(2) under the proposed changes to the act, public universities and state agencies, such as the Corrections Department, would be eligible for this program;

(3) the NMFA works with schools and state agencies to first address building infrastructure updates to prevent energy leakage from the building and then to create an appropriately sized renewable energy system that fits the needs of the agency and takes into account the available land and layout for the energy-saving systems;

(4) often, an agency will not go forward with this project because it lacks the initial capital to pay for the energy audit;

(5) while the renewable energy systems may have long-term warranties, the current act does not address replacement of equipment;

(6) all four bond issuances to date have been made through the Public Project Revolving Fund, and while interest rates are market-driven, once the bond has been issued, the interest rates became fixed; and

(7) while the governmental gross receipts tax is used as the initial jump-start capital for the bonds, bonds are ultimately repaid through funds deducted from the borrowing entity's operational budget.

Minutes

On a motion duly made and seconded and unanimously adopted, the minutes from the July meeting were approved. On a second motion duly made and seconded and unanimously adopted, the minutes from the August meeting were approved.

Water Trust Board (WTB) Update

Marquita D. Russel, chief of programs, NMFA, gave an update on the 2017 WTB project application process. The WTB, responsible for recommending to the legislature and the NMFA

water projects to be funded by the Water Project Fund, implemented the application changes and deadlines for the 2016-2017 year. The WTB held training sessions throughout the state on the new online application system and policy changes. New to the application process is the requirement for applicants to fill out a notice of intent (NOI), so that the WTB can begin vetting applications early, determine applicant readiness, identify urgent projects and begin providing early feedback to applicants. As of the August 26 deadline, 80 NOIs were filed for projects related to flood prevention, watershed restoration, water conservation, water treatment and water storage. After the final project application due date in October, the WTB will evaluate the projects to present to the legislature for approval and authorization to move forward with project funding.

In response to members' questions, Ms. Russel responded that:

- (1) entities often choose not to apply for WTB funding due to the high level of application requirements and, instead, apply for other funding through the United States Department of Agriculture or the colonias funds, which have simpler application processes;
- (2) in order to apply for WTB funding, the applicant needs to be a legal entity of some sort, such as a mutual domestic; if the applicant is an unincorporated area, it would likely need to apply through the county;
- (3) with the new online application process, an authorized officer is designated as an official representative of each applicant and can help with application logistics;
- (4) the WTB prioritizes project funding by assessing the health and safety of the applicant's community; and
- (5) the Water Trust Fund is funded through distributions made from senior severance tax bond proceeds; the Water Trust Fund is subject to having appropriations swept from the fund.

Lower Rio Grande Public Water Works Authority (LRGPWWA) Report

Martin Lopez and Karen Nichols, general manager and projects manager respectively, LRGPWWA, presented to the committee an overview of the LRGPWWA and proposed revisions to Section 73-26-1 NMSA 1978. Enacted in 2009 through House Bill 185, the LRGPWWA now consists of eight mutual domestic associations and has over \$40 billion in project funds. Through its regionalization efforts and its formation of a regional authority, the LRGPWWA has seen benefits such as adequate staffing capabilities, lower duplicated expenses, more in-house functions, more efficient use of staff and equipment and the ability for the board to focus on governance rather than management operations.

The LRGPWWA staff members provided the committee with a draft of proposed legislation they prepared. Their draft outlines two proposed changes to the authority's founding legislation. The first proposed change is a modification of the current requirement that water rights be combined and commingled with merging entities in every instance. It would be more beneficial, the LRGPWWA staff reported, if water rights were required to be combined and commingled only when the service area of a merging entity is contiguous with the LRGPWWA's

service area. The second proposed change is the addition of a provision to allow the LRGPWWA to implement liens for unpaid water bills. The staff explained that while lien filing is a rare, last resort, it will ensure that the LRGPWWA can collect what is owed if and when the property is sold. Please see the discussion draft handout, posted online at www.nmlegis.gov, for further details on proposed changes to current law.

On questioning, Mr. Lopez, Ms. Nichols and committee members discussed the following:

- (1) while the proposed lien provision was copied from the Municipal Code, the language for the LRGPWWA can be made more definitive, such as changing "may" to "shall";
- (2) the LRGPWWA participates in statewide discussions about water quality and pollution prevention;
- (3) the LRGPWWA's water supply is the lower Rio Grande Basin;
- (4) under the statute, the LRGPWWA is not required to have membership meetings, and membership is limited to property owners and people who have received service from the authority;
- (5) the authority's board of directors goes through an election process handled by Dona Ana County;
- (6) the authority does not have anything currently in place that limits a customer's access to water, although water use is more expensive with higher levels of usage; and
- (7) the property owner is ultimately responsible for the water count on the property; the authority works with landowners and renters to determine who will be billed for water use and the deposit.

New Markets Tax Credit (NMTC) Program and La Clinica de Familia Project

Ms. Russel gave an overview of the NMTC Program. Created as part of the federal Community Renewal Tax Relief Act of 2000, this federal tax program allows community development entities (CDEs) to apply for the program and, in turn, invest the NMTCs into qualifying projects that focus on business creation, community facilities development and commercial real estate. The purpose of the NMTC Program is to bring new investment capital to low-income communities, which are defined by the U.S. Census Bureau as having at least 20% of the population living in poverty.

After a 2006 legislative authorization for the NMFA to participate in NMTCs, the NMFA developed Finance New Mexico, LLC (FNM), a limited liability company that is a qualified CDE. The NMFA controls the operation and management of FNM and its subsidiary CDEs. FNM's participation in the NMTC program enables FNM to generate capital that will lend directly to qualified businesses in low-income and underserved areas in New Mexico. FNM's NMTC Program is governed and overseen by the Economic Development Department, the NMFA advisory board and FNM's own advisory board.

The NMTC Program utilizes an economic impact criteria point-system formula to prioritize applications. To qualify for the NMTC Program, the project must demonstrate the following criteria: foreseen community impact and support; financial viability and project readiness; job creation within the community; business location in eligible areas; potential economic exports; and new capital investment. If the project meets a certain percentage of these criteria and is approved by all of FNM's governing and advisory boards, it will qualify to begin the NMTC transaction with FNM. While the NMTC Program is not a grant program, it functions as a flexible debt program. NMTC loans are combined with other sources of funding that are secured by the applicant and managed by FNM. Please see the NMTC handout for more information regarding the basic NMTC structure and the roles of the qualified organization, the investors, the leverage lenders and FNM.

Ms. Russel invited Suzan Martinez de Gonzales and Eileen McKean, chief executive officer and chief financial officer, respectively, La Clinica de Familia (LCDF), to share their experience with LCDF as a qualified business approved to participate in the NMTC Program. Ms. Martinez de Gonzales gave an overview of LCDF's new renovation project for the Las Cruces Central Cervantes Complex, a center funded in part by the NMTC Program, that will provide primary health, dental and behavioral health care services in the community. LCDF, a federally qualified health center and one of the largest providers of medical, dental and behavioral health care in Dona Ana County, expects that this new center will increase service delivery, employ an additional 144 employees, facilitate partnerships with other medical centers and academic institutions and provide comprehensive care to historically medically underserved areas of Las Cruces.

Ms. Martinez de Gonzales and Ms. Russel outlined for the committee how LCDF went through the NMTC process to fund this project, explaining that with a substantial loan from Citizens Bank and a substantial investment by U.S. Bancorp Community Development Corporation, FNM was able to facilitate the NMTC process to secure funding for the new LCDF medical center. Ms. Martinez de Gonzales explained that FNM and its financial advisors have provided significant support and consultation throughout the application, lending and "unwinding" process of the loan program. Ms. Russel concluded the presentation by outlining other current FNM NMTC programs throughout the state.

In response to members' comments and questions, Ms. Russel, Ms. Martinez de Gonzales and Ms. McKean noted that:

- (1) businesses that apply for the NMTC Program must score at least a 70% on the economic impact criteria to qualify for FNM assistance;
- (2) the NMFA advisory board designates the FNM advisory board members;
- (3) while FNM looks at various factors of eligibility for the NMTC Program, such as businesses located in empowerment zones, colonias and other severely distressed areas, the primary factor for credibility is to bring new investment capital to communities with at least 20% of their residents living in poverty;

(4) financial advisors to businesses navigating the NMTC application process do not receive compensation until all tax credits have been received by investors;

(5) going through the NMTC application process is daunting, and LCDF "got a ton of financial advice";

(6) LCDF offers primary care, dental, behavioral health and substance abuse services and plans to partner with local hospitals to provide long-term inpatient behavioral health services;

(7) LCDF is working with NMSU and the Burrell College of Osteopathic Medicine to provide residency programs and internships for students; currently, six or eight psychiatry resident positions are available at LCDF; LCDF is not quite ready yet to provide family practice resident positions but hopes to do so in the future; and

(8) the NMFA NMTC handout provides further details of how businesses, lenders and investors may successfully "unwind" out of the loan process.

Recess

The committee recessed at 2:40 p.m.

Wednesday, September 21

Reconvene

The second day of the meeting was reconvened at 9:30 a.m.

Spaceport Authority (SA) Budget and Funding Request; Economic Development Plans; Current Revenues and Potential Revenues Forecast; Reports on the Welcome Center and Progress on the Southern Access Road

Richard Holdridge, chair, board of directors, SA, introduced the Spaceport America management team and explained that the newly hired Spaceport America director will be announced imminently.

Tammara Anderton, vice president of business development, SA, gave a general update on the status of Spaceport America, explaining that new business in fiscal year (FY) 2016 grew by 135%, with \$2.3 million generated in customer revenue and 50 new full-time jobs created. While Spaceport America focuses on both aerospace and non-aerospace business development, its main aerospace activities include participating in the Commercial Spaceflight Federation, working with NMSU and the United States Army's White Sands Missile Range (WSMR) on unmanned aerial vehicle testing, partnering with MARS Scientific to lead work on long-range telescopic tracking and imaging, working with partners on International Space Station projects and continuing to launch events promoting its aerospace endeavors. Furthermore, in partnership with WSMR, Spaceport America offers 6,000 square miles of restricted airspace to its customers — Virgin Galactic, SpaceX, UP Aerospace, EXOS Aerospace, Vanilla Aircraft, Boeing and others — to continuously test and develop new technology.

Ms. Anderton also outlined Spaceport America's non-aerospace segments, such as tourism, merchandise, sponsoring, films, photo shoots, sporting events, corporate events and more. After showing various promotional videos for Spaceport America, Ms. Anderton also showed the committee a movie trailer and commercial recently filmed at the site. Spaceport America offers ongoing educational programs for school groups and will be hosting various upcoming events, including an annual Spaceport America Drone Summit, a relay race, a rocket engineering competition and other events that will be open to the public and Spaceport America customers to encourage visitors to go to Spaceport America. Ms. Anderton wrapped up her presentation by highlighting positive television and social media coverage of Spaceport America, which constitutes free advertising.

Bill Gutman, vice president of aerospace operations, SA, gave an overview of Spaceport America's aerospace accomplishments. Spaceport America is located on 18,000 acres of sparsely populated WSMR land with 6,000 square miles of restricted airspace overhead. Due to the vast amount of space, the private location and the temperate New Mexico weather, Mr. Gutman explained that Spaceport America provides an ideal location for aerospace customers to continuously fly, test and develop new products. Furthermore, Spaceport America is one of the only U.S. commercial spaceports with consistent, ongoing operations and paying customers. Mr. Gutman outlined Spaceport America's customers' recent successful test flights and ongoing progress for offering commercial space flights by FY 2018.

Chris Lopez, vice president of site operations, SA, gave an update on Spaceport America's ground operations, explaining that it operates as a miniature city with its own electrical grid, information technology infrastructure, 24/7 fire and medical teams, customer service and other amenities that make Spaceport America attractive to potential aerospace and non-aerospace customers. With the development of the security and fire emergency team, Spaceport America employs a cross-trained staff that provides emergency ambulatory, safety, fire and medical services on-site and in nearby communities. Mr. Lopez also gave an update on the development of the Southern Road, a 24-mile stretch of dirt road that connects Spaceport America to Las Cruces. Beginning in April 2017, Spaceport America will begin construction to pave and weatherize the Southern Road to allow easier access to the site for commercial customers and nearby residents.

Zach De Gregorio, chief financial officer, SA, provided a financial overview of Spaceport America operations. While in FY 2017 Spaceport America will be 71% self-funded and 29% funded by the General Fund, it anticipates that operations will be 100% self-funded in FY 2019 due to increased customer activities. The projected FY 2017 budget relies on the assumptions that Virgin Galactic will continue to test flights in anticipation of beginning commercial flights, new aerospace tenants will also begin flight operations, SA will continue to host four annual events per year and SA will sign on additional aerospace customers. Furthermore, Spaceport America will utilize \$14 million in severance tax bonds to begin funding the Southern Road project.

Mr. De Gregorio concluded the presentation with an overview of Spaceport America's economic development impact for New Mexico. Using a conservative economic development model, Spaceport America calculates that every dollar invested in Spaceport America has a 20-fold return. By the end of FY 2016, aerospace customers will have spent \$11 million; film and commercial shoots will have spent \$1.1 million; and tour operations will have spent \$1 million. Please refer to the Spaceport America handout for further details on the operation's estimated economic development impact.

During a dialogue with members, Mr. Holdridge, Ms. Anderton, Mr. Gutman, Mr. Lopez and Mr. De Gregorio discussed the following.

(1) Spaceport America's budget assumptions rely heavily on development from Virgin Galactic as well as Virgin Galactic's rent increase from \$1 million to \$3 million beginning in FY 2018.

(2) In response to a member's comment that there is a lot of uncertainty in the revenue projections, SA staff responded that Spaceport America utilizes the Economic Development Department's "conservative economic model" to determine its economic development impact in the state, accounting for a range of investment and earnings scenarios.

(3) The SA staff believes Spaceport America will remain competitive due to its unique location that offers 6,000 square miles of restricted airspace and privacy for development, its ongoing operational missions, its willingness to partner with other spaceports and the overall lack of other operational U.S. spaceports; the SA staff expects some of the other spaceports with low to no activity to consolidate.

(4) The term "restricted airspace" means that all types of airplanes are forbidden to fly in the area except those with U.S. Department of Defense permission, which Spaceport America has.

(5) When SA staff say that Spaceport America will be 100% self-funded in FY 2019, they mean that they will not request a General Fund appropriation for their FY 2019 operational budget.

(6) Spaceport America will continue to need the approximately \$6 million per year in gross receipts revenues received from Dona Ana and Sierra counties in order to meet bond debt obligations.

(7) A member noted that the 160 acres of Spaceport America land that was fenced at the cost to taxpayers of \$2 million should have cost only \$28,000.

(8) In response to a member's concern that the first visitor center opened in Truth or Consequences, despite the Village of Hatch having offered four possible sites on which to locate the visitor center, SA staff members responded that Spaceport America still plans to open a second visitors center in Hatch.

(9) In order to bring in additional revenue from tourism to Spaceport America, it is working on planning pre-events and post-events in nearby counties to bring tourists to other parts of New Mexico.

(10) Spaceport America hosts Ted Turner Expeditions, where guides lead guests on outdoor excursions to observe threatened species and participate in digs and other activities.

(11) There will be four to seven additional vertical launches between now and the end of 2016 and 11 helium balloon launches within the next 18 months.

(12) SA staff foresees being asked to serve as consultants to other spaceports.

(13) The legislature and the public would like to see increased aerospace activities and increased transparency on future budget and activity reports.

Adjournment

Representative Powdrell-Culbert reminded the committee members about the next meeting in two weeks in Santa Fe. There being no further business before the committee, the meeting adjourned at 11:40 a.m.

Revised: November 2, 2016

**TENTATIVE AGENDA
for the
FIFTH MEETING IN 2016
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**November 15, 2016
Room 307, State Capitol
Santa Fe**

Tuesday, November 15

- 9:30 a.m. **Call to Order and Welcome**
—Senator Joseph Cervantes, Chair
—Representative Jane E. Powdrell-Culbert, Vice Chair
- 9:35 a.m. (1) **Report on the New Mexico Finance Authority (NMFA) Budget**
—Robert P. Coalter, Chief Executive Officer (CEO), NMFA
—Oscar S. Rodriguez, Chief Financial Officer, NMFA
- 10:30 a.m. **Approval of Minutes**
- 10:35 a.m. (2) **Report on Bonds and the Governmental Gross Receipts Tax (GGRT)**
—Robert P. Coalter, CEO, NMFA
—Michael Zavelle, Chief Financial Strategist, NMFA
- 12:30 p.m. (3) **Sweep of Flow-Through GGRT (Working Lunch)**
—Robert P. Coalter, CEO, NMFA
—David Abbey, Director, Legislative Finance Committee
- 2:00 p.m. (4) **Discussion About Prior Legislative Authorization for Public Project Revolving Fund Projects**
—Robert P. Coalter, CEO, NMFA
- 3:00 p.m. (5) **Proposed Legislation by the NMFA**
- Delegation of Bond Sale Completion Authority
 - Appropriation to the Drinking Water State Revolving Loan Fund
 - Authorization of Projects for Funding from the Public Project Revolving Fund
 - Amendments to the Energy Efficiency and Renewable Energy Bonding Act
- Michael Zavelle, Chief Financial Strategist, NMFA
—Zach Dillenback, Chief Lending Officer, NMFA

4:00 p.m. (6) [Report on Economic Development and Infrastructure in the Border Region](#)
—Jerry Pacheco, President and CEO, International Business Accelerator;
President, Border Industrial Association

5:00 p.m. **Adjourn**

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

**November 15, 2016
Room 307, State Capitol
Santa Fe**

The fifth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, chair, on November 15, 2016 at 9:48 a.m. in Room 307 of the State Capitol.

Present

Sen. Joseph Cervantes, Chair
Rep. Jane E. Powdrell-Culbert, Vice Chair
Sen. Lee S. Cotter
Rep. Candy Spence Ezzell
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Idalia Lechuga-Tena
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Rep. Andy Nunez
Sen. Nancy Rodriguez
Rep. Patricia Roybal Caballero

Advisory Members

Rep. Alonzo Baldonado
Rep. Roberto "Bobby" J. Gonzales
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Tomás E. Salazar
Rep. Sheryl Williams Stapleton

Absent

Rep. David E. Adkins
Rep. Sharon Clahchischilliage
Rep. Dona G. Irwin
Sen. Michael Padilla
Rep. Patricio Ruiloba
Sen. William P. Soules
Rep. Monica Youngblood

Sen. Jacob R. Candelaria
Rep. George Dodge, Jr.
Rep. Brian Egolf
Rep. Kelly K. Fajardo
Rep. Harry Garcia
Sen. Stuart Ingle
Rep. Sarah Maestas Barnes
Sen. Bill B. O'Neill
Sen. Mary Kay Papen
Sen. William H. Payne
Sen. Clemente Sanchez
Rep. Don L. Tripp
Sen. James P. White

Staff

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Amy Chavez-Romero, Deputy Director for Drafting Services, LCS
Jeff Eaton, Research and Fiscal Policy Analyst, LCS

Minutes Approval

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

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Tuesday, November 15**Welcome and Introductions and Comments**

Senator Cervantes welcomed everyone and asked members and staff to introduce themselves. Representative Powdrell-Culbert thanked staff members for all of their help during her chairmanship and vice chairmanship.

Report on the NMFA Budget

Robert P. Coalter, chief executive officer (CEO), NMFA, introduced to the committee Oscar Rodriguez, who started his position as the NMFA's new chief financial officer on October 3, 2016. Previously, Mr. Rodriguez was the finance director for the City of Santa Fe. Mr. Rodriguez presented the fiscal year (FY) 2017 operating budget of the NMFA, which is \$8,777,735. Overall, the FY 2017 budget is about 3.7% lower than the FY 2016 budget. The handout shows the budget allocations categorized by program, category type and personnel divisions. The largest expenditure in the operating budget is for NMFA staff salaries and benefits, comprising 55%, or \$4.9 million. The NMFA is largely a service agency. The NMFA has started working with the University of New Mexico to quantify the impact of the NMFA's services and programs in the state's local communities.

A member asked about a project in Espanola that was denied Public Project Revolving Fund (PPRF) funding in the application cycle last year. Mr. Coalter responded that he recalls the circumstances concerning that project and that the City of Espanola is reapplying this year. Mr. Coalter explained that the issue with Espanola was related to ongoing litigation with Santa Fe County, that both parties are currently in arbitration over the matter and that they appear to be resolving the underlying issues that would allow for reapplication this year. The member thanked Mr. Coalter for the update and asked to be made aware if there are any difficulties that arise concerning the application during this cycle.

In response to a committee member's question about the amount of funding available from the Drinking Water State Revolving Loan Fund, Mr. Coalter replied that approximately \$7.7 million was made available for FY 2017. In response to another committee member's questions, Mr. Coalter stated that between \$7.1 million and \$7.8 million will go to the Colonias Infrastructure Fund this year.

A committee member asked if the last several years' legislative sweeps of governmental gross receipts tax (GGRT) revenues intended for the PPRF have affected the NMFA's functioning. Although the sweeps have not had an impact on agency operations, there was a reduction in the amount of grants and loans that could be made, said Mr. Coalter.

Approval of Minutes

A motion by the chair to approve the minutes of the fourth meeting without changes was seconded and passed unanimously.

Report on Bonds and the GGRT

Michael Zavelle, chief financial strategist, NMFA, informed the committee that, by the end of calendar year 2016, the PPRF will have issued six bonds totaling \$325 million. The PPRF has the highest bond rating, i.e., AAA, and was not affected by Moody's downgrade of New Mexico's general obligation bonds from AAA to AA1.

The effect of any bond rating downgrade is compounded by the post-general-election rise in interest rates by 0.5%, or 50 basis points. Unfortunately, rising interest rates reduce the NMFA's capacity to lend, as more of the payment goes to interest and less to principal.

Mr. Zavelle explained that the PPRF bond rating has not yet been downgraded but is subject to the rating agencies "rule of two". The rule of two prohibits a state entity from maintaining a rating that is two grades higher than the state's credit rating. In other words, if the State of New Mexico lost two more rating levels, then the NMFA would slip one spot lower from the current AAA rating.

In response to a committee member's questions, Mr. Zavelle stated that:

- on its website, the NMFA posts local GGRT revenues;
- for an authorized entity under the PPRF program, the NMFA may at any time commence an agreement for a loan under \$10 million; for a loan in the amount of \$10 million or more, the loan must be processed in the same time frame as a bond issuance; and
- the largest borrower under the PPRF program is the City of Rio Rancho; as a hypothetical, the NMFA has enough reserves to cover for two years an unlikely default by the City of Rio Rancho.

Sweep of Flow-Through GGRT and the Effects on the PPRF Program

Mr. Coalter and David Abbey, director, Legislative Finance Committee, discussed the recent trend of annual sweeps of flow-through GGRT revenues intended for the NMFA and redirected to the General Fund for solvency reasons. The amounts were modest in the first couple of years (2012-2014), but they expanded to over \$16 million in each of the last three years (2015-2017). The reduction in reserves brought on by the sweeps of flow-through GGRT revenues has resulted in a diminished capacity to make loans and grants to local communities.

A member asserted that the unimpaired flow-through of GGRT revenues to the NMFA is critical. Mr. Zavelle also informed the committee that while the PPRF bonds still enjoy a AAA rating, both Moody's and Standard & Poor's stated their concern about the recent consecutive annual sweeps of the flow-through of the GGRT revenues, which resulted in a reduction of the NMFA's reserves. The ratings agencies view the reserve funds as necessary to provide a cushion in the event of loan defaults, Mr. Zavelle said.

Mr. Coalter and Zach Dillenback, chief lending officer, NMFA, provided an overview of events affecting demand upon the PPRF. Mr. Dillenback described some of the ripple effects of the recent downgrade in New Mexico's general bond ratings on school districts and local governmental entities. Mr. Dillenback informed the committee that the Bloomfield School District and the Central Consolidated School District came to the NMFA for loan refunding recently. Neither school district had applied to the NMFA in many years. In the case of the Bloomfield School District, the recent drop in Bloomfield property values and consequential reduction in property tax revenues caused it to be in violation of the constitutional requirement that the amount of a general obligation bond issuance cannot be in excess of 6% of an entity's budget or ability to pay.

In addition, the Lovington Municipal School District, which had never before applied for a PPRF loan, recently came to the NMFA. More and more school districts may start looking to the NMFA for loans, said Mr. Zavelle. Mr. Dillenback noted that, previously, these entities had been able to access the public market at terms more favorable than those available through the PPRF. However, he indicated that financing through the PPRF has become more attractive because the AAA bond rating merits lower interest rates passed on to borrowers. Thus, through the PPRF, local entities are able to obtain interest rates more favorable than they would if they were to issue bonds on their own.

A member of the committee asked whether yield control requirements could assist with issues that local governments might experience in exceeding their debt capacities. Mr. Dillenback indicated that in communities that are highly dependent upon oil and gas revenues, nonresidential property comprises a significant portion of the tax base. In those communities, property valuations would depend upon the rebound of the oil and gas industry. The committee member suggested that some safeguards to stabilize property tax revenues could possibly be implemented when property valuations decrease. Mr. Coalter indicated that funding from the

PPRF allows some local governmental entities the ability to react quickly to economic downturns, provided that such entities have already been authorized by the legislature.

Prior Legislative Authorization for PPRF Projects

Mr. Dillenback summarized the first bill proposed by the NMFA for committee endorsement. The first bill proposed for committee endorsement would allow the NMFA to make loans from the PPRF in excess of \$1 million to qualified entities without prior legislative authorization.

A committee member asked for an estimate of how much money would be paid out of the PPRF in the next year. Mr. Coalter explained that such an estimate would depend upon demands upon the fund, the rate at which existing loans are paid off and other factors. In response to another question, Mr. Coalter stated that qualified projects are not prioritized for funding under the PPRF — it is first come, first served until the money runs out.

In response to a committee member's question, Mr. Dillenback indicated that requests for PPRF financing from local governmental entities are constant. He added that in the face of reduced project financing from the Severance Tax Bonding Fund, increased demands have been placed on the PPRF. In response to a committee member's question, Mr. Dillenback indicated that it is relatively common for the annual legislation containing the list of authorized PPRF projects to be amended during the course of a legislative session.

The PPRF financing authority is distinguishable from a grant program, Mr. Coalter said. He indicated that, even without prior legislative authorization, legislators would continue to play an important role in informing the NMFA of areas in which funding from the PPRF may be needed. A committee member added that inclusion on the list of legislatively authorized projects is only one step in the process that a local entity must follow to receive a loan from the PPRF. For example, a local governmental entity's ability to repay a loan from the PPRF is one of several factors that must be considered before it receives a loan. Mr. Coalter indicated that through the PPRF, the NMFA seeks to strengthen the revenue-building capacity of local governments.

Mr. Dillenback indicated that the NMFA attempts to communicate with entities that seek to be legislatively authorized to receive funding from the PPRF, but responses may vary among them. A committee member sought clarification about the manner in which the NMFA communicates with entities that are identified for possible PPRF financing or that are at risk for having their legislative authorization expire. Mr. Coalter indicated that the NMFA would continue to contact entities with which communication has not been fluid. Another committee member asked about the NMFA's protocol in the event that an entity with a project identified for possible financing does not respond to the NMFA's requests for communication. Mr. Dillenback stated that the NMFA examines the possible financing demands of entities in determining how many more times, above three, to contact an entity whose legislative PPRF authorization will expire. However, he noted that the NMFA's approach in contacting and communicating with these entities is evolving.

Mr. Coalter stated that the NMFA's main focus in creating a proposed list of projects is to identify projects for which financing is most feasible. He added that governmental entities that are interested in obtaining financing from the PPRF should be proactive in communicating their needs to the NMFA. He also stated that the NMFA employs loan officers assigned to each region of the state and aims to hold face-to-face meetings with officials about the demands for those regions.

A committee member expressed reluctance about eliminating the legislature's existing role in authorizing projects eligible for PPRF financing. The committee member stated that the legislature's role in the authorization process is constructive and asked how the legislature could continue to provide oversight of the PPRF financing process if the alternative PPRF bill were passed. Mr. Coalter stated that the committee is charged with approving all rule changes proposed by the NMFA. He added that without increased flexibility to obtain financing from the PPRF, some entities may be forced to obtain financing at interest rates higher than what the NMFA can offer. He stated that the NMFA reviews the financial strength of entities seeking financing from the PPRF and their ability to repay loans from the fund. The committee member asked if the legislature has removed projects from the PPRF financing list, and Mr. Dillenback responded affirmatively.

A committee member asked if the current process for legislative authorization of PPRF-financed projects allows for enough responsiveness to existing financing demands. Mr. Dillenback indicated that responsiveness can be adversely affected by the delay required to obtain legislative authorization. In some cases, it can be an 18-month delay. It can be really difficult for a community to forecast 18 months ahead. In the event of a governmental entity that has exceeded its statutory debt limit, such as the Bloomfield School District, property tax rates could increase due to the inability to secure refinancing in a timely manner.

Proposed Legislation by the NMFA

NMFA staff members presented four additional bills for consideration for endorsement by the committee. In addition to the bill that would remove the requirement that legislative authorization precede PPRF financing, a second bill includes the traditional version of the PPRF that contains the full list of eligible projects and that the committee is used to seeing and endorsing.

A third bill includes an appropriation of \$1.8 million from the PPRF to the Drinking Water State Revolving Loan Fund to provide matching funds for federal Safe Drinking Water Act projects and to carry on the purposes of the Drinking Water State Revolving Loan Fund Act.

A fourth bill involves a delegation of bond sale completion authority. NMFA staff stated that the bill could result in increased accountability and provide the ability to complete the bond issuance without the necessity of holding a special meeting and incurring delays and unnecessary additional costs associated with the delays. The bill was endorsed by the committee last interim but did not make it through the legislative process during the session.

A fifth bill for which endorsement was being requested was presented jointly by staff from the NMFA and the Energy Conservation and Management Division of the Energy, Minerals and Natural Resources Department (EMNRD). Mr. Dillenback and Louise Martinez, division director, EMNRD, summarized the provisions of a bill proposed to amend the Energy Efficiency and Renewable Energy Bonding Act. Ms. Martinez indicated that the proposed changes are intended to reduce the time frame during which expenses are fronted from the General Fund. She stated that the bill includes provisions to clarify the manner in which bonds secured by the gross receipts tax are issued. She also indicated that the bill would expand the ability to use funding for higher education institutions. In addition, she stated that the bill would make changes to improve assessments and audits under the Energy Efficiency and Renewable Energy Bonding Act.

In response to a committee member's question, Ms. Martinez clarified that an audit conducted pursuant to the Energy Efficiency and Renewable Energy Bonding Act includes a review of the energy efficiency aspects of a public building. In response to another question, Ms. Martinez stated that school districts, such as the Mountainair Public School District and the Santa Fe Public School District, have benefited from the provisions of the act.

A committee member asked about the manner in which gross receipts tax proceeds are used to finance projects pursuant to the Energy Efficiency and Renewable Energy Bonding Act. Mr. Dillenback explained that a certain amount of gross receipts tax proceeds is earmarked to secure bonds that are issued for energy efficiency measures.

A committee member inquired about how certain guidelines are used to employ energy efficiency measures. Ms. Martinez explained that engineering firms conduct audits to analyze a building's energy usage. Certain factors, including the age of the building and equipment, are considered. An analysis is conducted to determine how energy efficiency improvements can be made. Ms. Martinez stated that different renewable energy sources may be considered to improve energy efficiency, including solar energy, geothermal energy, ground source heat pumps, wind energy and biomass.

Report on Economic Development and Infrastructure in the Border Region

Jerry Pacheco, president and CEO, International Business Accelerator, and president, Border Industrial Association, provided the committee with a report on the status of economic and infrastructure development in the New Mexico/Mexico border region, particularly in the area surrounding Santa Teresa.

Mr. Pacheco stated that Santa Teresa in particular has a strategic advantage in terms of economic development due to its geographical location. He pointed out that it is centrally located on the border between the United States and Mexico and is equidistant between Los Angeles and Houston. He added that the Mexican state of Chihuahua, which neighbors Santa Teresa, is the largest exporter in Mexico, with \$45 billion in exports in 2015, and the city of Chihuahua is one of the largest manufacturing hubs in Mexico. Mr. Pacheco said that Santa

Teresa is situated to benefit from changes in global logistics and increased manufacturing growth in the region. He highlighted that New Mexico may be able to benefit from such growth by developing a supply chain for Mexico. Mr. Pacheco indicated that companies such as Union Pacific have taken measures to invest in the Santa Teresa region.

In the Santa Teresa area, there is potential for growth in the manufacturing sector, as several manufacturers in Mexico seek close geographic proximity for production suppliers, said Mr. Pacheco. He described efforts by International Business Accelerator's "Supply the Supplier" program to identify opportunities for New Mexico businesses to act as suppliers for businesses in the border region. He indicated that the automotive and aerospace industries in Mexico could foster additional opportunities for New Mexico businesses.

Mr. Pacheco presented several statistics regarding New Mexico's exports to Mexico. For instance, in 2016, exports to Mexico rose 18%, to \$457 billion. He noted that although New Mexico's total exports to Mexico are lower than exports of other border states, the rate of growth of New Mexico's exports is outpacing the rate of export growth in neighboring states. Mr. Pacheco said that since 2007, New Mexico's exports to Mexico have increased by almost 350%.

Mr. Pacheco provided the committee with a categorical list of New Mexico's leading exports to Mexico, with computer and electronic projects at the top of the list. Mr. Pacheco also provided the committee with statistics on the relative percentages of exports to Mexico from Albuquerque and Santa Teresa. He indicated that Albuquerque accounts for 48.3% of New Mexico's total exports to Mexico, while Santa Teresa accounts for 43.7%. He predicted that Santa Teresa has the potential to act as the state's major export base to Mexico by the end of 2016. Mr. Pacheco said that job creation has followed increased export activity and that 4,354 industrial-sector jobs now exist in the Santa Teresa region.

Mr. Pacheco provided the committee with a chart showing the relative funding levels for various ports of entry and statistics on commercial vehicle crossings at those ports of entry. He indicated that the funding levels at the Santa Teresa port of entry are relatively low compared to other ports of entry with fewer commercial vehicle crossings.

Mr. Pacheco described various facilities established by different companies in the Santa Teresa region. He specifically mentioned facilities established by FedEx Ground and by Valley Cold Storage and Transportation and investments by other companies, such as Union Pacific. He mentioned that 12 companies have been recruited to the Santa Teresa region as the result of the expansion of an overweight cargo zone in that area. He also informed the committee that in 2013, the governments of New Mexico and Chihuahua signed a bilateral agreement to facilitate economic development of their respective border states by consolidating a new industrial anchor to boost the regional economy at the Santa Teresa port of entry.

In response to a question from a committee member, Mr. Pacheco indicated that he is working to help obtain additional funding for the Santa Teresa port of entry. In response to

another question, Mr. Pacheco described the different types of and requirements for vehicles that cross the border at the overweight-cargo zone near Santa Teresa.

A committee member asked about how many of the industrial jobs created in the Santa Teresa region are attributable to New Mexico. He indicated that about 60% of the jobs created are attributable to Texas, while 40% are attributable to New Mexico. He indicated that efforts are being made to increase the percentage of jobs attributable to New Mexico, but due to the population base and specialized skill set also available in Texas, a significant portion of the job distribution would likely continue to be attributable to Texas.

Mr. Pacheco and committee members subsequently discussed how growth in the Santa Teresa region may provide opportunities for expansion of businesses in other regions of New Mexico. A committee member asked whether violence in the Juarez region has had any impact upon industrial growth in the Santa Teresa region. Mr. Pacheco indicated that it has had almost no effect on industrial growth in that region and, in fact, that the rate of growth increased. Mr. Pacheco and committee members also briefly discussed the progress of a rail bypass project in the Juarez region.

A committee member commented that for the Santa Teresa region, certain financing opportunities for infrastructure, such as use of bonding capacity, could be explored. Mr. Pacheco indicated that options for infrastructure investment are being explored. He suggested that approval by federal government agencies could play a key role in infrastructure development in the region.

Adjournment

The committee adjourned at 3:27 p.m.

Revised: November 30, 2016

**TENTATIVE AGENDA
for the
SIXTH MEETING IN 2016
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**December 1-2, 2016
Room 322, State Capitol
Santa Fe**

Thursday, December 1

- 9:30 a.m. **Call to Order and Welcome**
—Senator Joseph Cervantes, Chair
—Representative Jane E. Powdrell-Culbert, Vice Chair
- 9:35 a.m. (1) **NMFA Board Report**
—Robert P. Coalter, Chief Executive Officer (CEO), New Mexico Finance Authority (NMFA)
- 9:45 a.m. (2) **Report on Commercial Vehicular Traffic in the Southern Border Region**
—Tom Church, Secretary, Department of Transportation (DOT)
—Loren Hatch, Deputy Secretary, Office of Business Support, DOT
—Paul Sittig, Regional and Freight Planner, Statewide Planning Bureau, DOT
—Michael Sandoval, Executive Manager, Modal Program, DOT
—Homerio Bernal, International Programs Coordinator, DOT
—Jimmy Glascock, Deputy Chief, Commercial Vehicle Enforcement Bureau, Department of Public Safety
- 11:50 a.m. **Approval of Minutes**
- 11:55 a.m. (3) **Water Trust Board Presentation of Water Projects for Legislative Approval (Working Lunch)**
—Tom Blaine, State Engineer; Chair, Water Trust Board
—William Fulginiti, Executive Director, New Mexico Municipal League; Vice Chair, Water Trust Board (Invited)
—Tony Delfin, Acting Secretary, Energy, Minerals and Natural Resources Department; Member, Water Trust Board (Invited)
—Duffy Rodriguez, Secretary-Designate, Department of Finance and Administration; Member, Water Trust Board (Invited)
—Butch Tongate, Secretary-Designate, Department of Environment; Member, Water Trust Board (Invited)
—Marquita D. Russel, Chief of Programs, NMFA

- 2:00 p.m. (4) [Request for Endorsement of Proposed Legislation](#)
- (a) Water Trust Projects
 - (b) Appropriation to the Drinking Water State Revolving Loan Fund
 - (c) Delegation of Bond Sale Completion Authority
 - (d) Authorization of Projects for Funding from the Public Project Revolving Fund (PPRF)
 - (e) PPRF Funding Without Individual Project Approval by the Legislature
 - (f) Amendments to the Energy Efficiency and Renewable Energy Bonding Act
- Robert P. Coalter, CEO, NMFA
 - Michael Zavelle, Chief Financial Strategist, NMFA
 - Marquita D. Russel, Chief of Programs, NMFA
 - Zach Dillenback, Chief Lending Officer, NMFA

- 3:30 p.m. (5) [NMFA Report on the Economic Development Revolving Fund](#)
- Marquita D. Russel, Chief of Programs, NMFA

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

Friday, December 2

- 9:30 a.m. (6) [Increasing Efficiencies in Funding Local Capital Projects](#)
- Timothy Keller, State Auditor
 - David Abbey, Director, Legislative Finance Committee (LFC)
 - Linda Kehoe, Principal Analyst, LFC
 - Fred Nathan, Executive Director, Think New Mexico

- 11:00 a.m. (7) [Spaceport Authority Update](#)
- Richard Holdridge, Chair, Board of Directors, Spaceport Authority
 - Daniel Hicks, CEO, Spaceport Authority
 - Zach DeGregorio, CPA, Chief Financial Officer, Spaceport Authority

12:30 p.m. **Adjourn**

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

**December 1-2, 2016
Room 322, State Capitol
Santa Fe**

The sixth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, chair, on December 1, 2016 at 9:47 a.m. in Room 322 of the State Capitol.

Present

Sen. Joseph Cervantes, Chair
Rep. Jane E. Powdrell-Culbert, Vice Chair
Rep. David E. Adkins
Sen. Lee S. Cotter
Rep. Candy Spence Ezzell
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Idalia Lechuga-Tena
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez (12/1)
Sen. Michael Padilla
Rep. Patricia Roybal Caballero (12/1)
Rep. Patricio Ruiloba

Advisory Members

Rep. Alonzo Baldonado
Rep. Kelly K. Fajardo (12/2)
Rep. Roberto "Bobby" J. Gonzales
Sen. Mary Kay Papen (12/1)
Rep. Debbie A. Rodella
Rep. Sheryl Williams Stapleton

Absent

Rep. Sharon Clahchischilliage
Rep. Dona G. Irwin
Rep. Andy Nunez
Sen. Nancy Rodriguez
Sen. William P. Soules
Rep. Monica Youngblood

Sen. Jacob R. Candelaria
Rep. George Dodge, Jr.
Rep. Brian Egolf
Rep. Harry Garcia
Sen. Stuart Ingle
Rep. Sarah Maestas Barnes
Sen. Bill B. O'Neill
Sen. William H. Payne
Sen. John Pinto
Rep. Tomás E. Salazar
Sen. Clemente Sanchez
Rep. Don L. Tripp
Sen. James P. White

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

Staff

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)

Celia Ludi, Staff Attorney, LCS

Kathleen Dexter, Researcher, LCS

Jeff Eaton, Research and Fiscal Policy Analyst, LCS

Alexandria Tapia, Contract Staff, LCS

Minutes Approval

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

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Thursday, December 1**Welcome and Introductions**

Senator Cervantes welcomed everyone and asked members and staff to introduce themselves.

NMFA Board Report

Robert P. Coalter, chief executive officer (CEO), NMFA, provided the committee with background on how the NMFA has been issuing Public Project Revolving Fund (PPRF) bonds. The PPRF is the NMFA's flagship program and is used to finance public projects, such as water system upgrades and other infrastructure improvements, fire and law enforcement equipment and public buildings. Both market-rate-based loans and loans to disadvantaged communities at subsidized rates are made from the PPRF. Since 2012, there has been an increase of 13.5 percent in the dollar amount of PPRF issuances. Mr. Coalter stated that there was a recent bond sale that yielded \$38 million in bonds and added four new investors, bringing the total number of investors in the NMFA to 12 with about \$14 million to each investor. At that bond sale, the interest rate was 3.46 percent. While rates have gone up, they are still at historically low levels. The major client-pledged revenue sources for the PPRF include: the Fire Protection Fund, general obligation (GO) bonds, gross receipts taxes (GRTs), local special taxes, mill levies, state GRT, net system revenue and the Law Enforcement Protection Fund.

Mr. Coalter added that the NMFA recently received another \$45 million for the new markets tax credit. The application for this new tax credit is currently open, and the NMFA is working on informing people around the state about its availability.

Zach Dillenback, chief lending officer, NMFA, joined Mr. Coalter to answer questions from members. In response to the presentation, the committee addressed the following topics:

- the impact of the state debt and deficit on bond sales and rating;
- decreased state budget projections on the NMFA;
- factors affecting NMFA bond rating and capacity;
- clarification about the Debt Service Reserve Fund as separate from the state's reserves;
- a request for a report estimating the impact of a depleted Debt Service Reserve Fund on the PPRF and the NMFA's rating;
- eligibility of the new markets tax credit for projects such as broadband deployment;
- the NMFA's willingness to work with legislators to identify communities within their districts that would be eligible for the new markets tax credit;
- the need to demonstrate a community's ability to pay on a loan;
- an evaluation of the taxable nature of a bond issue;
- inquiries about specific projects, including one in Portales and one in Bloomfield;
- the impact of declining property tax generation on bond capacity;
- the risk of relying solely on a single industry for tax generation;
- the policy behind the maximum ceiling on the Debt Service Fund and the contingent fund, which is capped by the Debt Service Reserve Fund;
- issues with sweeping money out of the Debt Service Fund and the contingent fund; and
- the protracted time line for PPRF lending that prior legislative authorization requires.

Report on Commercial Vehicular Traffic in the Southern Border Region

Tom Church, secretary, Department of Transportation (DOT), provided an update to the committee on the status of New Mexico ports of entry (POEs). Since the DOT was delegated jurisdiction over the state POEs, the DOT partnered with the Department of Public Safety (DPS) to manage the POEs. Loren Hatch, deputy secretary, Office of Business Support, DOT, spoke briefly about the overall special emphasis of the Santa Teresa POE and the development of the Foxconn facility.

Secretary Church described the federal government's greater emphasis on the creation and development of freight corridors throughout the country. In December 2015, President Obama signed into law a new transportation funding appropriation bill known as the Fixing America's Surface Transportation (FAST) Act. The FAST Act provides a new freight-specific funding source while adding new requirements to state freight plans. Secretary Church mentioned that a new freight corridor from Long Beach, California, to Houston, Texas, is in the infancy stage. With Interstate 40 being the primary route, New Mexico is poised as a bridge between the states.

Paul Sittig, regional and freight planner, Statewide Planning Bureau, DOT, presented an update on the New Mexico's state freight plan and other initiatives related to freight planning in the state.

New Mexico State Freight Plan. The freight plan was started in 2014, and the DOT is currently updating the plan internally and developing a list of roadway projects to improve freight movement in the state to secure federal funding. New Mexico was apportioned \$58.8 million of National Highway Freight Program funding for the five years specified in the FAST Act, or approximately \$11.76 million per year. The freight plan focuses on three interstates and NM 136 from Santa Teresa.

National I-10 Freight Corridor Coalition. New Mexico is part of the National I-10 Freight Corridor Coalition, along with Texas, Arizona and California. The purpose of the coalition is to coordinate truck permitting, parking and platooning. Consultants are currently developing a "concepts of operations" (ConOps) report, estimated to be completed in early 2018, to ensure coordination among the four states. This is the first such multistate corridor development effort in the United States.

House Memorial (HM) 96 — Study Federal Surface Transportation Law. HM 96 from the 2016 regular session tasked the DOT and the Economic Development Department (EDD) to coordinate and develop a study to report on the potential for new economic development related to truck flows through the state. The focus is on the interstates, specifically where truck drivers are likely to stop. The study resulted in the identification of seven sectors along Interstate 10 and Interstate 40 where there is a concentration of drivers reaching the end of their service hours in New Mexico. The final report includes nine next steps to evaluate and improve services and amenities at interchanges (see the presentation this interim to the Transportation Infrastructure Revenue Subcommittee (TRANS), available on www.nmlegis.gov, for more information).

Western States Freight Coalition (WSFC). The DOT is a member of the WSFC, a coalition that brings together representatives from 18 western states and covers the region from the Dakotas and Texas to the western part of the country. States in the eastern part of the country benefit from a denser network system. States in the WSFC are able to coordinate on planning practices and provide joint responses to federal requests for comment on freight policies. Mr. Sittig, as a representative of the DOT, will be co-chairing the WSFC in 2017.

Michael Sandoval, executive manager, Modal Program, DOT, shared some of the common issues that companies and the freight industry have experienced while trying to do business at New Mexico's POEs. POEs generate revenue through commercial traffic, weight distance permits, the weight distance program, trip/fuel tax permits and oversize/overweight permits. Permits alone generate approximately \$100 million. The more efficiently that operations run at a POE, the more capacity the POE can handle, resulting in a likely increase in traffic. According to Mr. Sandoval, the most commonly reported complaints include: long wait times at POEs; difficulty in receiving technical assistance by telephone; difficulty in using the e-permitting system; the need for technology upgrades; that current regulations are out of date; and that the DPS transportation inspectors are selling permits instead of conducting inspections. The frequency of DPS officers selling permits reduced their ability to conduct inspections, posing a real safety concern.

In 2014, the DPS and DOT began discussions on possible solutions to address these issues and began a pilot program for all of the POEs with the exception of Santa Teresa. Some solutions have included the hiring of additional employees to sell permits, implementation of a new e-permitting system and several technology upgrades. The DOT is responsible for the administrative duty of all permitting functions. With some of these changes in place, single-trip permit processing wait times have been reduced from between 24 to 36 hours to an average of one hour, and multiple-trip permit processing wait times have been reduced from between five to seven days to an average of two hours. Permit sales reached 240,000 in the first full year since implementation of the pilot program. Safety inspections have also increased, which affect industry and the state in a positive way. Mr. Sandoval stated that, in the past, freight associations were the biggest critics of New Mexico POEs; they are now the biggest advocates for them.

Homerio Bernal, international programs coordinator, DOT, gave an overview of activity taking place in the border region. Current regional infrastructure projects in the Santa Teresa area include the Union Pacific Railroad Santa Teresa Terminal Project (intermodal facility), industrial development of both the WestPark and Los Santos industrial parks, Customs and Border Patrol (CBP) pilot project for dual customs and the Santa Teresa POE Foxconn facility. Mr. Bernal cautioned that it is important to be mindful that any type of expansion at the border affects surrounding roads and highways; increased traffic and freight also increase the wear and tear on infrastructure. Expansion plans must include support for roadways leading to and from POEs. Mr. Bernal discussed some of the ongoing efforts by the United States and Mexico to increase capacity for trade at the southern border with the addition of overweight cargo zones, a rail bypass study and more inspectors on the ground. Santa Teresa industrial development has added several tenants and expanded hours to 24-hour operations. Tenants at the site include FedEx, Valley Cold Storage, a wind blade storage facility and MCS Industries.

Mr. Bernal spoke about the international POEs located at Columbus and Antelope Wells. The Columbus POE handles a tremendous volume of vehicles entering into Palomas, Mexico. Construction on a new \$96 million CBP inspection facility will begin in January 2017, with an expected completion date of March 2019. The new facility will have dedicated privately owned vehicle inspection lanes along with new commercial vehicle export and import crossings. In 2012, a new \$11 million CBP facility was built at the Antelope Wells POE. Mr. Bernal informed the committee that there is now movement on the Mexican side of the border with the paving of Mexican Federal Highway 2, which had previously been dirt. The Mexican government has recently been funding infrastructure, which complements efforts by the United States.

The DOT has begun several projects, including the creation of the Santa Teresa Border Area Transportation Needs Assessment and Strategic Plan, which consists of a comprehensive needs assessment to prioritize transportation infrastructure within the region. The West Mesa Corridor Study will be looking at connecting the Santa Teresa POE through a corridor road between the Pete Domenici Highway (NM 136) and Interstate 10 West in Dona Ana County. Truck drivers are looking for quicker access points for commercial transport, and this corridor will provide an expedited route. The New Mexico-Chihuahua Border Master Plan is a binational

effort to create a workable plan for prioritizing and advancing POE and related transportation projects. The DOT has been working with Mexico and the State of Chihuahua on road improvements, highways and corridors. The DOT will be using the Santa Teresa POE to conduct a border wait time analysis. The analysis will focus on northbound commercial truck traffic and will integrate with the Border Crossing Information System. In closing, Mr. Bernal emphasized New Mexico's unique opportunity and geographic position for becoming an active player in international trade and the importance of continuing binational coordination.

Pete Kassetas, chief, New Mexico State Police, provided an overview of the agency's Commercial Vehicle Enforcement Bureau (CVE) at the Santa Teresa POE. The new CVE facility at the POE opened in June 2015 and was built to accommodate the projected growth in traffic. Chief Kassetas highlighted some of the new facility features, which include larger vehicle bays, license plate readers and the ability to conduct faster inspections on traditional vehicles. The POE is not currently a 24-hour facility and the CVE's hours correspond with the POE's existing hours of operation; there is a potential to expand hours, which would increase the need for six additional inspectors. Chief Kassetas briefly mentioned the staffing at the facility and provided an explanation of the commercial POE inspection process. When inspecting vehicles, inspectors check for compliance with existing regulations, proper and current registration, proper insurance, proper endorsements and licenses, record of duty status and the vehicle's origin and destination. The Santa Teresa POE is seeing an increase in the number of permit sales and the total number of inspections, with an average of over 94,000 safety inspections. Joint efforts with the DOT have been positive and have increased safety. Chief Kassetas cautioned against understaffing and taking officers off the road to conduct inspections because it compromises safety on the road.

Jimmy Glascock, deputy chief, CVE Bureau, DPS, discussed some of the benefits the bureau has seen following the partnership with the DOT. Prior to the partnership, along with transportation inspectors, state police officers were being tasked with selling permits. This caused issues both with enforcement and safety inspections. Now, however, there are employees charged solely with the sale of permits. Officers are back on the road and fulfilling their intended duties. Traffic at nearby Anthony, New Mexico, is doing much better and moving well. Wait times have been decreased and drivers are more satisfied. Deputy Chief Glascock thanked the DOT for its support and efforts for better coordination.

Members of the committee recognized the efforts of cooperation by the DOT and DPS. The accomplishments and increase in improved operational practices were noted by the committee. The following questions and topics were addressed in response to the presentation:

- challenges facing truck drivers doing business in the eastern part of the state;
- issues with renewals and permitting;
- the benefit of allowing the movement of wide loads on Sundays and the need for informing POEs of regulation changes;
- the need for reciprocity between states to keep up with ever-changing regulations;

- freight from Mexico, including increases in operations at sea ports;
- increase in traffic and wait times as a result of congestion from El Paso interchange construction;
- plans for building a fueling station at Santa Teresa;
- recognition of economic development and trade expansion opportunities for the state;
- impact of a new presidential administration on trade agreements and the North American Free Trade Agreement (NAFTA);
- large investments by Mexico and the state to build infrastructure in the border region;
- the need to reconsider exemption taxes and other potential revenue sources;
- methods of regulation enforcement and new technology;
- the need for road improvements and considerations for future maintenance with increased wear and tear from traffic;
- efforts by trucking companies to reduce wear and tear on vehicles and roads;
- numerous benefits of smooth, efficient and safe operations at POEs for all stakeholders;
- consideration of implementation of tolls and/or taxes;
- requirements and funding needs for expanding facilities to 24-hour operations;
- challenges with recruitment and retention of staff; and
- the potential for privatization and public-private partnerships.

Water Trust Board (WTB) Presentation of Water Projects for Legislative Approval

Tom Blaine, state engineer, and chair, WTB, commended the staff at the NMFA for working with the policy committee to help simplify the application process and encourage expenditures of previous water project funds. The Water Project Finance Act provides that the NMFA may make loans and grants to projects recommended by the WTB and authorized by the legislature. Several changes to the application process for water projects have been made in the last year, creating a more robust process. Following the changes to its rules, the WTB finalized comprehensive policy amendments that streamlined the funding requirements, simplified the application process, increased access to the program by providing a sliding scale for determination of local matches and increased transparency by including evaluation criteria for each project type within the policies. Some applicants have been discouraged from applying because they cannot meet the requirements, Mr. Blaine admitted, but the applications that have been submitted demonstrate more thorough preparation.

Marquita D. Russel, chief of programs, NMFA, discussed some of the work done by the NMFA in recent months and the evaluation process for applications. By August 8, 2016, the NMFA had received 80 notices of intent to file an application for water projects. On October 6, 2016, 62 applications totaling more than \$60 million were filed, two of which were deemed ineligible and four of which were deemed incomplete largely due to non-submission of required planning documents. The final list of reviewed applications included 56 projects totaling approximately \$58 million. Using the criteria set forth in the revised WTB project management policies, a project management team composed of staff from seven agencies and the Legislative

Finance Committee (LFC) evaluated the applications and provided its evaluations to the WTB, which met on November 3, 2016 to hear application presentations.

For the 2017 cycle, NMFA staff anticipates that a maximum net total of \$16.38 million will be available: \$14.2 million from severance tax bonds (STBs) plus \$4 million from the Water Trust Fund distribution, less 10 percent to the Office of the State Engineer for adjudication. Pursuant to WTB policies, the maximum amount a single project can receive is 15 percent, which is expected to total \$2.457 million for the 2017 cycle. Ms. Russel explained how project criteria are weighted and that each of the four project types has its own criteria for evaluation, along with policy targets for awards (see handout for a full breakdown and list of projects). The committee was provided a spreadsheet that detailed the 32 projects being recommended for legislative authorization. Projects up for reauthorization must spend their existing funds before they are allocated any additional funds. Ms. Russel did note that projects can request a waiver in some circumstances, but the NMFA will be granting fewer waivers in the coming year. The NMFA staff has been identifying projects that have potential spend-down issues and alerting entities of the issue. To date, the NMFA has awarded 350 projects. All but four of those have closed or have closing dates. The new policies implemented by the NMFA are working as they were intended.

Ms. Russel provided binders containing summaries of existing projects to the committee for review. The chair led the committee in praising the NMFA board and staff for their efforts to be more efficient and their work in holding applicants more accountable. Having a list of projects prior to the legislative session is helpful for legislators and helps to ensure that money is available for projects before they are approved. The committee discussed the following points relating to the WTB and water projects with the panel:

- local contribution requirement for WTB projects;
- benefits of the point system and criteria list;
- increased strength of project applications, largely due to planning document requirements;
- higher prioritization for health and safety projects;
- uncertainty as to what severance tax fund amounts will be for the upcoming budget year;
- communication with applicants and clients about status on the priority list;
- development of a structured and transparent water projects process that is both readable and understandable for applicants;
- the need for flexibility in percentages of project types;
- the WTB as a potential example for capital outlay reform; and
- the reality and impact of the state budget crisis on all agencies and departments.

Approval of Minutes

Upon proper motion by Representative Ezzell, seconded by Representative Powdrell-Culbert, the minutes from the fifth meeting of the NMFA Oversight Committee were unanimously approved by the committee.

Request for Endorsement of Proposed Legislation

The following legislation was presented to the committee for endorsement for the 2017 legislative session. A brief synopsis was provided for each bill followed by committee discussion. It is noted that support or opposition is reflective only of committee endorsement, not necessarily of the legislation itself.

Water Trust Projects (.204813.ISA). This proposed bill authorizes the NMFA to make loans or grants from the Water Project Fund for certain water projects. Ms. Russel noted that these were the 32 projects discussed during the previous presentation.

Following a motion by Representative Lundstrom, seconded by Representative Ezzell, the committee voted to endorse this legislation without any opposition. Senator Cervantes and Representative Lundstrom agreed to carry the bill during the 2017 session.

Appropriation to the Drinking Water State Revolving Loan Fund (.204809.ISA). This bill proposes to make an appropriation for drinking water system financing in the amount of \$1.8 million from the PPRF.

Upon motion by Representative Lundstrom, seconded by Representative Roybal Cabellero, the committee voted to endorse this legislation without any opposition.

Delegation of Bond Sale Completion Authority (.204812.ISA). This bill proposes to allow public bodies to delegate authority for making certain determinations regarding sales of public securities, clarify definitions and require reporting to the committee. The bill would allow public entities to delegate authority to approve the price at which public securities are sold at the time of final market pricing. Passage of this legislation would provide for sale flexibility, improved public accountability, informed decisions by delegates due to involvement in pricing and decreased costs of issuing bonds. A representative from RBC Capital Markets in Albuquerque noted support for the bill. Following discussion of the legislation, a suggestion was made to amend the effective period for the authorizing instrument from 180 days to 120 days. There was no objection to the change.

Upon proper motion by Representative Lundstrom, seconded by Representative Gomez, the committee moved to endorse this legislation, as amended, without any opposition.

Authorization of Projects for Funding from the PPRF (.204810.ISA). This bill proposes to authorize the NMFA to make loans for public projects from the PPRF. This bill details all of the entities seeking project funding, 128 in total. With this legislation, only those

projects listed in the bill or under the amount of \$1 million could be authorized by the NMFA without further legislative action. A discussion about the benefit of the bill for smaller communities ensued.

Following a motion by Senator Griggs, seconded by Senator Cotter, the committee voted to endorse the bill for the 2017 session without any opposition.

PPRF Funding Without Individual Project Approval by the Legislature (.205099.1SA). This proposed bill would permit the NMFA to make loans in excess of \$1 million to qualified entities without legislative authorization. Under this legislation, the list of entities has been removed, allowing the NMFA to independently make a determination regarding projects. Several members of the committee expressed concern regarding the legislation.

Following a motion to table by Representative Lundstrom, the bill was tabled without further consideration by the committee.

Amendments to the Energy Efficiency and Renewable Energy Bonding Act (.204811.4SA). This proposed bill amends the Energy Efficiency and Renewable Energy Bonding Act. Louise Martinez, director, Energy Conservation and Management Division, Energy, Minerals and Natural Resources Department, explained the purposes and impact the bill would have as an added potential to benefit entities in need of another funding resource. The bill would expand the current program to allow higher education institutions to be eligible for the program. It would also change the existing act to conform with current practice. The amendments of the proposed legislation do not increase or decrease administrative costs or bonding capacity beyond what was established with the original act. Members of the committee expressed concern about components of the bill, particularly language about a lease-purchase agreement.

Lacking a motion for endorsement, this bill was tabled by the committee without further consideration.

NMFA Report on the Economic Development Revolving Fund (EDRF)

Ms. Russel delivered the second of two statutorily required presentations on the EDRF to the committee. She noted that the presentation was just a report on the EDRF's status and that no action by the committee is necessary. The Statewide Economic Development Finance Act (SWEDFA) was established in 2003 to help stimulate the economy, particularly in rural and underserved areas of the state, by creating financing tools that put New Mexico on par with neighboring states. The SWEDFA partners the NMFA with the EDD in operating several programs. The EDRF is the fund created under the SWEDFA from which the NMFA makes loans. The EDRF is segregated into two sub-accounts that operate separately for state and federal funds — the Smart Money Loan Participation Program and the Collateral Support Participation Program. Ms. Russel highlighted some of the benefits of loan participation, which include the ability to allow the NMFA to fill financing gaps and lower costs for New Mexico

businesses. The NMFA is able to participate in a business loan by buying a portion of a loan made by a local bank, and the borrower benefits from a lower-cost loan. The majority of banks participating in these loans are community banks in New Mexico. John Brooks, director of commercial lending, NMFA, joined Ms. Russel in detailing the two programs for the committee:

- *Smart Money Loan Participation Program (Smart Money)*. This program provides long-term, low-cost financing to businesses located predominantly in rural New Mexico using state funds, and the NMFA shares equally in the collateral available to the bank. To date, Smart Money has participated in five loans for projects located in Alamogordo, Raton, Las Vegas, Las Cruces and Hobbs. Since the last report, the NMFA has approved an additional loan for a new health care facility in Las Cruces. The loan total for the six projects is \$27,216,694. The Smart Money portion for those projects is 26.7 percent, or \$7,261,662. An additional 12 loans totaling approximately \$13.34 million were approved by the NMFA, but for various reasons they did not move forward.
- *Collateral Support Participation Program (Collateral Support)*. This program provides short-term financing, such as construction or working capital lines of credit using federal funds. The NMFA is able to purchase "subordinate" collateral interest, which allows more capital to be advanced to businesses. In June 2011, the NMFA partnered with the EDD to administer the \$13.2 million in funding made available through the federal Small Business Jobs Act of 2010 and overseen by the U.S. Department of the Treasury. The funds are intended to increase the flow of capital to small businesses. The state is required to leverage 10 private dollars for each federal dollar by December 31, 2016, and the state is currently on track to meet this goal. Since the first loan was made in May 2012, five loans have already been paid in full. Those repaid loan funds are being used to fund other loans. All of the loans have been made to businesses that were started in New Mexico, helping existing businesses with expansion as well as start-ups. The total project financing for Collateral Support loans is \$54,924,864, with at least 256 jobs created in communities around the state.

Following the presentation by Ms. Russel and Mr. Brooks, members of the committee thanked the staff of the NMFA for their work over the course of the interim and expressed interest in expanding the work of the WTB into the capital outlay process. Mr. Coalter emphasized the work that NMFA staff has done to assist entities in spending their previously allocated money from the various NMFA programs. These spend-down targets are ensuring that entities are following and meeting guidelines for projects. A member cautioned that extenuating circumstances sometimes occur in these communities and expressed hope that the board is willing to make accommodations in these cases.

Recess

The committee recessed for the day at 4:24 p.m.

Friday, December 2

Reconvene

The second day of the sixth meeting of the NMFA Oversight Committee was reconvened by Senator Cervantes at 9:49 a.m.

Increasing Efficiencies in Funding Local Capital Projects

David Abbey, director, LFC, and Linda Kehoe, principal analyst, LFC, discussed the capital outlay process and possible improvements to it. They indicated that the LFC looks at local outstanding capital outlay appropriations every quarter and frequently provides reports to local governments. Ms. Kehoe provided the committee with a copy of the last quarterly report, including a detailed spreadsheet listing the projects and their statuses. As of October 2016, approximately \$842.8 million from all funding sources for 2,581 projects remains outstanding, including \$135.8 million of earmarked fund balances for water (\$63.6 million), colonias (\$38.4 million) and tribal (\$33.8 million) infrastructure projects. Approximately \$386.7 million remains outstanding from supplemental STBs for public schools. The December quarterly report will be available the second week of the legislative session and will include an additional 148 projects totaling \$174.3 million funded by GO bond issues approved by voters in November 2016. Since the June 2016 quarterly report, 610 projects totaling approximately \$169.1 million were expended or reverted, according to Ms. Kehoe.

The LFC tracks appropriated state funds of more than \$300,000 and less than \$1 million for local capital projects, with data derived from the Capital Project Monitoring System (CPMS) operated and maintained by the Department of Finance and Administration (DFA). Grantees responsible for oversight of the project are required to update the CPMS monthly; agencies are required to update monthly, but there continue to be a number of local entities that are out of compliance. A second report detailing local capital projects was distributed. Local capital projects are sponsored by individual legislators or the governor and funded with allocations set aside for these types of projects. With limited staff, the LFC is not able to look at all of the projects. Ms. Kehoe encouraged all legislators to review projects in their districts and work with their constituents to ensure completion. Given the state's current solvency issues, the LFC is looking at what reauthorizations are needed to make projects viable.

Ms. Kehoe stated that the capital outlay process is cumbersome and could benefit from being streamlined. Ms. Kehoe added that the State Board of Finance has created a paperless system and is no longer issuing bonds for projects that are not meeting requirements and audits. Mr. Abbey and Ms. Kehoe affirmed the many inconsistencies at the state level in terms of the capital outlay process. Mr. Abbey stated that the LFC and the DFA plan to continue to meet regularly to get some of these issues addressed administratively and without legislation. Mr. Abbey has spoken with Raúl Burciaga, director, LCS, and commented that there has been great success with a joint committee between the LFC and the LCS in the past. This may be a potential method of addressing capital outlay reform.

Timothy Keller, state auditor, Office of the State Auditor (OSA), noted that the capital outlay data from the LFC and DFA were more current than that of the OSA. The OSA's July 1, 2016 report will be available in February 2017. Recently, the OSA administratively changed the audit rule to require that agencies disclose their fund levels. This was not previously in the rule, and the OSA will now get this information on an annual basis. Auditor Keller highlighted some information from his office for the committee. There are about 400 funds and 86 agencies in New Mexico. The funds fall into two categories: capital outlay funds and dedicated revenue money. Some funds are used for a specific purpose and are not part of the budgeting process. While some funds are increasing, like those of the NMFA and Spaceport America, other funds seem mostly stagnant. Auditor Keller believes that more could be done structurally to address issues surrounding the capital outlay process. Ideally, there needs to be a task force looking at these funds and projects to ensure timely expenditures. By appointing a point person, or a tsar, there would be better transparency and accountability. He noted the difference between encumbered and allocated funds, clarifying that encumbered funds have legal constraints but can still be moved. The process could also benefit from automatic reversion of unspent funds after a reasonable period of time. Auditor Keller stated that there needs to be mutual responsibility between the government branches — some things could be addressed by the executive branch. Referencing the best practice handout, Auditor Keller stressed the need for greater collaboration with local governments to avoid conflicting projects. The upcoming OSA report has similar recommendations to those on the handout.

Fred Nathan, executive director, Think New Mexico, discussed what can be done to address some of the issues relating to capital outlay and why it should be fixed during the upcoming year. One area of agreement during the recent election was the overwhelming need for infrastructure investment throughout the country. According to Mr. Nathan, research shows that the public will support infrastructure improvements and the good-paying jobs created. As a general rule, a \$100 million investment in infrastructure generates 2,700 jobs. The state is currently looking at \$300 million in infrastructure needs; he stated that this is the single most important thing the state can do for job creation. By growing the economy, the likelihood of having to make budget cuts or raising taxes is reduced. Mr. Nathan believes that capital outlay reform should be at the top of the legislative agenda. Some elements to a successful approach to capital outlay reform include:

- a multi-year plan;
- objective criteria for ranking projects — using criteria such as "shovel readiness", availability of a federal or local match and urgency for public health and safety;
- geographical diversity;
- a focus solely on infrastructure projects that create jobs, not allocating funds for items such as equipment; and
- the process must be transparent to garner the support and input from citizenry.

Mr. Nathan shared some examples of what other states have done with their capital outlay programs. He noted that New Mexico has done well with public school capital outlay following

the *Zuni* lawsuit and provided a brief summary of the litigation. At the time of the lawsuit, 71 percent of school buildings were deemed deficient; that list is presently down to 35 percent. Mr. Nathan believes that this is a model for how all public infrastructure should be handled. A committee, absent of political agenda, should be created to focus entirely on addressing capital outlay. This committee would hold hearings, beginning at the start of the fiscal year, and evaluate projects by a set of criteria.

Stephanie Schardin Clarke, deputy secretary, DFA, clarified information about the executive order requiring local audits as a prerequisite for capital outlay funds. Entities can still receive capital outlay, but they must have a fiscal agent. The notion that there is a backlog of transactions waiting to be processed is inaccurate — there are different levels in the process, and an application could have issues at any of a number of junctures, causing delays. For example, the governmental applicant may not be in compliance with the Audit Act. As another example, an entity may not follow up after receiving communications from the DFA. There is a need for constant communication between all of those involved. Ms. Schardin Clarke urged committee members to contact the DFA if a constituent is experiencing an issue with the agency and the DFA will work to address the issue. Some suggestions for the process included the development of a working group composed of various agencies involved with capital outlay; ensuring project readiness prior to approval; and a reduction of the administrative burden. Reducing the number of project applications by eliminating those that are not ready to move forward would be a good approach.

Following the presentation, members of the committee discussed the information presented by the panelists. Some key points addressed were:

- difficulties experienced by entities in working with the DFA;
- the need for a percentage of infrastructure funding to be dedicated to maintenance;
- the need for prioritization of projects with good planning;
- collaborations with other legislative committees like TRANS and the Jobs Council;
- the importance of infrastructure in the creation and support of economic development;
- concern about remaining geographically equitable;
- greater prevalence of infrastructure needs in rural areas of districts;
- the need for consideration of projects requiring less than \$10,000;
- challenges of smaller entities that rely solely on volunteers with limited expertise and the need for greater outreach from the DFA to work with these entities;
- potential for planning from a regional perspective as opposed to a by-district approach;
- opportunities to leverage federal funding;
- current efforts by the OSA to engage smaller communities through the use of an "at risk" list to bring entities into compliance for using capital outlay funds;
- the availability of auditors to help small communities around the state;
- the impact of overall state budget cuts and impact on the OSA;
- the large number of funding requests in small communities for water projects;

- the importance of working with various levels of government to ensure both clarity of process and accountability;
- the existing internal capital outlay team at the DFA that meets every two weeks and efforts to improve consistency at the agency;
- the need for greater collaboration among all state agencies that are involved with the capital outlay process; and
- the need for legislators to begin examining capital outlay reform during the upcoming session.

Spaceport Authority Update

Richard Holdridge, chair, board of directors, Spaceport Authority, addressed the committee with an update of current operations at Spaceport America. Following a national search, the board of directors ultimately went with their first choice and hired Daniel Hicks as CEO of Spaceport America. Mr. Hicks' background includes work at White Sands Missile Range and previous experience with Spaceport America through a memorandum of agreement (MOA) between the two entities. Mr. Hicks highlighted some of the most recent activities at the facility, including the maintenance of five permanent aerospace tenants, 31 vertical launches, \$2.3 million in customer revenue for fiscal year (FY) 2016, the creation of 50 full-time jobs and Science, Technology, Engineering and Mathematics (STEM) outreach to over 2,000 sixth-grade students across the state annually. Spaceport America is funding 71 percent of its operating expenses in FY 2017 and 92 percent in FY 2018, and it will be 100 percent self-funded in FY 2019. There are 11 other spaceport facilities around the country. In addition to Virgin Galactic and Boeing, SpaceX, Up Aerospace, Exos Aerospace and Vanilla Aerospace are all customers at the facility; several others are currently in the pipeline. The committee viewed a video demonstrating sub-orbital operations. Spaceport America is bringing good economic value to the state and adding several other non-aerospace activities to generate revenue and encourage tourism. Four signature events have taken place or are scheduled at the facility, including an open house, the Spaceport America Drone Summit, a two-day endurance relay race and the Spaceport America Cup, which is the world's largest international intercollegiate rocket engineering competition. Beginning in January 2017, Spaceport America will be partnering with the virtual education platform "FieldTrip Zoom" to make Spaceport America STEM content available at no cost to every school in New Mexico. Spaceport America has received \$90 million in earned media for New Mexico in the last year, which is media related to a company's brand that is not directly generated by company-paid advertising.

The development of the Southern Road is critical to the future success of the Spaceport. Dona Ana County is expected to sign an MOA. The first step will be to finish the archaeological studies and begin work on the environmental studies. Construction is set to begin in July 2017 and will take approximately one year. About \$14 million in funds from STBs has been assigned to the Southern Road project. According to Mr. Hicks, every dollar invested in the Spaceport has a 20-fold return in economic impact. The General Fund investment for FY 2016 was \$944,000 and the economic impact was \$20.8 million.

The committee questioned representatives from the Spaceport Authority about the following aspects of the presentation:

- examples of horizontal launch capabilities;
- the potential as a testing site for launches and interest by global companies in the New Mexico facility;
- allocation of bond payments to county commissions for distribution to local schools;
- the need for expansion of manufacturing for drone technology in the state;
- the potential for manufacturing other technology developed at the national laboratories;
- the large investment by the state in the Spaceport and need for greater return;
- the potential for building capacity and partnerships with other national laboratories in the state;
- the willingness of new leadership in working collaboratively moving forward;
- the lease agreement with Virgin Galactic set to triple in payments for the coming year;
- operating budget for FY 2016 at \$5.6 million;
- questions about some of the other customers at the facility and their operations;
- an inquiry about the fencing project, particularly the cost of the project;
- potential future partnership with NASA;
- inquiries about STEM outreach and potential for partnership with the Public Education Department;
- involvement with the Jobs Council and TRANS;
- a request for more information regarding the finances of Spaceport America and the claim of self-sustaining operations;
- concern about use of the Spaceport for activities outside its intended purpose, i.e., races and events;
- concern expressed about Virgin Galactic and the future of space tourism; and
- a request for the amount of excess pledged revenue and the date for when the GRTs are set to expire.

Adjournment

There being no further business before the committee, the final meeting of the NMFA Oversight Committee for the 2016 interim adjourned at 12:49 p.m.

ENDORSED LEGISLATION

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HOUSE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

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 2018 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, 2017.

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HOUSE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

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

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1 authority:

2 1. the Agua Fria community water system association
3 in Santa Fe county for building, equipment, infrastructure,
4 debt refinance, road, land acquisition, water, wastewater,
5 water rights and solid waste projects;

6 2. the Alamogordo public school district in Otero
7 county for building, equipment, infrastructure, debt refinance,
8 road, land acquisition, water, wastewater, water rights and
9 solid waste projects;

10 3. the city of Alamogordo in Otero county for
11 building, equipment, infrastructure, debt refinance, road, land
12 acquisition, water, wastewater, water rights, special
13 assessment district and solid waste projects;

14 4. the Arroyo del Agua mutual domestic water
15 consumers association in Rio Arriba county for building,
16 equipment, infrastructure, debt refinance, road, land
17 acquisition, water, wastewater, water rights and solid waste
18 projects;

19 5. the Artesia public school district in Eddy and
20 Chaves counties for building, equipment, infrastructure, debt
21 refinance, road, land acquisition, water, wastewater, water
22 rights and solid waste projects;

23 6. the association for charter school educational
24 services for building, equipment, infrastructure, debt
25 refinance, road, land acquisition, water, wastewater, water

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1 rights and solid waste projects;

2 7. the city of Bayard in Grant county for building,
3 equipment, infrastructure, debt refinance, road, land
4 acquisition, water, wastewater, water rights and solid waste
5 projects;

6 8. the Bernalillo county metropolitan court in
7 Bernalillo county for building, equipment, infrastructure, debt
8 refinance, road, land acquisition, water, wastewater, water
9 rights and solid waste projects;

10 9. the Bernalillo public school district in
11 Sandoval county for building, equipment, infrastructure, debt
12 refinance, road, land acquisition, water, wastewater, water
13 rights and solid waste projects;

14 10. the Bluewater water and sanitation district in
15 Cibola county for building, equipment, infrastructure, debt
16 refinance, road, land acquisition, water, wastewater, water
17 rights and solid waste projects;

18 11. the Bloomfield school district in San Juan
19 county for building, equipment, infrastructure, debt refinance,
20 road, land acquisition, water, wastewater, water rights and
21 solid waste projects;

22 12. the village of Bosque Farms in Valencia county
23 for building, equipment, infrastructure, debt refinance, road,
24 land acquisition, water, wastewater, water rights and solid
25 waste projects;

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1 13. the Camino Real regional utility authority in
2 Dona Ana county for building, equipment, infrastructure, debt
3 refinance, road, land acquisition, water, wastewater, water
4 rights and solid waste projects;

5 14. the Capitan municipal school district in
6 Lincoln county for building, equipment, infrastructure, debt
7 refinance, land acquisition, water, wastewater, water rights
8 and solid waste projects;

9 15. the village of Capitan in Lincoln county for
10 building, equipment, infrastructure, debt refinance, land
11 acquisition, water, wastewater, water rights and solid waste
12 projects;

13 16. the city of Carlsbad in Eddy county for
14 building, equipment, infrastructure, debt refinance, road, land
15 acquisition, water, wastewater, water rights and solid waste
16 projects;

17 17. the Carlsbad municipal school district in Eddy
18 county for building, equipment, infrastructure, debt refinance,
19 road, land acquisition, water, wastewater, water rights and
20 solid waste projects;

21 18. the Central consolidated school district in San
22 Juan county for building, equipment, infrastructure, debt
23 refinance, road, land acquisition, water, wastewater, water
24 rights and solid waste projects;

25 19. the village of Chama in Rio Arriba county for

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1 building, equipment, infrastructure, debt refinance, road, land
2 acquisition, water, wastewater, water rights and solid waste
3 projects;

4 20. Chaves county for building, equipment,
5 infrastructure, debt refinance, road, land acquisition, water,
6 wastewater, water rights and solid waste projects;

7 21. Cibola general hospital in Cibola county for
8 solid waste projects;

9 22. the village of Cimarron in Colfax county for
10 building, equipment, infrastructure, debt refinance, road, land
11 acquisition, water, wastewater, water rights and solid waste
12 projects;

13 23. the Clayton municipal school district in Union
14 county for building, equipment, infrastructure, debt refinance,
15 road, land acquisition, water, wastewater, water rights and
16 solid waste projects;

17 24. the Cloudcroft municipal school district in
18 Otero county for building, equipment, infrastructure, debt
19 refinance, road, land acquisition, water, wastewater, water
20 rights and solid waste projects;

21 25. the village of Cloudcroft in Otero county for
22 building, equipment, infrastructure, debt refinance, road, land
23 acquisition, water, wastewater, water rights and solid waste
24 projects;

25 26. the Clovis municipal school district in Curry

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1 county for building, equipment, infrastructure, debt refinance,
2 road, land acquisition, water, wastewater, water rights and
3 solid waste projects;

4 27. the city of Clovis in Curry county for
5 building, equipment, infrastructure, debt refinance, road, land
6 acquisition, water, wastewater, water rights and solid waste
7 projects;

8 28. the governing board of Clovis community college
9 in Curry county for building, equipment, infrastructure, debt
10 refinance, road, land acquisition, water, wastewater, water
11 rights and solid waste projects;

12 29. the village of Columbus in Luna county for
13 building, equipment, infrastructure, debt refinance, road, land
14 acquisition, water, wastewater, water rights and solid waste
15 projects;

16 30. the village of Corrales in Sandoval county for
17 building, equipment, infrastructure, debt refinance, road, land
18 acquisition, water, wastewater, water rights and solid waste
19 projects;

20 31. the Cottonwood classical preparatory school in
21 Bernalillo county for building, equipment, infrastructure, debt
22 refinance, road, land acquisition, water, wastewater, water
23 rights and solid waste projects;

24 32. the Cuba soil and water conservation district
25 in Sandoval county for building, equipment, infrastructure,

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1 debt refinance, road, land acquisition, water, wastewater,
2 water rights and solid waste projects;

3 33. the city of Deming in Luna county for building,
4 equipment, infrastructure, debt refinance, road, land
5 acquisition, water, wastewater, water rights and solid waste
6 projects;

7 34. the Des Moines municipal school district in
8 Union county for building, equipment, infrastructure, debt
9 refinance, road, land acquisition, water, wastewater, water
10 rights and solid waste projects;

11 35. the town of Dexter in Chaves county for
12 building, equipment, infrastructure, debt refinance, road, land
13 acquisition, water, wastewater, water rights and solid waste
14 projects;

15 36. the village of Eagle Nest in Colfax county for
16 building, equipment, infrastructure, debt refinance, road, land
17 acquisition, water, wastewater, water rights and solid waste
18 projects;

19 37. the East Rio Arriba soil and water conservation
20 district in Rio Arriba county for building, equipment,
21 infrastructure, debt refinance, road, land acquisition, water,
22 wastewater, water rights and solid waste projects;

23 38. El Rito mutual domestic water consumers
24 association in Rio Arriba and Taos counties for building,
25 equipment, infrastructure, debt refinance, road, land

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1 acquisition, water, wastewater, water rights and solid waste
2 projects;

3 39. El Valle de Los Ranchos water and sanitation
4 district in Taos county for building, equipment,
5 infrastructure, debt refinance, road, land acquisition, water,
6 wastewater, water rights and solid waste projects;

7 40. the Eldorado water and sanitation district in
8 Santa Fe county for building, equipment, infrastructure, debt
9 refinance, road, land acquisition, water, wastewater, water
10 rights and solid waste projects;

11 41. the city of Elephant Butte in Sierra county for
12 building, equipment, infrastructure, debt refinance, road, land
13 acquisition, water, wastewater, water rights and solid waste
14 projects;

15 42. the town of Elida in Roosevelt county for
16 building, equipment, infrastructure, debt refinance, road, land
17 acquisition, water, wastewater, water rights and solid waste
18 projects;

19 43. the Espanola public school district in Rio
20 Arriba and Santa Fe counties for building, equipment,
21 infrastructure, debt refinance, road, land acquisition, water,
22 wastewater, water rights and solid waste projects;

23 44. the city of Farmington in San Juan county for
24 building, equipment, infrastructure, debt refinance, road, land
25 acquisition, water, wastewater, water rights and solid waste

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1 projects;

2 45. the village of Fort Sumner in De Baca county
3 for building, equipment, infrastructure, debt refinance, road,
4 land acquisition, water, wastewater, water rights and solid
5 waste projects;

6 46. the Gadsden independent school district in Dona
7 Ana and Otero counties for building, equipment, infrastructure,
8 debt refinance, road, land acquisition, water, wastewater,
9 water rights and solid waste projects;

10 47. Gila regional medical center in Grant county
11 for building, equipment, infrastructure, debt refinance, road,
12 land acquisition, water, wastewater, water rights and solid
13 waste projects;

14 48. Grant county for building, equipment,
15 infrastructure, debt refinance, road, land acquisition, water,
16 wastewater, water rights, special assessment district and solid
17 waste projects;

18 49. the Gilbert L. Sena charter high school in
19 Bernalillo county for building, equipment, infrastructure, debt
20 refinance, road, land acquisition, water, wastewater, water
21 rights, special assessment district and solid waste projects;

22 50. the Greater Chimayo mutual domestic water
23 consumers association in Rio Arriba and Santa Fe counties for
24 building, equipment, infrastructure, debt refinance, road, land
25 acquisition, water, wastewater, water rights and solid waste

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1 projects;

2 51. the town of Hagerman in Chaves county for
3 building, equipment, infrastructure, debt refinance, road, land
4 acquisition, water, wastewater, water rights and solid waste
5 projects;

6 52. Hidalgo county for building, equipment,
7 infrastructure, debt refinance, road, land acquisition, water,
8 wastewater, water rights and solid waste projects;

9 53. the city of Hobbs in Lea county for building,
10 equipment, infrastructure, debt refinance, road, land
11 acquisition, water, wastewater, water rights and solid waste
12 projects;

13 54. the Hobbs municipal school district in Lea
14 county for building, equipment, infrastructure, debt refinance,
15 road, land acquisition, water, wastewater, water rights and
16 solid waste projects;

17 55. the Hondo Valley public school district in
18 Lincoln county for building, equipment, infrastructure, debt
19 refinance, road, land acquisition, water, wastewater, water
20 rights and solid waste projects;

21 56. the village of Hope in Eddy county for
22 building, equipment, infrastructure, debt refinance, road, land
23 acquisition, water, wastewater, water rights and solid waste
24 projects;

25 57. the village of House in Quay county for

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1 building, equipment, infrastructure, debt refinance, road, land
2 acquisition, water, wastewater, water rights and solid waste
3 projects;

4 58. the village of Jemez Springs in Sandoval county
5 for building, equipment, infrastructure, debt refinance, road,
6 land acquisition, water, wastewater, water rights and solid
7 waste projects;

8 59. the Jemez Valley public school district in
9 Sandoval county for building, equipment, infrastructure, debt
10 refinance, road, land acquisition, water, wastewater, water
11 rights and solid waste projects;

12 60. the Jicarilla Apache Nation in Rio Arriba
13 county for building, equipment, infrastructure, debt refinance,
14 road, land acquisition, water, wastewater, water rights and
15 solid waste projects;

16 61. La Union mutual domestic sewer and water
17 association in Dona Ana county for building, equipment,
18 infrastructure, debt refinance, road, land acquisition, water,
19 wastewater, water rights and solid waste projects;

20 62. the Lake Arthur municipal school district in
21 Chaves county for building, equipment, infrastructure, debt
22 refinance, road, land acquisition, water, wastewater, water
23 rights and solid waste projects;

24 63. the town of Lake Arthur in Chaves county for
25 building, equipment, infrastructure, debt refinance, road, land

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1 acquisition, water, wastewater, water rights and solid waste
2 projects;

3 64. Las Cruces public school district in Dona Ana
4 county for building, equipment, infrastructure, debt refinance,
5 road, land acquisition, water, wastewater, water rights and
6 solid waste projects;

7 65. Lincoln county for building, equipment,
8 infrastructure, debt refinance, road, land acquisition, water,
9 wastewater, water rights, special assessment district and solid
10 waste projects;

11 66. Los Alamos public school district in Los Alamos
12 county for building, equipment, infrastructure, debt refinance,
13 road, land acquisition, water, wastewater, water rights and
14 solid waste projects;

15 67. Los Lunas public school district in Valencia
16 county for building, equipment, infrastructure, debt refinance,
17 road, land acquisition, water, wastewater, water rights and
18 solid waste projects;

19 68. the village of Los Ranchos de Albuquerque in
20 Bernalillo county for building, equipment, infrastructure, debt
21 refinance, road, land acquisition, water, wastewater, water
22 rights and solid waste projects;

23 69. the governing board of Luna community college
24 in San Miguel county for building, equipment, infrastructure,
25 debt refinance, road, land acquisition, water, wastewater,

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1 water rights and solid waste projects;

2 70. Luna county for building, equipment,
3 infrastructure, debt refinance, road, land acquisition, water,
4 wastewater, water rights, special assessment district and solid
5 waste projects;

6 71. the Magdalena municipal school district in
7 Socorro county for building, equipment, infrastructure, debt
8 refinance, road, land acquisition, water, wastewater, water
9 rights and solid waste projects;

10 72. McKinley county for building, equipment,
11 infrastructure, debt refinance, public improvement district,
12 road, land acquisition, water, wastewater, water rights,
13 special assessment district and solid waste projects;

14 73. the Melrose public school district in Roosevelt
15 and Quay counties for building, equipment, infrastructure, debt
16 refinance, road, land acquisition, water, wastewater, water
17 rights and solid waste projects;

18 74. the governing board of Mesalands community
19 college in Quay county for building, equipment, infrastructure,
20 debt refinance, road, land acquisition, water, wastewater,
21 water rights and solid waste projects;

22 75. the Mesquite mutual domestic water consumers
23 and mutual sewage works association in Dona Ana county for
24 building, equipment, infrastructure, debt refinance, road, land
25 acquisition, water, wastewater, water rights and solid waste

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1 projects;

2 76. the town of Mountainair in Torrance county for
3 building, equipment, infrastructure, debt refinance, road, land
4 acquisition, water, wastewater, water rights and solid waste
5 projects;

6 77. the Navajo Nation in San Juan and McKinley
7 counties for building, equipment, infrastructure, debt
8 refinance, road, land acquisition, water, wastewater, water
9 rights and solid waste projects;

10 78. the Ramah chapter of the Navajo Nation in
11 Cibola county for building, equipment, infrastructure, debt
12 refinance, road, land acquisition, water, wastewater, water
13 rights and solid waste projects;

14 79. the governing board of New Mexico junior
15 college in Lea county for building, equipment, infrastructure,
16 debt refinance, road, land acquisition, water, wastewater,
17 water rights and solid waste projects;

18 80. the board of regents of the New Mexico military
19 institute in Chaves county for building, equipment,
20 infrastructure, debt refinance, road, land acquisition, water,
21 wastewater, water rights and solid waste projects;

22 81. the North Central solid waste authority in Rio
23 Arriba and Santa Fe counties for building, equipment,
24 infrastructure, debt refinance, road, land acquisition, water,
25 wastewater, water rights and solid waste projects;

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1 82. the Pecos independent school district in San
2 Miguel county for building, equipment, infrastructure, debt
3 refinance, road, land acquisition, water, wastewater, water
4 rights and solid waste projects;

5 83. the Penasco independent school district in Taos
6 county for building, equipment, infrastructure, debt refinance,
7 road, land acquisition, water, wastewater, water rights and
8 solid waste projects;

9 84. the Pojoaque Valley public school district in
10 Santa Fe county for building, equipment, infrastructure, debt
11 refinance, road, land acquisition, water, wastewater, water
12 rights and solid waste projects;

13 85. the Pueblo of Acoma in Cibola county for
14 building, equipment, infrastructure, debt refinance, road, land
15 acquisition, water, wastewater, water rights and solid waste
16 projects;

17 86. the Pueblo of Isleta in Bernalillo county for
18 building, equipment, infrastructure, debt refinance, road, land
19 acquisition, water, wastewater, water rights and solid waste
20 projects;

21 87. the Pueblo of Jemez in Sandoval county for
22 building, equipment, infrastructure, debt refinance, road, land
23 acquisition, water, wastewater, water rights and solid waste
24 projects;

25 88. the Pueblo of Picuris in Taos county for

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1 building, equipment, infrastructure, debt refinance, road, land
2 acquisition, water, wastewater, water rights and solid waste
3 projects;

4 89. the Pueblo of San Felipe in Sandoval county for
5 building, equipment, infrastructure, debt refinance, road, land
6 acquisition, water, wastewater, water rights and solid waste
7 projects;

8 90. the Pueblo of San Ildefonso in Rio Arriba
9 county for building, equipment, infrastructure, debt refinance,
10 road, land acquisition, water, wastewater, water rights and
11 solid waste projects;

12 91. the Pueblo of Santa Clara in Rio Arriba county
13 for building, equipment, infrastructure, debt refinance, road,
14 land acquisition, water, wastewater, water rights and solid
15 waste projects;

16 92. the Pueblo of Santo Domingo in Sandoval county
17 for building, equipment, infrastructure, debt refinance, road,
18 land acquisition, water, wastewater, water rights and solid
19 waste projects;

20 93. the Pueblo of Taos in Taos county for building,
21 equipment, infrastructure, debt refinance, road, land
22 acquisition, water, wastewater, water rights and solid waste
23 projects;

24 94. the Pueblo of Tesuque in Santa Fe county for
25 building, equipment, infrastructure, debt refinance, road, land

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1 acquisition, water, wastewater, water rights and solid waste
2 projects;

3 95. the Pueblo of Zia in Sandoval county for
4 building, equipment, infrastructure, debt refinance, road, land
5 acquisition, water, wastewater, water rights and solid waste
6 projects;

7 96. the village of Questa in Taos county for
8 building, equipment, infrastructure, debt refinance, road, land
9 acquisition, water, wastewater, water rights and solid waste
10 projects;

11 97. the Raton public school district in Colfax
12 county for building, equipment, infrastructure, debt refinance,
13 road, land acquisition, water, wastewater, water rights and
14 solid waste projects;

15 98. the town of Red River in Taos county for
16 building, equipment, infrastructure, debt refinance, road, land
17 acquisition, water, wastewater, water rights and solid waste
18 projects;

19 99. Rehoboth McKinley Christian hospital in
20 McKinley county for building, equipment, infrastructure, debt
21 refinance, road, land acquisition, water, wastewater, water
22 rights and solid waste projects;

23 100. the village of Reserve in Catron county for
24 building, equipment, infrastructure, debt refinance, road, land
25 acquisition, water, wastewater, water rights and solid waste

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1 projects;

2 101. the Rio Rancho public school district in
3 Sandoval county for building, equipment, infrastructure, debt
4 refinance, road, land acquisition, water, wastewater, water
5 rights and solid waste projects;

6 102. the city of Rio Rancho in Bernalillo and
7 Sandoval counties for building, equipment, infrastructure, debt
8 refinance, road, land acquisition, water, wastewater, water
9 rights, special assessment district and solid waste projects;

10 103. the Roosevelt county special hospital district
11 in Roosevelt county for building, equipment, infrastructure,
12 debt refinance, road, land acquisition, water, wastewater,
13 water rights and solid waste projects;

14 104. the Roswell independent school district in
15 Chaves county for building, equipment, infrastructure, debt
16 refinance, road, land acquisition, water, wastewater, water
17 rights and solid waste projects;

18 105. the city of Roswell in Chaves county for
19 building, equipment, infrastructure, debt refinance, road, land
20 acquisition, water, wastewater, water rights and solid waste
21 projects;

22 106. San Juan regional medical center in San Juan
23 county for building, equipment, infrastructure, debt refinance,
24 road, land acquisition, water, wastewater, water rights and
25 solid waste projects;

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1 107. the village of San Ysidro in Sandoval county
2 for building, equipment, infrastructure, debt refinance, road,
3 land acquisition, water, wastewater, water rights and solid
4 waste projects;

5 108. Sandoval county for building, equipment,
6 infrastructure, debt refinance, road, land acquisition, water,
7 wastewater, water rights and solid waste projects;

8 109. the village of Santa Clara in Grant county for
9 building, equipment, infrastructure, debt refinance, road, land
10 acquisition, water, wastewater, water rights and solid waste
11 projects;

12 110. Santa Fe county for building, equipment,
13 infrastructure, debt refinance, public improvement district,
14 road, land acquisition, water, wastewater, water rights,
15 special assessment district and solid waste projects;

16 111. the Santa Fe public school district in Santa
17 Fe county for building, equipment, infrastructure, debt
18 refinance, road, land acquisition, water, wastewater, water
19 rights and solid waste projects;

20 112. the Santa Fe solid waste management agency in
21 Santa Fe county for building, equipment, infrastructure, debt
22 refinance, road, land acquisition, water, wastewater, water
23 rights and solid waste projects;

24 113. the city of Santa Fe in Santa Fe county for
25 building, equipment, infrastructure, debt refinance, public

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1 improvement district, road, land acquisition, water,
2 wastewater, water rights, special assessment district and solid
3 waste projects;

4 114. the city of Santa Rosa in Guadalupe county for
5 building, equipment, infrastructure, debt refinance, road, land
6 acquisition, water, wastewater, water rights and solid waste
7 projects;

8 115. the Silver consolidated school district in
9 Grant county for building, equipment, infrastructure, debt
10 refinance, road, land acquisition, water, wastewater, water
11 rights and solid waste projects;

12 116. the South Central solid waste authority in
13 Dona Ana county for building, equipment, infrastructure, debt
14 refinance, road, land acquisition, water, wastewater, water
15 rights and solid waste projects;

16 117. the town of Springer in Colfax county for
17 building, equipment, infrastructure, debt refinance, road, land
18 acquisition, water, wastewater, water rights and solid waste
19 projects;

20 118. the Taos regional landfill in Taos county for
21 building, equipment, infrastructure, debt refinance, road, land
22 acquisition, water, wastewater, water rights and solid waste
23 projects;

24 119. the Texico municipal school district in Curry
25 and Roosevelt counties for building, equipment, infrastructure,

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1 debt refinance, road, land acquisition, water, wastewater,
2 water rights and solid waste projects;

3 120. the Tierra Adentro of New Mexico in Bernalillo
4 county for building, equipment, infrastructure, debt refinance,
5 road, land acquisition, water, wastewater, water rights and
6 solid waste projects;

7 121. the Tierra y Montes soil and water
8 conservation district in San Miguel county for building,
9 equipment, infrastructure, debt refinance, road, land
10 acquisition, water, wastewater, water rights and solid waste
11 projects;

12 122. the Timberon water and sanitation district in
13 Otero county for building, equipment, infrastructure, debt
14 refinance, road, land acquisition, water, wastewater, water
15 rights and solid waste projects;

16 123. the city of Truth or Consequences in Sierra
17 county for building, equipment, infrastructure, debt refinance,
18 land acquisition, water, wastewater, water rights and solid
19 waste projects;

20 124. the village of Tularosa in Otero county for
21 building, equipment, infrastructure, debt refinance, road, land
22 acquisition, water, wastewater, water rights and solid waste
23 projects;

24 125. the village of Virden in Hidalgo county for
25 building, equipment, infrastructure, debt refinance, road, land

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1 acquisition, water, wastewater, water rights and solid waste
2 projects;

3 126. the West Las Vegas public school district in
4 San Miguel county for building, equipment, infrastructure, debt
5 refinance, road, land acquisition, water, wastewater, water
6 rights and solid waste projects;

7 127. the village of Willard in Torrance county for
8 building, equipment, infrastructure, debt refinance, road, land
9 acquisition, water, wastewater, water rights and solid waste
10 projects; and

11 128. the village of Williamsburg in Sierra county
12 for building, equipment, infrastructure, debt refinance, road,
13 land acquisition, water, wastewater, water rights and solid
14 waste projects.

15 **SECTION 2. VOIDING OF AUTHORIZATION.**--If a qualified
16 entity listed in Section 1 of this act has not certified to the
17 New Mexico finance authority by the end of fiscal year 2019 its
18 desire to continue to pursue a loan from the public project
19 revolving fund for a public project listed in that section, the
20 legislative authorization granted to the New Mexico finance
21 authority by Section 1 of this act to make a loan from the
22 public project revolving fund to that qualified entity for that
23 public project is void.

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

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53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

INTRODUCED BY

DISCUSSION DRAFT

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;

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

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

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

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

20 "NEW MATERIAL DELEGATION OF AUTHORITY BY PUBLIC BODY--
21 AUTHORIZING INSTRUMENT.--

22 A. A public body may adopt an authorizing
23 instrument that delegates to one or more members, officers or
24 employees of the public body, acting in a fiduciary capacity
25 within the scope of authority and the parameters and conditions

1 for the public securities set forth by the public body in the
2 authorizing instrument as described in Subsection B of this
3 section, the authority to sign a contract for the purchase or
4 sale of public securities or to accept a binding bid for public
5 securities and to determine the final terms for public
6 securities to be issued pursuant to Subsection C of this
7 section. The authorizing instrument shall be effective for one
8 hundred eighty days or for a specified shorter period.

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

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

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

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

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

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

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

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

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1 (8) the maximum amount of underwriting
2 discount, if any, as a percentage of the aggregate principal
3 amount of the public securities;

4 (9) the form of the public securities, subject
5 to the final terms described in Subsection C of this section;

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

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

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

19 (1) the interest and principal payment dates;
20 (2) the principal amount, denominations and
21 maturity amortization;

22 (3) the sale price;

23 (4) the interest rate;

24 (5) the interest payment periods;

25 (6) the redemption and tender provisions;

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

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

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

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

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

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

17 E. The delegatee shall certify in writing, prior to
18 the delivery of the public securities, that the final terms
19 determined pursuant to Subsection C of this section comply with
20 the parameters and conditions established in the authorizing
21 instrument pursuant to Subsection B of this section. The
22 delegatee shall present the written certification containing
23 the final terms of the public securities to the public body in
24 a timely manner, before or after the delivery of the public
25 securities, at a regularly scheduled meeting of the public body

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1 held in compliance with the Open Meetings Act.

2 F. A public body need not approve a determination
3 made by the delegatee pursuant to Subsection C of this section
4 if the determination complies with the parameters and
5 conditions established in the authorizing instrument pursuant
6 to Subsection B of this section. A determination made by the
7 delegatee pursuant to this section has the same force and
8 effect as a determination made by the public body. The
9 delegatee, while acting within the scope of the delegatee's
10 authority and the parameters and conditions established in the
11 authorizing instrument pursuant to Subsection B of this
12 section, shall not be subject to any personal liability for any
13 action taken or omitted within that scope of authority.

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

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

22 "[NEW MATERIAL] REPORT TO LEGISLATURE--AUTHORIZING
23 INSTRUMENT--DELEGATION OF AUTHORITY FOR PUBLIC SECURITIES
24 ISSUANCES.--By September 30 of each year, the authority shall
25 report to the New Mexico finance authority oversight committee

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1 about the authority's public securities issuances, completed in
2 the prior twelve months, that involved a delegation of
3 authority through an authorizing instrument pursuant to Section
4 2 of this 2017 act."

5 SECTION 4. EFFECTIVE DATE.--The effective date of the
6 provisions of this act is July 1, 2017.

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SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

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 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 Alcalde mutual domestic water consumers'
and mutual sewage works association in Rio Arriba county for a
water storage, conveyance and delivery project;

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

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

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

9 5. to the Canoncito at Apache Canyon mutual
10 domestic water consumers' and mutual sewage works association
11 in Santa Fe county for a water storage, conveyance and delivery
12 project;

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

15 7. to the village of Cimarron in Colfax county for
16 a water storage, conveyance and delivery project;

17 8. to the Claunch-Pinto soil and water conservation
18 district in Torrance county for a watershed restoration and
19 management project;

20 9. to the Claunch-Pinto soil and water conservation
21 district in Torrance county for an additional watershed
22 restoration and management project;

23 10. to the city of Clovis in Curry county for a
24 water conservation or treatment, recycling or reuse project;

25 11. to the village of Columbus in Luna county for a

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1 water storage, conveyance and delivery project;

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

4 13. to the East Rio Arriba soil and water
5 conservation district in Rio Arriba county for a watershed
6 restoration and management project;

7 14. to El Creston mutual domestic water consumers
8 association in San Miguel county for a water storage,
9 conveyance and delivery project;

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

12 16. to the eastern New Mexico water utility
13 authority in Curry county for a water storage, conveyance and
14 delivery project;

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

17 18. to the lower Arroyo Hondo mutual domestic water
18 consumers association in Taos county for a water storage,
19 conveyance and delivery project;

20 19. to the lower Rio Grande public water works
21 authority in Dona Ana county for a water conservation or
22 treatment, recycling or reuse project;

23 20. to the lower Rio Grande public water works
24 authority in Dona Ana county for a water storage, conveyance
25 and delivery project;

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1 21. to the North Star domestic water consumers and
2 mutual sewage works cooperative, incorporated, in San Juan
3 county for a water storage, conveyance and delivery project;

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

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

8 24. to the Santa Cruz water association in Santa Fe
9 county for a water storage, conveyance and delivery project;

10 25. to the city of Santa Fe in Santa Fe county for
11 a water storage, conveyance and delivery project;

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

15 27. to the city of Santa Rosa in Guadalupe county
16 for a water storage, conveyance and delivery project;

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

19 29. to the Trampas mutual domestic water consumers'
20 and mutual sewage works association in Taos county for a water
21 conservation or treatment, recycling or reuse project;

22 30. to the upper Rio Grande watershed district in
23 Rio Arriba county for a flood prevention project;

24 31. to the Ute Creek soil and water conservation
25 district in Harding county for a watershed restoration and

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management project; and

32. to the Valley Estates mutual water and sewer association in Rio Arriba county for a water storage, conveyance and delivery project.

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



LEGISLATIVE COUNCIL SERVICE
SANTA FE, NEW MEXICO