NEW MEXICO LEGISLATURE

NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

2015 INTERIM FINAL REPORT

Legislative Council Service
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Interim summary

NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

2015 Interim Summary

The New Mexico Finance Authority (NMFA) Oversight Committee met on eleven days to carry out its statutory duties and to monitor, oversee and receive presentations and reports on the programs, operations and financed projects of the NMFA, the Border Authority, the Spaceport Authority and the New Mexico Renewable Energy Transmission Authority (NMRETA). To hear about local community infrastructure needs, the committee traveled to Farmington, Bernalillo and Artesia.

NMFA programs. NMFA staff and the NMFA board chair gave overviews and updates about programs designed to promote economic development and programs designed to facilitate public infrastructure project financing. The NMFA kept the committee abreast of changes to the Water Project Fund program policies. The changes were intended to help applicants by streamlining the application and review process and clarifying evaluation criteria.

The NMFA requested the committee's action on changes for administering programs associated with the Public Project Revolving Fund (PPRF) and the Statewide Economic Development Finance Act/Economic Development Revolving Fund (EDRF). The NMFA proposed changing the PPRF program rules to expand eligibility for discounted-rate borrowing. The committee modified then approved the modified PPRF program rule. In addition, the committee endorsed proposed legislation, requested by the NMFA, to extend for three years a suspension of the requirement for prior legislative authorization of certain EDRF loans.

NMFA operations. NMFA staff reported that, among other NMFA achievements, the NMFA's loan activity increased from the prior fiscal year, the NMFA began implementation of a new loan-origination system and the NMFA submitted its annual state-required audit to the state auditor ahead of the deadline.

NMFA-financed projects. Several local government and Indian government representatives from the regions where meetings were held testified about those governments' participation in the NMFA's public infrastructure project financing programs. The representatives uniformly praised the NMFA and the benefits its programs afford.

NMFA Water Project Fund project authorization list and bill. The committee reiterated its longstanding, yet-unfulfilled, request to be presented before December 1 with a culled list of projects recommended by the Water Trust Board for funding through the Water Project Fund. Because of program changes made and the timing of the application process, the NMFA could not present the committee with a list, embodied in a draft authorization bill, until January. So, only days before the 2016 legislative session began, the committee had a special meeting to consider the proposed water project authorization bill for endorsement. At that meeting, NMFA staff assured the committee that, in the future, the level of completeness of the list presented to the committee and the timing of that presentation would be more to the committee's satisfaction.

Spaceport Authority. As it had in past interims, the committee expressed its frustration with the lack of progress in the spaceport's economic development and self-sufficiency. Representatives of the spaceport responded by stressing that the state's investment in space commercialization is necessarily a long-term, costly pursuit whose payoffs, they assured the committee, will be realized eventually.

NMRETA. The NMRETA board chair reported to the committee on the NMRETA's precarious state. Following the 2015 legislative session, the governor line-item vetoed the appropriation for the agency's fiscal year 2016 operations, thereby jeopardizing the agency's continued existence. Anticipating the withering of its primary source of funding, the agency began planning for its closure. Shortly before the planned closing, a company that the NMRETA had partnered with stepped in and offered its financial help. The NMRETA board, the committee was told, would vote on whether to accept the help and keep the agency's doors open.

Endorsements

The committee endorsed six bills for introduction in the 2016 legislative session. Those bills would:

- authorize the NMFA to make loans from the PPRF for public infrastructure projects;
- allow public bodies to delegate authority for making certain decisions on the sale of public securities;
- extend suspension of the requirement for legislative authorization of non-state Statewide Economic Development Finance Act projects;
- appropriate $3 million from the PPRF to the Local Government Planning Fund;
- appropriate $1.8 million from the PPRF to the Drinking Water State Revolving Loan Fund; and
- authorize the NMFA to make loans and grants from the Water Project Fund.

WORK PLAN AND MEETING SCHEDULE

2015 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

Members

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

Advisory Members

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

Duties during the 2015 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 on the consideration of projects eligible for funding under the Water Project Fund and review the policies and procedures of the Water Trust Board;

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

(7) receive testimony from a member of the NMFA board about board actions;

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

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

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

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

(12) receive testimony on the federal funds available for New Mexico projects that are overseen by the committee;

(13) receive testimony on transportation infrastructure needs and funding options; and

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

New Mexico Finance Authority Oversight Committee
2015 Approved Meeting Schedule

Date	Location
May 18	Santa Fe
July 22-23	Farmington
August 13-14	Bernalillo
September 10-11	Artesia
October 6-7	Santa Fe
November 19-20	Santa Fe

AGENDAS AND MINUTES

Revised: May 18, 2015

TENTATIVE AGENDA
for the
FIRST MEETING IN 2015
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

May 18, 2015
State Capitol, Room 322
Santa Fe

<u>Monday, May 18</u>

10:00 a.m.		**Call to Order and Welcome** —Representative Jane E. Powdrell-Culbert, Chair —Senator Joseph Cervantes, Vice Chair
10:05 a.m.		**New Mexico Finance Authority (NMFA) Mission and Purpose** —Robert P. Coalter, Chief Executive Officer (CEO), NMFA
10:30 a.m.		**NMFA Board Report** —John E. McDermott, Chair, NMFA Board —Robert P. Coalter, CEO, NMFA
11:00 a.m.	(1)	**<u>Proposed Bond Sale for Winrock Tax Increment Development District — Bond Issuance Process; Selection of Indenture Reviewer</u>** —Robert P. Coalter, CEO, NMFA —Marquita D. Russel, Director of Programs, NMFA —Dan Opperman, General Counsel, NMFA —Jill K. Sweeney, Esq., Sherman & Howard, LLC
12:00 noon	(2)	**<u>Proposed Work Plan and Meeting Schedule</u>** —Lisa Sullivan, Staff Attorney, Legislative Council Service
12:30 p.m.		**Adjourn**

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

May 18, 2015
Room 322, State Capitol
Santa Fe

The first meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Jane E. Powdrell-Culbert, chair, on Monday, May 18, 2015, at 10:00 a.m. in Room 322 of the State Capitol in Santa Fe.

Present
Rep. Jane E. Powdrell-Culbert, Chair
Rep. David E. Adkins
Rep. Sharon Clahchischilliage
Sen. Lee S. Cotter
Rep. Candy Spence Ezzell
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Dona G. Irwin
Rep. Stephanie Maez
Sen. Richard C. Martinez
Rep. Andy Nunez
Sen. Michael Padilla
Sen. Nancy Rodriguez
Rep. Patricia Roybal Caballero

Absent
Sen. Joseph Cervantes, Vice Chair
Rep. Patricia A. Lundstrom
Rep. Patricio Ruiloba
Sen. John C. Ryan
Sen. William P. Soules
Rep. Monica Youngblood

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

Staff
Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Diego Jimenez, Research Assistant, LCS
Tessa Ryan, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Monday, May 18

NMFA Mission and Purpose

NMFA staff members in the audience introduced themselves to the committee. They were Robert Brannon, chief financial officer, Zach Dillenback, chief lending officer, Dan Opperman, general counsel, and Michael Zavelle, chief financial strategist. Presenters Robert P. Coalter, chief executive officer, and Marquita D. Russel, chief of programs, introduced themselves and gave an overview of the NMFA's purpose and structure, as follows.

Project financing. Primarily, the NMFA finances community infrastructure projects. The Public Project Revolving Fund (PPRF), the Local Government Planning Fund and the Colonias Infrastructure Project Fund provide money for infrastructure and capital equipment project financing. Water projects are funded through the federally capitalized Drinking Water State Revolving Loan Fund, the state-capitalized Water Project Fund and the much smaller, privately capitalized Acequia Project Fund.

Public Project Revolving Fund. The PPRF program, the NMFA's largest, provides low-cost financing at standard and below-market interest rates for a wide variety of infrastructure and capital equipment projects. Many types of governmental entities qualify for PPRF funding. Through the program, they can get help analyzing credit and debt capacity, structuring loans and refinancing loans. PPRF bonds have notably high, advantageous ratings: AAA and Aa1. A contingent liquidity account helps to maintain the important ratings. The NMFA asked that the committee this interim discuss whether to adjust the financing structure for entities with lower-than-average median household incomes.

Local government planning. The legislature initially designed the Local Government Planning Fund program to help recipient entities plan water and wastewater projects. The legislature later expanded the program to offer greater repayment forgiveness and allow the use of funding for other types of plans, including master plans, conservation plans, economic development plans and infrastructure plans. The program has grown in the past two years.

Colonias. The Colonias Infrastructure Project Fund program helps to finance projects in designated colonias. Money from the sale of senior severance tax bonds funds the projects. An independent board oversees the program, which is in its fourth funding cycle.

Drinking water. Operated jointly with the Department of Environment, the Drinking Water State Revolving Loan Fund program finances drinking water facility construction and improvements. Recipient entities can get financing at a standard 2% rate or a disadvantaged 0% rate and possibly also principal forgiveness. After the Department of Environment publishes ranked lists of eligible projects, the NMFA processes applications for those projects in priority order.

Water projects and acequia projects. Sales of senior severance tax bonds generate most of the money for Water Project Fund project loans and grants, for which demand has grown. Project categories are: water conservation, treatment, recycling or reuse; flood prevention; federal Endangered Species Act of 1973 collaboration; water storage, conveyance and delivery; and watershed restoration and management. The NMFA recently tried to make the application and funding process easier for applicants. Each year, the Water Trust Board recommends, and the legislature considers, Water Project Fund projects and Acequia Project Fund projects for funding. Money in the Acequia Project Fund is used for grants to plan projects.

Health infrastructure programs. The NMFA also helps to finance community facilities through the Primary Care Capital Fund and the Behavioral Health Capital Fund. The Department of Health helps to administer the Primary Care Capital Fund program, which provides capital at a 3% interest rate for certain nonprofit, rural, primary-care clinics, school-based health centers and telehealth sites. Some loan repayment is forgiven in exchange for indigent patient treatment. Certain small, rural behavioral health clinics can access similar financing through the corollary Behavioral Health Capital Fund, also administered by the NMFA with help from the Human Services Department.

Economic development. The Statewide Economic Development Finance Act established the Economic Development Revolving Fund and enables the NMFA to administer the New Markets Tax Credit program. To implement the New Markets Tax Credit program, the NMFA partnered with another organization to form Finance New Mexico, LLC, which has received $156 million from the federal government to invest in businesses located in low-income communities. Most of that money is invested.

The NMFA uses money in the Economic Development Revolving Fund to partner with banks to make business loans through the Smart Money Initiative program and the Collateral Support Participation program. The state has appropriated a net of over $5 million, and the federal government over $13 million, to the fund. A provision in the act requiring executive and legislative authorization for loans was suspended and will reactivate in June. The NMFA requested that the committee consider this interim whether to continue that suspension.

Through the Smart Money Initiative, the NMFA buys interests in loans made by banks to private, for-profit and nonprofit entities, and it shares equally with the banks in the collateral used to support the loans. The Economic Development Department (EDD) certifies projects, and job creation is a condition of each loan. The EDD also helps to administer the Collateral Support Participation program. Under that program, the NMFA's participation helps to mitigate the risk to the bank, and the bank has a senior interest in the collateral.

Oversight. An independent board and the legislature oversee the NMFA. The committee reviews the NMFA's budget and proposed NMFA rules and legislation.

2015 legislation. Five of the six pieces of legislation endorsed last interim by the committee were enacted into law. They include measures to authorize infrastructure projects, appropriate money and allow public bodies to delegate authority in public-securities sales. Mr. Coalter and Ms. Russel expressed appreciation for the bills' passage.

Lastly, Ms. Russel reviewed an NMFA organizational chart and table of recent program activity.

<u>Questions and Discussion</u>

On questioning, the committee and presenters addressed the following topics.

Acequias. Ms. Russel indicated that to qualify for acequia program funding, an entity must be organized as a ditch association. She also stated that although most funded projects are located in the state's northern region, no geographical restriction applies to program eligibility.

Health infrastructure. Ms. Russel elaborated on the health infrastructure loan programs. The Human Services Department recommends projects for funding through the behavioral health infrastructure program, which is modeled after the primary care infrastructure program. The behavioral health program helps create or expand nonprofit clinics with small asset bases. In the primary care program, loan amounts, which are not capped, are based on an applicant's revenue sources and underlying cash flow.

Colonias. Ms. Russel also elaborated on the colonias infrastructure program. Only communities within 150 miles of the Mexican border are eligible. This geographic designation aligns with the federal definition of "colonia", a feature that makes possible the leveraging of federal money. Ten percent of the funding for each project is offered in the form of a loan and the rest as a grant. Sometimes funding goes toward a project phase rather than a full project. In each case of funding, an incorporated government whose boundaries encompass the colonia sponsors the project and owns and maintains the funded asset. Ms. Russel clarified that, although the 5% share of Severance Tax Bonding Fund capacity dedicated to the program remains unchanged, recent legislation reducing gross bonding capacity will decrease the amount that otherwise would have been available for the program.

A member remarked on the statewide presence of colonia-like communities and argued against the practice of concentrating in a particular region some severance tax revenue, which is understood as intended for the whole state's benefit. The member expressed a desire to reconsider legislation that would remove the program's geographic restrictions. Another member pointed out that the capital outlay program, which also relies on severance tax revenue, distributes funds unevenly.

***Bank participation*.** Ms. Russel explained that having a subordinated interest in a loan means that if the borrower defaults, the NMFA is repaid with what collateral proceeds remain after the primary interest holder is repaid. She added that: 1) in the two bank participation programs, the NMFA partners with community banks in the case of a relatively small percentage of loans; 2) although eligible and marketed to, credit unions have not participated in the programs; 3) some money originally appropriated to the programs was reverted to help the state with solvency; and 4) the programs are marketed in a variety of ways. Members requested follow up about defaulted loans, servicing fees that the NMFA pays to banks and administrative fees that borrowers pay to the NMFA.

NMFA Board Report

John E. McDermott, chair, NMFA board, described his background with the NMFA. He joined the board in 2012 out of an interest in improving, among other things, job opportunities in the state. In the 2015 regular session, the legislature confirmed him as board chair. His aim is to help the NMFA maintain its high credit rating and operate at a high standard. Mr. McDermott expressed his gladness for the agency's clean 2014 fiscal audit and asserted that the NMFA is a well-conceived arm of government.

Mr. Coalter reviewed NMFA loan activity, grant funding and other recent NMFA activities. He highlighted increases from the past year in: loan interest income; the number of PPRF projects funded; the amount lent for water projects; and the amount lent for, and the number of, colonias projects. Mr. Coalter explained some significant percentage changes shown in the NMFA's statement of net position. He also highlighted the current efforts, including by a special subcommittee, to revamp and automate the existing bond, banking and loan management system.

In response to a committee member's question, Mr. McDermott said that the NMFA serves a variety of constituencies, but compared with their larger counterparts, small communities tend to seek financing through the NMFA rather than private sources.

Proposed Bond Sale for Winrock Tax Increment Development District (TIDD) — Bond Issuance Process; Selection of Indenture Reviewer

Jill K. Sweeney, Sherman & Howard, LLC, an attorney representing the Winrock TIDD, provided background on TIDDs and the Winrock district. Ms. Sweeney explained that tax increment financing is an economic development tool used to improve the infrastructure in a district. Bonds sold to pay for the infrastructure are repaid with tax increments. In the case of Winrock, portions of the city, county and state gross receipts tax revenue generated in the district would be used to repay its bonds. For all TIDDs, a master indenture outlines the terms for bond issuance to ensure that the proceeds from a bond sale are used according to the district's plan.

Ms. Sweeney went on to explain that legislation enacted in 2009 to allow bond issuance for the Winrock TIDD conditioned that authorization on review by the NMFA, the Legislative Finance Committee and a third party, chosen by the committee, with financing expertise. Two financial service firms, The PFM Group (PFM) and Western Financial Group (Western), each prepared materials summarizing its interest in and qualifications for serving as the third party. The committee was being asked to select at the meeting the third party to review the Winrock master indenture. A representative of each firm was expected to be available by phone if needed.

Questions and Discussion

On questioning and in its deliberation, the committee and presenters addressed the following topics.

Committee involvement. Ms. Sweeney clarified that the committee's role in the process was limited to selecting a third party to review the master indenture, not to authorizing or reviewing the project for approval. She indicated, and several members agreed, that the legislative provision requiring the committee to make that selection was peculiar. A member described reasons that it seemed inappropriate for the committee to make the selection, including that: 1) such a task is more appropriately conducted by an administrative body; 2) the committee lacks the expertise necessary for proper selection; and 3) the committee had no opportunity to conduct a thorough review of the applicant firms. Members expressed unease about whether there could be legal implications from the committee having to choose between candidates.

Candidate selection by the NMFA. Mr. Coalter said that the NMFA worked with consultants to develop a list of candidate firms for the committee to consider. A preliminary list included a New Mexico firm. Ultimately, firms with possible conflicts of interest were excluded from the list given to the committee. Members expressed concern that the NMFA did not engage in a request-for-proposals process.

Timing. Ms. Sweeney said that the work by the third party must be completed by the end of May. Mr. Coalter added that there would be no bond sale if a third party were not selected and did not review the master indenture. Responding to members' reservations to select a firm under the circumstances, David P. Buchholtz, Rodey Law Firm, an attorney representing the Winrock developer, encouraged the committee to reach a decision at the meeting. He explained that financing issues prevented the process from moving forward sooner and that the meeting was the first opportunity in many months to make the request of the committee. He added that the transaction would be at risk if not acted upon presently.

Absence of firm representatives. Members expressed dissatisfaction about the absence of firm representatives to testify, in spite of the transaction's relatively small scale, and about a sense of pressure to make a decision. Mr. Opperman relayed the firms' regret for their absence and noted the short notice they were given. Mr. Coalter added that the firms were told that they could participate by phone. Mr. Coalter had Western's representative on the phone; PFM's representative did not answer Mr. Coalter's call.

Relative strengths of each firm. Ms. Russel testified that both firms on the list had provided bond-issuance services for the NMFA in the past. Mr. Coalter said that both were experienced, qualified and based out of state and had agreed to complete the task by the end of May. He also said that the service fees in each firm's proposal — $10,000 for Western and $15,000 for PFM — seemed reasonable for the scope of work. Through Mr. Coalter, a member asked Western's representative if the firm would agree to perform the work for its proposed fee before the end of May. The representative said yes. When asked whether he had experience with other TIDDs, the representative said that he had participated in bonding programs in other states. When asked whether the difference between more standard bonding programs and TIDDs was meaningful in this context, Mr. Buchholtz responded that he believed it not to be. Several members articulated their impression that both firms were qualified and would be a good choice. Members also pointed out that the cost difference of the proposals and the fact that Western's representative was available by phone made Western the preferred choice.

Selection. On a motion made and seconded, and with two members voting in the negative, the committee selected Western as the third-party service provider.

Proposed Work Plan and Meeting Schedule

Ms. Sullivan presented the committee's 2015 proposed work plan and meeting schedule. She noted that much of the plan's content was based on statutory requirements and resembled content from previous years. At a member's request, Ms. Russel agreed to communicate to the Water Trust Board the committee's interest in seeing, by the October meeting, the list of recommended water projects. On a motion made and seconded, the committee adopted the proposed work plan and meeting schedule.

Adjournment

There being no further business before the committee, the first meeting of the NMFA Oversight Committee adjourned at 12:45 p.m.

Revised: July 23, 2015

TENTATIVE AGENDA
for the
SECOND MEETING IN 2015
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

July 22-23, 2015
San Juan College
Merrion Room, School of Energy
5301 College Blvd.
Farmington

Wednesday, July 22

10:00 a.m.		**Call to Order and Welcome** —Representative Jane E. Powdrell-Culbert, Chair
10:05 a.m.	(1)	**Welcome** —Randy Pacheco, Dean, School of Energy, San Juan College —Tommy Roberts, Mayor, City of Farmington
10:30 a.m.	(2)	**Drinking Water State Revolving Loan Fund Project Update** —Marquita D. Russel, Chief of Programs, New Mexico Finance Authority (NMFA)
10:55 a.m.	(3)	**Approval of Minutes**
11:00 a.m.	(4)	**Water Trust Board Update** —Marquita D. Russel, Chief of Programs, NMFA
11:45 a.m.	(5)	**Economic Development Revolving Fund Review** —Marquita D. Russel, Chief of Programs, NMFA —John Brooks, Director of Commercial Lending, NMFA
12:30 p.m.	(6)	**New Markets Tax Credit Program; Farmington Project (Working Lunch)** —Marquita D. Russel, Chief of Programs, NMFA —John Brooks, Director of Commercial Lending, NMFA —Steven C. Hansen, President and Chief Executive Officer (CEO), Presbyterian Medical Services

2:00 p.m. (7) **NMFA Budget**
—Robert P. Coalter, CEO, NMFA
—Robert Brannon, Chief Financial Officer, NMFA

2:30 p.m. (8) **Public Project Revolving Fund (PPRF) Projects in Bloomfield and Chama Valley Independent School District**
—Robert P. Coalter, CEO, NMFA
—Marquita D. Russel, Chief of Programs, NMFA
—Teresa Brevik, Projects Manager, City of Bloomfield

3:30 p.m. (9) **Four Corners Petrochemical Cluster Opportunities**
—Ray Hagerman, CEO, Four Corners Economic Development

Recess

Thursday, July 23

9:30 a.m. (10) **Community Report on the Use of the Local Government Planning Fund by McKinley County and the City of Gallup**
—Anthony Dimas, Jr., Director, Office of Emergency Management, McKinley County
—Jeffrey Kiely, Executive Director, Northwest New Mexico Council of Governments (COG)
—Evan Williams, Deputy Director, Northwest New Mexico COG
—Jackie McKinney, Mayor, City of Gallup
—C.B. Strain, Director, Planning and Zoning Department, City of Gallup
—Michael Sage, Deputy Director, Greater Gallup Economic Development Corporation
—Francis Bee, Executive Director, Gallup Business Improvement District

10:45 a.m. (11) **PPRF Projects in Jicarilla Apache Nation**
—Leon Reval, Council Member, Jicarilla Apache Nation
—Zach Dillenback, Chief Lending Officer, NMFA

Adjourn

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

July 22-23, 2015
Merrion Room, School of Energy
San Juan College
Farmington

The second meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Jane E. Powdrell-Culbert, chair, on Wednesday, July 22, 2015, at 10:05 a.m. in the Merrion Room of the School of Energy at San Juan College in Farmington.

Present
Rep. Jane E. Powdrell-Culbert, Chair
Rep. David E. Adkins
Rep. Sharon Clahchischilliage
Sen. Lee S. Cotter
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Sen. Michael Padilla
Sen. Nancy Rodriguez (7/22)
Rep. Patricia Roybal Caballero
Rep. Patricio Ruiloba
Sen. William P. Soules

Absent
Sen. Joseph Cervantes, Vice Chair
Rep. Candy Spence Ezzell
Rep. Dona G. Irwin
Rep. Stephanie Maez
Rep. Andy Nunez
Sen. John C. Ryan
Rep. Monica Youngblood

Advisory Members
Rep. Alonzo Baldonado (7/23)
Rep. Kelly K. Fajardo
Sen. John Pinto
Rep. Debbie A. Rodella

Sen. Sue Wilson Beffort
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. Mary Kay Papen
Sen. William H. Payne
Rep. Tomás E. Salazar
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)
Kathleen Dexter, Researcher, LCS
Jeff Eaton, Fiscal Analyst, LCS
David Jenkins, Law Student Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Wednesday, July 22

Welcome

Randy Pacheco, dean of the School of Energy at San Juan College, welcomed the committee to the school's recently completed new facility, which was constructed and equipped with funding from the legislature and from private industry. The School of Energy has been in existence for about 10 years, and the program it offers, unique in the nation, provides associate of applied science degrees in five areas critical to the extraction industry. In addition to employers in the immediate area, fuel companies from out of state and abroad recruit the school's graduates for jobs with starting salaries in the $50,000 range. The school's future initiatives include development of a low carbon emissions technology program, the state's first commercial driver's license (CDL) training program available to the public and the nation's first chief executive officer (CEO) training program.

Questions and Discussion

On questioning, Mr. Pacheco and committee members addressed the following topics.

School of Energy facility. British Petroleum contributed $5 million to construct and equip the facility and has designated the school as its "trainer of choice" in the U.S. The facility will be dedicated on September 15 and will bear the British Petroleum emblem and name.

School of Energy program. The School of Energy's recruitment efforts target adults as well as local high school students, who can take dual-credit course work in their senior year. The average cost for the two-year associate degree program, including tuition, fees and books, is about $5,000, with both industry-funded scholarships and legislative lottery tuition scholarships available to students. The school also provides certification classes for industry employees.

CDL training. Doña Ana Community College in Las Cruces has a CDL training program, and San Juan College has a program with 18 trucks and 15 examiners, but neither program currently has a track and backing range.

Tommy Roberts, mayor of the City of Farmington, also welcomed the committee and thanked members for their support of the community's NMFA-financed projects, including a metropolitan redevelopment project, water meter replacements and the purchase of a fire engine. He described national recognition that the area has received for its sports and recreation venues and events, including Farmington's municipal golf course; fishing and recreation sites on the San Juan River and at Navajo Lake; and the annual national youth baseball tournament. He also noted that Farmington has the only accredited municipal parks and recreation department in the state.

Farmington has received recognition for its exports and serves as the major retail hub for the region. Recent job growth has been concentrated in the retail sector. A potential economic growth opportunity lies in tourism, due to Farmington's cultural diversity and proximity to the Navajo Nation, the Northern Ute Tribe, the Southern Ute Tribe and the Jicarilla Apache Nation. In addition, San Juan College has a business incubator currently occupied by 13 young businesses.

Questions and Discussion

On questioning, Mayor Roberts and committee members discussed the following topics.

San Juan generating station. The Public Regulation Commission will hold a rehearing in September on the Public Service Company of New Mexico proposal to shut down two coal-fired units at the San Juan generating station. Closure of the entire facility could mean more than 700 direct industry jobs lost and up to 2,000 associated jobs lost in the area.

Hold harmless payments. Farmington has received "hold harmless" payments from the state since 2004, when sales of food and health care services became exempt from the gross receipts tax (GRT). With enactment of Laws 2013, Chapter 160, those hold harmless payments will be phased out. Even if the city imposes the additional .125% GRT increments authorized under law, the city still projects a loss to city revenue over the 15-year phase-out of the hold harmless payments. Farmington has not increased its increment of the GRT since the 1990s; its current GRT rate is among the lowest in the state. Even after imposition of additional GRT increments, it will remain competitive with surrounding areas.

Predatory lending. The Farmington City Council passed a resolution to support legislative efforts to impose a rate cap on particular consumer lending, sometimes referred to as "predatory lending". The committee instructed staff to recommend to the Legislative Finance Committee that Mayor Roberts be included on the consumer lending task force to be convened pursuant to House Memorial 131 from the 2015 regular session.

Small Businesses. Mayor Roberts agreed to provide information on the percentage of small businesses in the Farmington area that are locally owned and whether Local Economic Development Act (LEDA) money is going to those businesses.

Economic Development Revolving Fund Review

Marquita D. Russel, chief of programs, NMFA, and John Brooks, director of commercial lending, NMFA, gave an overview of the Economic Development Revolving Fund, which was created in 2003 with the enactment of the Statewide Economic Development Finance Act. The revolving fund receives money from both the state ($5.1 million to date) and the federal State Small Business Credit Initiative Act of 2010 ($13.2 million to date) and is segregated into two subaccounts to keep the two funding streams separate.

Through use of the revolving fund, the NMFA is able to purchase portions of loans made by local banks to economic development projects under two NMFA programs: the Smart Money Loan Participation Program and the Collateral Support Participation Program. Most of the Smart Money loans since the program's inception have been paid in full or as agreed or are current on their payments. One project was liquidated; the NMFA will recover fifty cents on the dollar of its initial investment and will pursue further reimbursement under the project's new ownership.

Under the original statute creating the Economic Development Revolving Fund, the NMFA was required to get legislative authorization for each project loan; however, a temporary exemption to this requirement for all non-state project loans was passed into law in 2011. In the first six years of the program and prior to the exemption being enacted, the NMFA made four Smart Money loans; since the exemption took effect in 2011, the NMFA has made 16 Smart Money loans. The exemption is due to expire in 2016, and Ms. Russel stated that this will likely reduce participation in the program and increase risk for those projects that do apply.

<u>Questions and Discussion</u>

On questioning, the presenters and committee members addressed the following topics.

Program success. The Collateral Support Participation Program has been more successful than the Smart Money program because it is federally funded. The 2017 federal budget proposal includes funding to continue the program.

Program eligibility. All projects are in New Mexico, though the headquarters for one project is out of state, and all entities meet the federal definition of "small business", which caps the number of employees at fewer than 500. The largest participant employs just under 200 workers.

Drinking Water State Revolving Loan Fund Project Update

Ms. Russel gave an update on the Drinking Water State Revolving Loan Fund, which receives $8 million annually from the federal Environmental Protection Agency (EPA) and has, since its creation in 1998, received $31.5 million in state funds. The fund is used by the NMFA to make loans to public water systems for drinking water facility improvement projects prioritized by the Department of Environment.

The EPA imposes a schedule for drawing down the drinking water funds, and New Mexico now leads the nation for spending on time after recently being ranked worst among the states. The state has $53.8 million on hand for further loans; beginning in 2016, the state will be required to reduce that on-hand balance to $15 million.

There are currently 29 projects either under construction or that have approved loans pending closure. Another 14 projects, totaling $47 million, have been prioritized by the Department of Environment for its fiscal year (FY) 2016 "fundable priority list". With those additional projects, the NMFA projects a $20 million funding shortfall to complete all of the current and prioritized projects in the drinking water program.

Questions and Discussion

On questioning, Ms. Russel and committee members addressed the following topics.

Interest rates. The base interest rate for loans is 2%. Cities and counties with a large percentage of disadvantaged residents qualify for 0% interest on the first $600,000 borrowed.

Grants. While statute does not allow use of the Drinking Water State Revolving Loan Fund for grants, the NMFA is able to do principal forgiveness in certain cases.

Funding shortfall. The projected funding shortfall on paper does not necessarily mean there will be an actual shortfall because approximately 40% of projects that apply for loan funding either do not proceed or pursue funding through other sources. Ms. Russel agreed to provide a list of the projects on the Department of Environment's FY 2016 fundable priority list.

Minutes

On a motion made and seconded, the minutes of the May meeting of the NMFA Oversight Committee were approved without objection.

New Markets Tax Credit Program

Ms. Russel and Mr. Brooks were joined by Steven Hansen, president and CEO, Presbyterian Medical Services, and Marc Welch, vice president of finance, Presbyterian Medical Services, to give a presentation on two Presbyterian Medical Services projects that participated in the federal New Markets Tax Credit Program administered by the NMFA.

Ms. Russel and Mr. Brooks reported that the program is a public-private partnership that authorizes community development entities to sell tax credits and use the proceeds to invest in businesses that meet three federal criteria: 1) they are located in census tracts designated as "highly distressed", such as areas with a poverty rate higher than 30%; 2) they will have a tangible community benefit, as measured by factors such as quality job creation; and 3) they are ready to proceed, with other funding sources committed and site control and approvals in place.

Tax credits can be used to fund up to 25% of a participating project, with the remainder of the project funded through Finance New Mexico, LLC, a for-profit community development entity established by the NMFA under legislative authorization granted in 2006. Since its creation, Finance New Mexico has received approximately $201 million in federal tax credits, of which about $151 million has been invested in projects.

Mr. Hansen reported that Presbyterian Medical Services used the New Markets Tax Credit Program to construct the Farmington Community Health Center and expand the Socorro family health center clinic for a savings of $2.8 million. Other projects that have participated in the program include SCHOTT Solar in Albuquerque, Pros Ranch Market in Las Cruces and 4Points Laguna at the Pueblo of Laguna.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Program fees. Administrative and oversight costs in the New Markets Tax Credit Program are covered by fees that the NMFA collects at closing and when a project is completed.

Eligible areas. Some communities are split, with certain census tracts qualifying as highly distressed but others not. Most industrial areas in the state qualify because the few residents in such areas tend not to be wealthy.

Troubled projects. The NMFA funded the purchase and renovation of the Pros Ranch Market facilities. The original owners subsequently went bankrupt and sold the business, which operated for one year under new ownership. The original borrowers for the project are currently negotiating for new tenants in the space. SCHOTT Solar, which closed in 2012, paid back all but 5% of its anticipated revenue. "Clawback" provisions in the program's contracts cover 90% of the state's investment.

Project entities. A "leveraged lender" and an "investor" can be the same entity.

Medicaid and the Patient Protection and Affordable Care Act (PPACA). Federally qualified health centers have increased patient loads due to implementation of the federal PPACA and increased enrollment in Centennial Care, the state's Medicaid program. If the PPACA is overturned, the funding stream to clinics from enrollees in both health programs would be jeopardized and, consequently, the clinics' ability to pay off facility loans taken out under NMFA programs. Medicaid accounts for nearly half of Presbyterian Medical Services' revenue, and a reduction in or elimination of Medicaid would hurt the company. Some of the money Presbyterian Medical Services used for clinic construction and expansion came from grants through the PPACA.

Ms. Russel agreed to provide a breakdown of the New Markets Tax Credit Program at a future meeting, including: 1) use of the funds; 2) the loan process; 3) ways that tribal governments participate as leveraged lenders; and 4) a recap of community development reinvestment programs and their clawback provisions.

Water Trust Board Update

Ms. Russel gave an update on the Water Trust Board and recent changes the board made to its application process. With the changes, which are aimed primarily at helping smaller projects, entities have more time to complete the project application and to provide evidence that their projects comply with legal requirements and are ready to proceed.

The board's changes also provide more time for the legislature to review and approve projects prior to their inclusion in authorization legislation. Because the application cycle under the new time line will open in October, some project applications will not be ready for review in the current cycle and will have to wait until next year. The NMFA will provide the legislature with a fully vetted list of projects prior to the 2016 session.

Questions and Discussion

On questioning, Ms. Russel and committee members addressed the following topics.

Project lists. The project application system was overwhelmed prior to 2014, and the NMFA was not always able to provide a list of proposed projects to the legislature prior to the authorization bill being drafted. A recent bill that would have funded projects without naming them did not get through its senate committee hearings; had it been enacted, it would have given all project selection and funding authority to the executive branch.

Project funding. Projects are funded with a combination of grants and loans, with a minimum of 10% loan funding required on certain projects. Entities with rate-paying constituencies are required to take loan funding on their projects. Some projects, such as those for watershed restoration, qualify for federal funding; however, if state matching funds are required, severance tax bond proceeds may not be used for the state's match.

Eligible projects. Statute requires that projects be publicly owned or on certain types of property. Tribal projects are eligible, and some tribal projects are eligible for full grant funding. The Navajo-Gallup pipeline project was the largest project funded this year.

Application cycle. Because the new procedures and rules will not be finalized and published until late August and new applications will not be distributed until October, timing is very tight for the 2016 application cycle. The NMFA will use the annual Infrastructure Conference to help entities complete project applications and submit readiness documentation.

Water Project Fund distribution. The fund receives 10% of the total severance tax bond issuance in each year; thus, the amount appropriated to the fund varies annually. This year's distribution to the fund was $32.4 million.

Ms. Russel agreed to provide: 1) an overview of changes to Water Trust Board rules, including a possible point system for ranking projects, at the committee's October meeting; and 2) information on Water Trust Board projects, including the legislative districts in which they are located, at the committee's November meeting.

The committee requested that staff compile NMFA Oversight Committee discussions and actions in the last two or three years regarding the Water Trust Board and Water Project Fund. On a motion made, seconded and unanimously adopted, the committee approved a request that this information be presented at a meeting in December devoted solely to this topic. Committee staff will also invite representatives of the Navajo Nation to that meeting.

New Mexico Finance Authority Budget

Robert P. Coalter, CEO, NMFA, and Robert Brannon, chief financial officer, NMFA, presented a breakdown of the NMFA's proposed FY 2016 budget, including projected revenue and expenses.

The authority's budget request is a 5.4% increase over its FY 2015 budget and includes costs associated with three new initiatives planned for FY 2016: 1) attrition reduction; 2) improved web site resources to increase efficiency; and 3) a new compliance department.

Some of the budget increase is related to the proposed addition of two new employees for those initiatives. Other projected expenses include office renovation, furniture, fixtures and increases in annual health insurance renewals and merits.

Revenue in FY 2016 from all sources — appropriations, interest, fees and grants — is projected at $159.7 million. Loan closings for the same period are projected at $260 million for 181 participating projects, which is a sudden increase over the previous two years. Any net revenue after expenditures is rolled back into the NMFA loan programs; for FY 2015, this amounted to $43.5 million.

<u>Questions and Discussion</u>

On questioning, the presenters and committee members addressed the following topics.

Loan closings. The number of loans closed in a year depends on many factors, including delays in processing, but is not a reflection of the amount of money available.

Community project funding reserves. Some community projects, such as water systems, need major repairs but the local entities do not have cash to cover the cost. Some of these systems are already charging the maximum rate that their rate payers can bear. It is outside of the

NMFA's purview, but within the legislature's purview, to require that community projects keep a cash reserve.

Contractual costs versus other costs. The "contractual costs" line item on the NMFA budget includes legal expenses, bank fees, information technology support and payments for services provided by the Department of Environment, among other expenses. The "other costs" line item includes overhead expenses such as rent, utilities and telephone.

Governmental GRT. The NMFA receives its funding through the governmental GRT and has received approximately $27 million in governmental GRT revenue in the past few years. The tax is also used to fund loans for projects in disadvantaged communities.

Local Government Planning Fund. The deficit shown in this column reflects the lack of a revenue source for this program; the number reflects a transfer from the governmental GRT. The fund cannot be used for local government audits; it must be used for capital projects. Mr. Brannon agreed to provide the committee with information on continuing bond closings for Governor Richardson's Investment Partnership projects.

Public Project Revolving Fund (PPRF) Projects

Mr. Coalter was joined by Zach Dillenback, chief lending officer, NMFA, and Teresa Brevik, projects manager, City of Bloomfield, for a presentation on projects funded through the PPRF.

Thirty-four entities in San Juan County, including municipalities, school districts, colleges, water systems and the county itself, have taken out PPRF loans totaling $136.6 million. The loans have primarily been used to finance capital projects, but also have been used to issue "education technology notes" for the Farmington Municipal School District. In the San Juan County, McKinley County, Cibola County and Rio Arriba County region, the NMFA has made more than $340 million in PPRF loans.

Since 2002, the City of Bloomfield has financed several infrastructure projects through various NMFA programs. The city's 11 PPRF loans have financed: a fiber optics connectivity project in municipal buildings; landscaping and utilities relocation along New Mexico Highway 64; energy-efficiency retrofits on municipal buildings; and construction of a public safety complex.

Questions and Discussion

On questioning, the presenters clarified issues regarding school projects, including that: 1) loan repayments by "impact aid" school districts were not affected by federal sequestration; 2) charter schools that have already gone through one charter renewal are eligible for PPRF funding, and their loan repayments are made with their lease assistance funds; and 3) public school and charter school projects are also eligible for funding through the Public School Capital Outlay Council.

Four Corners Petrochemical Cluster Opportunities

Ray Hagerman, CEO, Four Corners Economic Development, gave a presentation on development opportunities that can enhance the petrochemical industry in the region. The area has a long history of raw natural gas production; however, this gas "feedstock" has historically been transported to the Gulf Coast region for processing, or "cracking". Recent changes in technology make it possible to establish cracking facilities closer to the source of the feedstock, including in the Four Corners region. The development of local cracking facilities could create not only new core industry jobs but also jobs in related manufacturing, such as the manufacture of plastics and consumer goods. In addition to creating products for global export, cracking facilities could also produce items for local use, such as urea, which will be used in retrofits planned for the San Juan generating station and also used extensively in agriculture.

On questioning, Mr. Hagerman further noted that: 1) a New Mexico Institute of Mining and Technology student is conducting a study to assess the economic feasibility of developing a cracking industry in the region; 2) Mr. Hagerman has spoken with San Juan County officials about the possibility of issuing industrial revenue bonds to develop the industry; and 3) a company is looking at sites for building a urea plant in the area.

Unfinished Business

Representative Powdrell-Culbert announced that the September 10-11 meeting location has been changed from Hobbs to Artesia.

In discussion regarding the Water Trust Board and its new schedule for project applications, the committee moved that an extra meeting day in December be requested from the New Mexico Legislative Council in order to review a complete list of water projects vetted by the Water Trust Board. If the additional day is not approved by the council, then the request will be to change one of the October meeting days to a December meeting day for that purpose.

<u>Thursday, July 23</u>

Community Report on the Use of the Local Government Planning Fund

Jeff Kiely and Evan Williams, executive director and deputy director, respectively, Northwest New Mexico Council of Governments; Michael Sage, deputy director, Greater Gallup Economic Development Corporation; Maryann Ustick, Gallup city manager; C.B. Strain, Gallup city planner; and Ms. Russel gave a presentation on projects in the Gallup area that have benefited from NMFA planning grants through the Local Government Planning Fund.

Originally created in 2002 as the Water and Wastewater Planning Fund, the fund was later renamed the Local Government Planning Fund, and its eligible uses were expanded to also cover planning for infrastructure and economic development. The maximum grant allowable is $50,000. An entity may receive multiple grants, but no more than $100,000 in a 24-month period. When making grants, the NMFA considers median household incomes, status as a "severely disadvantaged area" and each applicant's "local burden ratio". Since 2002, the NMFA has made or approved planning grants for 123 projects totaling nearly $4 million.

The Greater Gallup Economic Development Corporation received a planning grant for the preliminary engineering report and traffic study that launched the Gallup Energy Logistics Park project, a major railroad and highway transportation hub west of Gallup. Another planning grant went to Gallup for a major downtown redevelopment project that will be constructed with a blend of local, state and federal funds. The city is considering tax increment financing, community development block grant funding, utility enterprise funding and public-private investment for the project and will include all selected funding options in its final plan.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Planning grants. Councils of governments are not eligible to receive planning grants because they are not defined as qualified entities in the NMFA Act. As the program is currently structured, they are also not in a financial position to provide project funding up front for later reimbursement. Some engineering firms in the state are willing to bill the NMFA directly rather than require payment from the local entity.

Gallup Energy Logistics Park. The energy park project has received LEDA funds as well as funds through the federal Economic Development Administration. One estimate for job creation resulting from the energy park is 200 to 300 long-term economic base jobs and an additional 700 to 800 peripheral service jobs.

Community development block grants. New Mexico project entities do not tend to seek federal community development block grants. A portion of the grant program is run by the states; New Mexico could revise some of the rules to make the program more accessible to local projects.

Gallup downtown redevelopment. The anchor plan for the Gallup downtown redevelopment does not yet have a "brand", but it highlights jewelry and the historic El Morro Theatre.

Jicarilla Apache Nation PPRF Projects

Leon Reval, council member, Jicarilla Apache Nation, and Mr. Dillenback gave a presentation on projects that the Jicarilla Apache Nation has financed with loans through the PPRF.

The nation took PPRF loans in 2004 and 2006 totaling more than $33 million to improve and expand its water and wastewater systems, and it secured the loans with the nation's capital improvements tax and water lease revenues. The balance on both loans — about $9 million — was refunded and the loan was restructured in 2012 as a general obligation of the nation, with final payment due in May 2016. The nation has also taken a refunding loan through the NMFA to retire a 2002 bond series, as well as an improvement loan to expand the wastewater treatment plant and construct a community center.

<u>Questions and Discussion</u>

On questioning, the presenters and committee members addressed the following topics.

Choice of funding sources. The nation chose to finance through the NMFA rather than pursue grants through the U.S. Department of Agriculture because NMFA financing is the faster route. The nation could also have paid for the improvements with cash rather than with loans, but it chose the loans in an effort to balance its current and future resources.

Community center. The new community center will include a daycare center and possibly facilities for seniors.

Bond ratings. The nation's bond rating is AAA.

Wastewater projects. Water Project Fund grants cannot be used on wastewater projects, with the exception of certain effluent projects.

Mr. Reval invited the committee to the annual Jicarilla Apache Nation feast day on September 15.

Adjournment

There being no further business before the committee, the second meeting of the NMFA Oversight Committee adjourned at 11:15 a.m.

Revised: August 14, 2015

TENTATIVE AGENDA
for the
THIRD MEETING IN 2015
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

August 13-14, 2015
Bernalillo Town Hall
829 Camino del Pueblo
Bernalillo

Thursday, August 13

10:00 a.m.		**Call to Order and Welcome** —Representative Jane E. Powdrell-Culbert, Chair —Senator Joseph Cervantes, Vice Chair
10:05 a.m.	(1)	**New Mexico Finance Authority (NMFA) Board Report** —John E. McDermott, Chair, NMFA Board —Robert P. Coalter, Chief Executive Officer (CEO), NMFA
10:30 a.m.	(2)	**Welcome; Town of Bernalillo Capital Projects Funded Through the NMFA** —Jack Torres, Mayor, Town of Bernalillo —Zach Dillenback, Chief Lending Officer, NMFA
11:00 a.m.	(3)	**Audit Requirements for Local Governments** —Sunalei Stewart, Chief of Staff, Office of the State Auditor
12:00 noon	(4)	**City of Rio Rancho Capital Projects Funded Through the NMFA** —Greggory D. Hull, Mayor, City of Rio Rancho —Zach Dillenback, Chief Lending Officer, NMFA
12:20 p.m.	(5)	**Water Trust Board Update and Local Water Projects (Working Lunch)** —Marquita D. Russel, Chief of Programs, NMFA
1:00 p.m.		**Approval of Minutes**
1:05 p.m.	(6)	**Village of Corrales, Sandoval County and City of Albuquerque Capital Projects Funded Through the NMFA** —Scott Kominiak, Mayor, Village of Corrales —Phil Rios, County Manager, Sandoval County —Zach Dillenback, Chief Lending Officer, NMFA

2:05 p.m. (7) **NMFA and Leveraging Federal Funds**
—Robert P. Coalter, CEO, NMFA
—Marquita D. Russel, Chief of Programs, NMFA

Recess

Friday, August 14

9:30 a.m. (8) **Pueblo Capital Projects Funded Through the NMFA**
—Antonio Chewiwi, Lieutenant Governor, Pueblo of Isleta
—Daryl Candelaria, Tribal Administrator, Pueblo of San Felipe
—Lawrence Montoya, Governor, Pueblo of Santa Ana
—Zach Dillenback, Chief Lending Officer, NMFA

Adjourn

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

August 13-14, 2015
Bernalillo Town Hall
Bernalillo

The third meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Jane E. Powdrell-Culbert, chair, on August 13, 2015 at 10:00 a.m. in the Council Chambers of the Bernalillo Town Hall in Bernalillo.

Present
Rep. Jane E. Powdrell-Culbert, Chair
Sen. Joseph Cervantes, Vice Chair
Rep. David E. Adkins
Rep. Sharon Clahchischilliage
Sen. Lee S. Cotter
Rep. Candy Spence Ezzell
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Patricia A. Lundstrom
Rep. Stephanie Maez (8/13)
Sen. Richard C. Martinez
Sen. Michael Padilla
Sen. Nancy Rodriguez (8/14)
Rep. Patricio Ruiloba
Sen. John C. Ryan
Sen. William P. Soules

Absent
Rep. Dona G. Irwin
Rep. Andy Nunez
Rep. Patricia Roybal Caballero
Rep. Monica Youngblood

Advisory Members
Rep. Alonzo Baldonado
Sen. Sue Wilson Beffort (8/14)
Sen. Jacob R. Candelaria (8/14)
Rep. Kelly K. Fajardo
Rep. Roberto "Bobby" J. Gonzales (8/13)
Rep. Sarah Maestas Barnes (8/13)
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Tomás E. Salazar
Rep. George Dodge, Jr.
Rep. Brian Egolf
Sen. Stuart Ingle
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 not present for the entire meeting.)

Staff
Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Jeff Eaton, Fiscal Analyst, LCS
Tessa Ryan, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Thursday, August 13

Welcome

Jack Torres, mayor, Town of Bernalillo, welcomed the committee to Bernalillo. He noted that he is serving his second term, and is in his fifth year, as mayor. Mayor Torres praised his staff and the community, which, he said, recently celebrated its fiestas to honor San Lorenzo. Mayor Torres added that the town is in the process of buying and renovating for the town's use the former Roosevelt Elementary School.

NMFA Board Report

John E. McDermott, chair, NMFA board, and Robert P. Coalter, chief executive officer, NMFA, delivered the July NMFA board report. Mr. McDermott prefaced his remarks by apologizing for his absence at the committee's previous meeting and by providing highlights of his professional background, including that he has been the board chair for almost two years, has experience in public and private finance and private equity investment initiatives and sits on the board of ABQid, a public-private partnership that promotes entrepreneurship. Mr. McDermott expressed gladness that the NMFA managed to rebuild itself following the fraudulent-audit situation and had no findings in its most recent audit. He credited Mr. Coalter and the NMFA staff and described them, as well as the NMFA board, as highly diligent and dedicated to the NMFA.

Loan, grant and other activity. Mr. Coalter reported that, in July, nine NMFA loans closed, and four NMFA grants were made. Five loans were funded through the Public Project Revolving Fund (PPRF), one through the Water Project Fund and three through the Colonias Infrastructure Project Fund. Three of the nine loans were in amounts over $1 million. The NMFA made three grants from the Local Government Planning Fund (LGPF) and one grant from the Colonias Infrastructure Project Fund. Also in July, the board approved an internal audit plan and a bond banking and loan management system contract.

Mr. Coalter reviewed the NMFA's July statement of net position, its July statement of revenues and expenditures, its operating budget, its loans by type for fiscal year (FY) 2015, its five largest loans for the most recent quarter, its status on the recommendations made in response to the 2011 fraudulent-audit discovery and its FY 2016 initiatives. He added that: 1) a bond issue had closed the day before; 2) the NMFA's investment revenue increased year over year due to investment changes and overall market improvement; 3) the NMFA is spending its operating revenue at an appropriate rate; 4) the numbers of water and colonias loans have increased from the previous year; 5) implementing a loan servicing system, on which the NMFA is working, remains the only post-fraudulent-audit action not yet completed; 6) a third party is currently overseeing the implementation of that system; and 7) the NMFA expects to submit its audit on time to the state auditor.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Governmental gross receipts tax (GGRT) information. The NMFA and the Taxation and Revenue Department (TRD) are discussing how the TRD can share with the NMFA aggregate data about the GGRT. The NMFA needs to use the data to better predict its revenues and inform its bond investors. Despite legislation enacted in the last regular session to allow certain GGRT revenue data to be shared, the TRD expressed to the NMFA continuing concerns about the legality of some aspects of the requested disclosures. NMFA staff agreed to report to the committee on whether those concerns persist. Mayor Torres commented that the TRD's nondisclosure of tax revenues adversely affects local governments, which must finance their operations with limited knowledge of future revenue levels. He asked the committee to support legislation that would bring more transparency to the system of local government tax revenues and distribution.

Revenues and expenditures. NMFA staff members, including Robert Brannon, chief financial officer, who was in the audience, explained that: 1) the Los Alamos County utility project was partially taxable because of a private-ownership element; 2) the GGRT distribution to the NMFA of $1 million more than previously received contributed to the rise in the NMFA's year-over-year appropriation revenue; 3) the NMFA's GGRT distribution amounts are rising toward their previous levels; 4) increased activity in water and colonias project programs has increased grant revenue; and 5) increased activity in the federal New Markets Tax Credit Program will offset the decline in revenue generated from fees. NMFA staff agreed to follow up with committee members who requested information on: 1) the Mesa Vista Consolidated Schools PPRF loan; and 2) the Bernalillo County Metropolitan Court project refinance — specifically, who will benefit from the refinancing.

Town of Bernalillo Capital Projects Funded Through the NMFA

Mayor Torres and Zach Dillenback, chief lending officer, NMFA, discussed projects that Bernalillo has undertaken with the NMFA's help. Mayor Torres described the NMFA as a valuable partner in those initiatives, most of which made improvements to the town's water systems or public safety. He noted that the town tries to use its resources wisely and comply with heightened federal environmental standards. To that end, the town has undertaken several projects to treat the arsenic in its water. Mayor Torres cited flood control as a big challenge and flood control measures and insurance as a huge expense.

Questions and Discussion

On questioning, the presenters, Marquita D. Russel, chief of programs, NMFA, who was in the audience, and committee members addressed the following topics.

Water projects. Mayor Torres said that Bernalillo applied for a Water Project Fund loan for an arsenic-treatment project but missed qualifying by one point because the application lacked a preliminary engineering report (PER). The town did not produce the report due to the expense and the fact that other funding programs it was applying to did not require it. Members expressed unease that the loan application process allows for an applicant to miss selection by so small a margin without being timely warned of such a deficiency. Committee members commented that there should be fewer application inconsistencies among funding programs and that a government's fiscal reticence, like that exhibited in this case by Bernalillo, should not necessarily be penalized. Ms. Russel responded that the Water Trust Board (WTB) added the PER requirement in 2013 to better understand a project's design and feasibility and that the requirement aligns with most corollary federal programs.

Ms. Russel and Mr. Coalter described some steps that the WTB and the NMFA have taken to improve the Water Project Fund loan application process. Ms. Russel said that the WTB wants to clarify its application requirements by producing documents that delineate, for each type of project, relevant policy and criteria. The documents will be available for public comment in September and for the committee's review in October. Mr. Coalter and Ms. Russel added that, to make the application process easier, the NMFA: 1) added staff, some of whom possess regional expertise, who are dedicated to helping applicants; 2) created a regularly monitored email account to improve communication; 3) added a frequently-asked-questions section to its web site; 4) offered statewide training; and 5) consolidated all water programs under Ms. Russel's management. Committee members said that their clear understanding of application requirements helps them in their work with constituents. A committee member urged the mayor and other local government representatives to communicate to their representatives suggestions for improving the application process and, during legislative sessions, input on the project authorization bill.

Flood control; hold harmless phase-out. Mayor Torres said that Bernalillo uses property tax revenue to repay the bonds sold for its flood control projects. He also indicated that neither the federal nor the state government helped much in Bernalillo's post-flood recovery; and after Hurricane Katrina, the Federal Emergency Management Agency reevaluated the Bernalillo area and designated much of it a flood plain, thereby requiring many residents to buy flood insurance. Mayor Torres said that Bernalillo has not exercised its right to increase its gross receipts tax (GRT) rate to offset the phase-out of hold harmless payments because, given its population size, it is not subject to that phase-out.

Audit Requirements for Local Governments

Sunalei Stewart, chief of staff, Office of the State Auditor (OSA), and Miranda Mascarenas, audit supervisor, OSA, presented an overview as follows of: the OSA; audit requirements for entities under the OSA's jurisdiction; the OSA's efforts to improve audit compliance; and recent audit findings.

Overview of the OSA. Referencing an organizational chart, Mr. Stewart said that the OSA is a relatively small agency with a relatively small budget but a big mandate. Besides the small budget, the office has some vacancies. Vacancies can be difficult to fill with certified public accountants (CPAs) because private-sector employers are generally able to pay CPAs more.

A constitutional provision, a judicial interpretation of that provision and the Audit Act grant the OSA broad, independent authority to: examine the financial affairs of entities that receive public money; conduct special investigations; and regulate the accounting industry. Most entities under the OSA's jurisdiction must have an annual audit conducted either by the OSA or an independent public auditor. The OSA reviews outsourced audits and conducts special audits in cases where an outsourced audit reveals problems. In addition, an office-maintained fraud-reporting hotline generates insight into misfeasance to which the OSA responds by conducting special investigations. State Auditor Timothy Keller has adopted and expanded the previous auditor's fraud-finding initiatives and initiated ongoing efforts to: 1) improve accountability; 2) cause a reduction in the number of findings, or indications of a deficiency or noncompliance, in audited entities' audits; 3) address chronic issues in those entities' accounting practices; 4) improve the office's accessibility and responsiveness to entities and contracted auditors, including through the establishment of an online portal for those auditors; 5) establish and maintain a government accountability office to, in part, provide the public with information on use of public money; and 6) support entities at risk of not timely complying with reporting requirements.

Audit requirements. Under the tiered reporting requirements, some smaller entities subject to the Audit Act are relieved of the requirement to annually undergo a full audit and are subject instead to lower levels of review — including self-certification and reduced-scrutiny examination — that cost considerably less than a full audit. The OSA does not help determine whether an entity receives funding under the terms of the executive order establishing conditions for receiving capital outlay appropriations, but rather determines whether an entity met its reporting deadline. An entity is included on the OSA's "at risk" list simply for failing to meet that deadline, rather than for any reason related to the content of its report.

OSA's efforts to improve compliance. The OSA strives to improve compliance with reporting requirements by: 1) providing grants for reporting expenses to small entities with financial hardship; 2) helping entities engage CPAs; 3) training entities and broadly publicizing submission deadlines; and 4) working as an intermediary between funding agencies and entities struggling with reporting compliance to address audit-related funding barriers. For the first time, the legislature in 2015 authorized the state auditor to provide grants to small entities to meet their reporting requirements. Implementation was not as smooth as had been hoped because of the initiative's novelty and hurdles associated with the transition between administrations. The OSA expects in the future to advertise the grants more widely and award them both more efficiently and to a broader array of entities.

Audit findings. Of the more than 400 audits conducted, about 94 percent received an unmodified opinion, which reflects the highest level of compliance. Twenty-eight percent had no findings. In all, there were about 2,000 findings, about 40 percent of which were repeat findings. The OSA plans to: track the nature and frequency of findings and address the most prevalent needs for corrective action; and, shortly, issue a comprehensive findings report.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Small-entity financial assistance and examination. Mr. Stewart indicated that: 1) his understanding is that $160,000 was appropriated for small-entity financial assistance from the general fund as an addition to the OSA's budget; 2) the actual need for such assistance may exceed $300,000; 3) of the 50 or so entities that applied, about 31 were awarded grants; 4) some applicants were ineligible because they sought reimbursement for past audit expenses; 5) the OSA awarded the grants to entities that were behind on their reporting and awarded amounts that varied based on factors such as the number of years overdue in reporting and the cost of that reporting; and 6) the office believes that through increased advertising, more applicants representing a broader geographic and categorical range will apply. Mr. Stewart agreed to follow up on the question of whether the award money is allocated in particular amounts by entity type. A committee member commented that, to that member's knowledge, only one grant was awarded to a small entity south of I-40.

Motion to communicate committee's recommendation for ongoing funding for small-entity financial assistance. Following a comment on the importance of helping small entities with scarce human and financial resources secure funding for projects, especially those that meet critical water needs, a committee member made a motion to send a letter from the committee to the house and senate leaders and the chairs of the House Appropriations and Finance Committee, the Senate Finance Committee and the Legislative Finance Committee communicating the committee's support for ongoing future appropriations to the OSA for its small-entity financial assistance program. The motion was seconded and passed with no objection.

Tiered reporting. Mr. Stewart explained that the tiered reporting system was established to improve efficiency. The system includes, at its most basic level, self-certification, and at higher levels, "agreed upon procedures", which are stipulated reporting areas. The requirements for entities at tiers below full-audit reporting range widely. Committee members remarked that the system has helped land grants; expressed gratitude toward the OSA for its outreach to small entities; and suggested that an OSA representative give a presentation to the interim Land Grant Committee.

Reporting noncompliance. A committee member commented that small entities sometimes fall out of compliance with reporting requirements because they struggle to find and keep high-quality auditors. Another committee member stressed the importance of legislators communicating to entities within their districts about reporting deadlines.

Mr. Stewart stated that the Public Education Department (PED) has not submitted its FY 2014 audit because a dispute between the department and its auditor interfered with the audit's completion. The PED is suing that auditor. Meanwhile, the OSA has approved a contract between the PED and a different auditor to complete that year's audit. Mr. Stewart said that he did not know whether the PED would be able to meet the upcoming deadline for its FY 2015 audit. Some committee members found it troubling that small entities are harshly penalized for falling out of compliance while an agency the size of the PED avoids any repercussion for a similar failing.

Committee members expressed concern about Española's repeated reporting failures and the subsequent freeze on receiving capital outlay appropriations. A committee member attributed the problem in part to the city's high needs and low budget. Mr. Stewart said that the OSA is working with Española to bring it into compliance, a time-consuming process, and is monitoring the situation closely.

Findings. To address the problem of repeat findings, Mr. Stewart said that the OSA: 1) can promulgate a rule requiring that when a contracted auditor finds an issue, it asks the examined entity for a specific corrective action plan; and 2) is drawing more public attention to entities' findings by making readily available easy-to-read audit-related information. He added that he does not believe that legislative action is necessary now to address the problem of repeat findings, but the legislature can play a role in the effort to improve compliance by considering a state agency's audit findings in determining how much money to appropriate to it. He also mentioned that the state's 2014 Comprehensive Annual Financial Report, released that day, was "disclaimed", meaning that the state's financial statements cannot be relied on. Several committee members found the news troubling and stressed the need for the state to improve its accounting.

OSA's relationship to other agencies. When asked whether the OSA coordinates with other funding-related agencies, such as the Department of Finance and Administration (DFA), the United States Department of Agriculture (USDA) and the NMFA, Mr. Stewart responded that the OSA has a narrow lens and that those agencies generally focus on other aspects of funding qualification. Nonetheless, the OSA communicates regularly with the DFA and maintains a good relationship with the other agencies.

OSA staffing issues. Mr. Stewart reported that the OSA has historically experienced high turnover among its personnel because the job market is tight for CPAs, who can earn higher wages in the private sector. Thirty-one of its 35 positions are currently filled. Eighteen staff members began in or after January. To address its staffing issues, the OSA works with the University of New Mexico's Anderson School of Management to promote the profession, and it plans to request an increase in its appropriation for personnel. A committee member suggested that the OSA collaborate with the Higher Education Department to address the need to develop a work force of CPAs in the state.

City of Rio Rancho Capital Projects Funded Through the NMFA

Greggory D. Hull, mayor, City of Rio Rancho, and Mr. Dillenback talked about projects that the City of Rio Rancho has financed through the NMFA since 2011. They aggregate to $28 million in loans and $3.8 million in Water Trust Fund grants and loans. The projects involve: purchases of water rights, vehicles, equipment and a fire-and-rescue administration building; water infrastructure; and restructure of a loan. A project pending approval in the fall would allow the city to inject recycled water into the aquifer. The initiative constitutes a key part of the city's water management plan.

Questions and Discussion

On questioning, the presenters, Peter Wells, assistant city manager, City of Rio Rancho, who was in the audience, and committee members addressed the following topics.

Advanced water treatment project; water rights. A committee member expressed surprise that the Office of the State Engineer (OSE) approved Rio Rancho's injection of recycled water into the aquifer. The committee member spoke of the difficulty that a company from the petroleum industry had with getting such approval within the committee member's district. Mr. Wells suggested that the difference in outcomes was attributable to the mining activity in the cited case. He added that the city worked with the OSE and the Department of Environment for five years to get the necessary permits to use the water treatment technology to replace water in the aquifer and that the replacement helps the city meet its state draw-down/replacement requirements. Mayor Hull expressed willingness to discuss further the city's experience, noted that water reuse is a major component of the city's conservation plan and added that the city actively buys water rights, most of which are from agricultural properties along the river valley. Several committee members advised the city to ensure that it was buying only properly validated "wet" water rights, as opposed to "paper" water rights. A committee member expressed his understanding that there are no "wet" water rights in the middle Rio Grande in the absence of adjudication. Mayor Hull said that the city is being careful about such acquisitions. Lastly, Mr. Wells explained that Intel's water-use agreements are between it and the state, not the city, but the city does supply some potable water to the company.

GRT revenue; hold harmless phase-out. Mayor Hull reported that the city has seen a slight increase in GRT revenue in the last few months, much of that attributed to new construction and an increase in retail sales. The mayor explained that the City of Rio Rancho has historically had substantial "leakage", i.e., loss of potential tax revenue, to other municipalities. He added that the city wants to avoid imposing a hold harmless GRT rate increase and instead rely on alternate revenue streams. Committee members expressed skepticism about those increases, citing as their reasons that in some cases they produce a windfall, and in others, they hamper the economy.

Economic activity; road improvements. Mayor Hull said that Hewlett-Packard and a new company have generated much activity in the city's center; activity at the Santa Ana Star Center events center, which is under new management, has increased substantially lately; and the city is pursuing funding for improved roads and sewage and drainage lines elsewhere throughout the city. He also advocated for a proposed but not yet approved Paseo del Volcan extension project, saying that it would improve access to the center and stimulate job creation and further transportation improvements. A committee member requested that Mayor Hull communicate to the legislature suggested ways to pay for roads, a topic on which the Transportation Infrastructure Revenue Subcommittee focuses.

WTB Update and Local Water Projects

Ms. Russel presented an overview as follows of the 2016 WTB application cycle and some background on historic changes to the application time line and to WTB policy. Many of those changes were made in response to the legislature's, applicant entities' and program administrators' concerns about timing, efficiency, efficacy, information-collection needs, project-list refinement, transparency and ease in the application process.

Proposed changes to WTB policies. Ms. Russel highlighted the major concerns raised since 2013 in response to the WTB's requests for public comment on proposed changes to WTB policies and its application process. Namely, many responders articulated their opposition to: 1) the asset management plan submission requirement, saying, in part, that it was overly burdensome and unnecessary; 2) certain project governance requirements; 3) certain planning document submission requirements; and 4) certain requirements related to project scope and financing. Two WTB task forces have been working on revising WTB policies in response to comments and recommendations.

2016 application schedule. Ms. Russel noted during her review of the 2016 WTB application schedule that the new time line allows more time for targeted training intended to improve customer service and outreach.

<u>Questions and Discussion</u>

On questioning, Ms. Russel and committee members addressed the following topics.

Asset management plan submission requirement. Ms. Russel indicated that it is likely that an asset management plan will remain part of the application requirement. She named as factors that can help applicants meet that requirement Department of Environment technical contractors, LGPF grants and a longer application period. Ms. Russel reviewed the types of activity eligible for grants (which number about 50 to 60 per year) made under the LGPF. A member commented that the requirement sometimes challenges smaller applicants, namely, mutual domestic water consumers associations, which often are represented by volunteers or people with less expertise and whose boards sometimes change frequently.

Project authorization bill; WTB composition. Committee members expressed concern about the usurpation of the legislature's appropriation power that occurs when the WTB requests the passage of a water projects bill that lists essentially all funding applicants, regardless of qualifications or likelihood of final approval. Legislators thus lack the knowledge of which projects will end up being funded, and by passing such a bill, the legislature thereby gives blanket authority to the executive branch to determine water project funding without legislative oversight, since the WTB consists primarily of cabinet secretaries and governor appointees; no legislative appointees serve on the WTB. Several committee members echoed the sentiments that: 1) there should be one or more legislatively appointed members on the WTB; and 2) the legislature should play a greater role in the project-selection process.

Ms. Russel indicated that for the current application period, the committee will see a broad project list. Time and circumstances do not allow for the WTB to present to the committee this interim a vetted list of project applicants. However, a refined list will be available to the full legislature in January, and the process could change to conform to the committee's request to see a refined list during the interim.

Minutes

On a motion made and seconded, the minutes of the committee's July meeting were approved without objection.

Village of Corrales, Sandoval County and City of Albuquerque Capital Projects Funded Through the NMFA

Scott Kominiak, mayor, Village of Corrales, Phil Rios, county manager, Sandoval County, and Mr. Dillenback reviewed projects that Corrales, Sandoval County and Albuquerque have financed through the NMFA.

Corrales projects. Mayor Kominiak described a PPRF loan that Corrales received in 2007 for construction and maintenance of various roads, bikeways, trails and public safety facilities and a 2011 PPRF loan to design, improve and construct roadways and intersections.

Sandoval County projects. Mr. Rios described two major initiatives that the county financed through the NMFA: a juvenile detention facility and a landfill. The juvenile detention facility in Cuba benefits Native American youths through rehabilitation and education. The building is leased to an organization, AMI-KIDS, that contracts with the Federal Bureau of Prisons to provide the services. The presence of the facility stimulates Cuba's and the surrounding region's economies. Mr. Rios cited evidence of the program's success and invited the committee to visit the facility. Moving on to the second initiative, Mr. Rios described loans secured to refund existing waste revenue bonds, expand its landfill and buy a compactor.

Albuquerque projects. Mr. Dillenback spoke on behalf of the City of Albuquerque, which, he said, was unable to send a staff person with sufficient knowledge of the PPRF program to the meeting. He remarked that many people are surprised to learn that a local government as large as Albuquerque would finance projects through the NMFA. He stated that the city has been astute at recognizing when the NMFA can provide it with a beneficial financing arrangement, and he highlighted some of Albuquerque's NMFA-financed initiatives, which include: 1) a 2011 PPRF loan for a new fire station; 2) 2009 and 2011 airport refunding loans; and 3) 2011 refunding and improvement revenue bonds. Revenue from the 2011 bonds paid for capital improvements to the convention center and Civic Plaza and for land acquisition. The NMFA has made 25 PPRF loans totaling almost $430 million to six entities within Bernalillo County and 87 PPRF loans totaling over $164 million to 16 entities within Sandoval County.

<u>Questions and Discussion</u>

On questioning, the presenters and committee members addressed the following topics.

AMI-KIDS. Mr. Rios described the AMI-KIDS initiative as a public-private partnership through which the mostly Native American youths sentenced by judges to participate in the program pursue graduation in a military-style system. He added that the county recognized the need for such a program a few years ago, explored ways to implement it, partnered with AMI-KIDS, which receives a grant from the federal government to operate the program, and compared available financing rates. The rate offered by the NMFA was the most favorable. Members praised the reported success of AMI-KIDS and programs like it that reduce recidivism. A member encouraged others to actively champion such programs.

NMFA and Leveraging Federal Funds

Ms. Russel gave a presentation as follows on some programs that feature a federal-fund leveraging component.

Drinking Water State Revolving Loan Fund. The NMFA partners with the Department of Environment to administer money received annually from the federal Environmental Protection Agency. The money is used to make loans for public water system infrastructure. To date, the federal government has appropriated $172.5 million, and the state $31.5 million, for the program in New Mexico.

New markets tax credits; Economic Development Revolving Fund. The NMFA participates in new markets tax credits, a federal program, by virtue of the Statewide Economic Development Finance Act (SWEDFA). To administer the program, the NMFA formed Finance New Mexico, LLC, in partnership with New Mexico Community Capital. Finance New Mexico has received three allocations totaling $201 million of federal new markets tax credits; approximately $151 million of that has been invested.

The SWEDFA provides also for the Economic Development Revolving Fund and the administration of the Smart Money and the Small Business Credit Initiative, or Collateral Support, programs. The state has appropriated a net $5.1 million to the fund for the Smart Money Program, and the fund has received over $13 million from the federal government for the Collateral Support Program. Money from the fund is used to fund participation in loans.

USDA infrastructure and guarantee programs. The USDA operates programs that earmark money annually for colonias infrastructure and tribal infrastructure projects and that guarantee loans to small businesses in rural areas. Loans range from about $200,000 to $5 million and average about $3 million.

U.S. Small Business Administration (SBA) 7(a) loan guarantee program; SBA 504 program. Under the SBA 7(a) Loan Program, qualified lenders receive federal guarantees of up to 85 percent for loans made to qualifying small businesses. Despite robust nationwide participation in the program, participation in New Mexico has waned.

Under the SBA CDC/504 Program, a third-party community development corporation lends money to qualified businesses to buy land, buildings and equipment. The project assets being financed are used as collateral, and personal guarantees are required. Unlike the SBA loan guarantee program, the SBA CDC/504 Program can blend with the Collateral Support and the Smart Money loan participation programs. For some reason, there has been a significant decline recently in SBA CDC/504 Program utilization in New Mexico.

Questions and Discussion

On questioning, Ms. Russel and committee members addressed the following topics.

Economic development loan programs. The NMFA partners with the Economic Development Department (EDD) to administer SWEDFA-enabled programs. The EDD certifies projects, and both agencies market the programs. A committee member suggested that the drop in participation in the loan programs could be attributed to increased difficulty — namely, more stringent rules and higher collateral requirements — in securing loans. The committee member noted that credit unions, whose commercial activity has risen, are additional sources for small-business loans. Ms. Russel responded that credit unions are eligible to participate in NMFA programs.

Commercial building space. Ms. Russel indicated that the NMFA does not see many loans for speculative commercial building space construction because most federal programs other than the Smart Money Program require that buildings be owner-occupied, not leased. When asked by a committee member whether the state could develop a program to promote and help satisfy a need for such construction, Ms. Russel said that the idea would require the state to make major modifications to its finance programs.

The committee recessed at 3:15 p.m.

Friday, August 14

The committee reconvened at 9:35 a.m., with Representative Powdrell-Culbert chairing the meeting. Representative Powdrell-Culbert recognized that it was national Navajo Code Talkers Day and invited Senator Pinto to speak about his experience as a code talker. The committee applauded Senator Pinto for his service in that capacity.

Pueblo Capital Projects Funded Through the NMFA

Anthony Chewiwi, lieutenant governor, Pueblo of Isleta, Kurt Weber, treasurer, Pueblo of Isleta, Daryl Candelaria, tribal administrator, Pueblo of San Felipe, Lawrence Montoya, governor, Pueblo of Santa Ana, Robert Ortiz, community development administrator, Pueblo of Santa Ana, and Mr. Dillenback gave a presentation on NMFA-funded capital projects in their respective pueblos.

Pueblo of Isleta projects. Lieutenant Governor Chewiwi described a tribal administrative complex project that the Pueblo of Isleta undertook with a PPRF loan it secured in 2010. The complex houses the pueblo's police and fire departments, tribal and appellate courts, administrative offices, council chambers and wellness center. Before the state-of-the-art complex was built, these programs were housed in substandard facilities. The complex is powered by solar energy and has an exterior design that evokes an unfinished woven basket, which signify that the pueblo is looking optimistically toward its future. Mr. Weber described terms of the project loan, saying that the pueblo pledged gasoline and cigarette tax revenues to secure part of it.

Lieutenant Governor Chewiwi also described an island-removal project that the pueblo undertook with money from the Water Project Fund. The island-removal project included the clearing of silt buildup and the redirecting of water to farming communities. He added that many people visiting the pueblo from around the world ask how the pueblo preserves its culture. The answer, he said, is that the pueblo actively maintains its traditions. They include a longstanding reverence toward the river, which is a critical aspect of the pueblo's agricultural roots and its historic position as a center of tribal trade.

Pueblo of San Felipe projects. Mr. Candelaria gave an overview of the Pueblo of San Felipe's wastewater treatment plant project financed through a 2007 PPRF loan. The plant was completed in 2008 and became operational shortly thereafter. The main plant is a state-of-the-art facility. Lift stations located throughout the pueblo operate at all times and help move water through the system. The system also includes: an electrical room where the system is controlled; a "grit chamber" to treat objects that enter the system; anoxic basins to introduce oxygen to the treated water; filters; storage tanks; an ultraviolet system; reuse water lines; blowers; and a generator. Having the system in place has helped with the pueblo's population growth and infrastructure for the new subdivision.

Pueblo of Santa Ana projects. Mr. Ortiz discussed both the Pueblo of Santa Ana's wastewater treatment plant project under way that was financed through a 2014 PPRF loan and the pueblo's 2014 refunding loan. Money for the project, which is in its engineering phase, is being repaid at a very advantageous rate compared to market rates offered by traditional banks. The Santa Ana utility authority will operate the plant, which will treat wastewater from the many businesses located on the pueblo. Also, the 2014 PPRF loan allowed the pueblo to save money and get out from a restrictive indenture by refunding bonds that were issued for the construction of the Tamaya Resort and Spa and the Twin Warriors Golf Course.

Governor Montoya thanked the NMFA for its financing assistance and gave an overview of the pueblo's initiatives. The pueblo has a diversified economy. The wastewater treatment plant will help with the pueblo's water conservation efforts and business development initiatives. One business initiative coming to fruition is a collaboration with the Gruet Winery to establish vineyards. Some of the pueblo's land is well-suited to grape growing, as evidenced by the Spanish settlers' successful grape production there. In addition, situated on pueblo land are a golf course, soccer complex, fire station, casino, resort and the Notah Begay III Foundation. Governor Montoya noted that many businesses on the pueblo employ non-Santa Ana pueblo members and, thus, benefit a larger community.

Pueblo of Santo Domingo projects. Mr. Dillenback spoke about several NMFA-financed Pueblo of Santo Domingo projects on behalf of the pueblo, which, he said, was unable to send a representative to the meeting. The pueblo took out a PPRF loan in 2005 to build a health care facility for dialysis services, outpatient treatment and tribal health programs. It closed on another PPRF loan in 2010 to build a safety complex featuring emergency medical services, a fire department and a police station. Capital outlay and tribal infrastructure funding helped pay for the safety complex. The health care facility and the safety complex complement one another in that together, they offer post-accident services close to a busy stretch of I-25. The pueblo's only outstanding PPRF loan is one closed on in 2010 to build a Head Start facility.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Pueblo of Isleta projects. Several committee members praised the pueblo's initiatives in building the tribal administrative complex as well as a new senior center and an elementary school. They praised Lieutenant Governor Chewiwi's and the pueblo's vision and dedication to the projects. Other committee members: 1) commended the pueblo for its island-removal efforts, saying that the initiative helps control flooding and helps communities downriver from Isleta; and 2) pointed out that tribal gasoline and cigarette taxes are obligated for bond repayment and should not be viewed by other entities as viable sources of revenue for other purposes. Lieutenant Governor Chewiwi said that the administrative building is about 60,000 square feet and sits on about 14.5 acres. He closed by inviting the committee to the pueblo's San Augustin fiesta on August 28, thanking the NMFA for its help and expressing support for ongoing dialogue.

Pueblo of San Felipe projects. Mr. Candelaria said that: 1) the pueblo's wastewater treatment system was designed to accommodate growth; 2) it is running below capacity and would work better if more water were running through it; 3) it is possible that Algodones could also use the system; 4) the project loan is being repaid with gasoline tax revenue; and 5) the pueblo is exploring ways businesses and residents might help offset some of the costs.

Pueblo of Santa Ana projects. In response to a committee member's questions: 1) Governor Montoya said that: the pueblo is under way in efforts to improve the ecological health of the pueblo's stretch of bosque, in part to prevent wildfires, and is encouraging neighboring pueblos to join in similar efforts; the soccer complex hosts national and regional soccer competitions that regularly draw between 200 and 300 people; the pueblo found it much more feasible to finance the resort and golf course through the NMFA than through outside lenders; and the pueblo is looking into developing a signature wine variety for its resort, developing a wine-tasting facility and microbrewery and sponsoring a wine festival; 2) Mr. Dillenback said that: the PPRF program does not have minimum or maximum local match requirements; and the terms "refinance" and "refund" in the present context are synonymous; 3) Mr. Coalter said that, in determining the terms of PPRF loans, the NMFA considers an entity's revenue stream and how much it is able to match; and 4) Mr. Ortiz said that: the wastewater treatment plant will most likely be finished in 2016; the pueblo fights wildfires on pueblo land, sometimes with the federal Bureau of Indian Affairs' help; and the pueblo has historically worked well with the state and the county on initiatives such as getting a fire truck and helicopter, building a fire station, providing emergency medical services and developing a wellness facility.

Committee members commented that: 1) the wastewater treatment plant initiative is laudable for its role in preventing contamination, protecting the environment and conserving water; 2) when sovereign governments like the tribes and state work together, the benefits are multifold; and 3) forest-thinning is key to improving water and soil health and preventing wildfires.

Pueblo of Santo Domingo projects. A member commented on the great need of the pueblo for providing health and safety services and the ongoing need for collaboration between the state and its tribes.

Adjournment

There being no further business before the committee, the third meeting of the NMFA Oversight Committee adjourned at 11:25 a.m.

Revised: September 8, 2015

TENTATIVE AGENDA
for the
FOURTH MEETING IN 2015
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

September 10-11, 2015
Central Valley Electric Cooperative, Inc.
1403 North Thirteenth Street
Artesia

Thursday, September 10

10:00 a.m.		**Call to Order and Welcome** —Representative Jane E. Powdrell-Culbert, Chair —Senator Joseph Cervantes, Vice Chair
10:05 a.m.		**Welcome** —Phillip Burch, Mayor, City of Artesia —Mike Anderson, Assistant Manager, Central Valley Electric Cooperative, Inc.
10:20 a.m.	(1)	**New Mexico Finance Authority (NMFA) Board Report** —John E. McDermott, Chair, NMFA Board —Robert P. Coalter, Chief Executive Officer, NMFA
10:45 a.m.	(2)	**City of Alamogordo Capital Projects Funded Through the NMFA** —Susie Galea, Mayor, City of Alamogordo (Invited)
11:15 a.m.	(3)	**Economic Development Revolving Fund and Business Needs** —John Brooks, Director of Commercial Lending, NMFA
11:45 a.m.		**Approval of Minutes**
11:50 a.m.	(4)	**City of Ruidoso Capital Projects Funded Through the NMFA** —Tom Battin, Mayor, Village of Ruidoso —Debi Lee, Village Manager, Village of Ruidoso —Judi Starkovich, Finance Director, Village of Ruidoso
12:20 p.m.		**Break**
12:30 p.m.	(5)	**Public School Facilities Funding (Working Lunch)** —Robert Gorrell, Executive Director, Public School Facilities Authority —Zach Dillenback, Chief Lending Officer, NMFA

1:15 p.m. (6) **City of Clovis Capital Projects Funded Through the NMFA**
—David Lansford, Mayor, City of Clovis
—Larry G. Fry, City Manager, City of Clovis

1:45 p.m. (7) **Regional Report from the New Mexico Department of Transportation (DOT)**
—Elias Archuleta, Chief Engineer, District 2, DOT
—Timothy L. Parker, Engineer, District 2, DOT

3:00 p.m. (8) **City of Carlsbad and City of Las Cruces Capital Projects Funded Through the NMFA**
—Luis R. Camero, Director of Utilities, City of Carlsbad
—Mark Winson, Assistant City Manager and Chief Administrative Officer, City of Las Cruces

Recess

Friday, September 11

9:30 a.m. (9) **Report on Colonias Infrastructure Projects**
—Doug Moore, Chair, Colonias Infrastructure Board
—Angela Quintana, Senior Program Administrator, NMFA

10:15 a.m. (10) **Nor-Lea General Hospital and Cigarette Tax Revenue Funding for Cancer Treatment Centers**
—David Shaw, Chief Executive Officer, Nor-Lea General Hospital

11:00 a.m. (11) **Border Authority (BA) Update, Regional Activity Report and Budget**
—William Mattiace, Executive Director, BA
—David Espinoza, Budget Analyst, BA

Adjourn

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

September 10-11, 2015
Central Valley Electric Cooperative, Inc.
Artesia

The fourth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Jane E. Powdrell-Culbert, chair, on September 10, 2015 at 10:02 a.m. in the community room of the Central Valley Electric Cooperative, Inc., in Artesia.

Present
Rep. Jane E. Powdrell-Culbert, Chair
Sen. Joseph Cervantes, Vice Chair
Rep. David E. Adkins
Rep. Sharon Clahchischilliage
Sen. Lee S. Cotter
Rep. Candy Spence Ezzell (9/10)
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Dona G. Irwin
Sen. Richard C. Martinez
Rep. Andy Nunez
Sen. Michael Padilla
Sen. Nancy Rodriguez
Rep. Patricia Roybal Caballero (9/11)

Absent
Rep. Patricia A. Lundstrom
Rep. Stephanie Maez
Rep. Patricio Ruiloba
Sen. John C. Ryan
Sen. William P. Soules
Rep. Monica Youngblood

Advisory Members
Rep. Alonzo Baldonado (9/10)
Sen. Jacob R. Candelaria (9/10)
Rep. Debbie A. Rodella
Rep. Tomás E. Salazar

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

Guest Legislators
Sen. Carroll H. Leavell (9/10)
Sen. Cisco McSorley (9/10)
Rep. Dennis J. Roch (9/11)

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

Staff
Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Jeff Eaton, Research and Fiscal Policy Analyst, LCS
Tessa Ryan, Staff Attorney, LCS

Guests
The guest list is in the meeting file.

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

Thursday, September 10

Welcome
Michael Bunt, economic development director, Artesia Chamber of Commerce, and Jose Aguilar, Artesia city councilor, welcomed the committee to Artesia and highlighted the city's recent economic and population growth. Staff of the Central Valley Electric Cooperative, Inc., including Chuck Pinson, general manager, and Mike Anderson, assistant manager, also greeted the committee. Mr. Pinson noted that the building where the meeting took place is heated and cooled with high-efficiency geothermal energy and that the cooperative operates a robust college scholarship program.

NMFA Board Report
Robert P. Coalter, chief executive officer (CEO), NMFA, relayed the regrets of the board chair, John E. McDermott, for not attending the meeting and presenting on recent NMFA board-related activity. Mr. Coalter then reported that activity as follows.

Loan, grant and other activity. In August, four loans closed, including three from the Public Project Revolving Fund (PPRF) and one from the Drinking Water State Revolving Loan Fund. One loan exceeded $1 million: that to the Jicarilla Apache Nation in the amount of $62.7 million. In addition, two Local Government Planning Fund grants were made, an internal audit annual plan was approved and the NMFA drew closer to implementing a bond banking and loan management system. The portion of the NMFA's annual operating budget spent in August, at nearly 12%, is within target range. The numbers of water trust, drinking water and colonias loans have increased from this time last year in part because of NMFA efforts to streamline processes and put available loan money to use. Lastly, the NMFA is on target to submit its audit to the state auditor before the deadline.

<u>Questions and Discussion</u>

On questioning, Mr. Coalter, Zach Dillenback, chief lending officer, NMFA, who was in the audience, and committee members addressed the following topics.

Lending to sovereign entities. Mr. Dillenback explained some distinctions in the NMFA's treatment of tribal clients. Like with other borrowing entities, PPRF loans to tribes are secured with liens on revenue streams. Unlike with other borrowers, tribes give a limited waiver of immunity and agree that the state has jurisdiction to adjudicate any loan default.

Small-community and disadvantaged lending. Mr. Coalter said that: 1) the NMFA sometimes coordinates with the United States Department of Agriculture to improve small entities' ability to navigate the complex federal water project funding system; 2) the NMFA has helped many small communities to navigate the process of securing project funding from the NMFA; 3) few of those communities have missed out on funding because of an inability to navigate the process; and 4) the NMFA will ask the committee to consider endorsing a measure to increase the gross amount of disadvantaged funding available.

City of Alamogordo Capital Projects Funded Through the NMFA

Mr. Dillenback gave an overview as follows of City of Alamogordo projects financed through the NMFA, which date to 1999. Since 2011, those projects have amounted to over $27.5 million. They include: 1) a 2011 refinance of 1998 bonds that afforded financial savings and wastewater treatment plant improvements; 2) a 2012 refunding of 2012 bonds that afforded financial savings and various capital improvements; and 3) a 2013 loan for a mobile desalinization facility.

<u>Questions and Discussion</u>

On questioning, the presenters and committee members addressed the following topic.

Desalinization project. Senator Griggs, speaking in his capacity as former mayor of Alamogordo, offered some background and thoughts on the desalinization project. The plan includes piping brackish water to a treatment facility. The city began the project in 1995. It has had to overcome many legal hurdles since then to carry it out. The city chose the NMFA to finance the project, paid for by utility ratepayers, because the NMFA offered the lowest rates. The treatment plant can serve as a model for other communities in the state.

Economic Development Revolving Fund (EDRF) and Business Needs

John Brooks, director of commercial lending, NMFA, delivered a presentation as follows on the EDRF program and legislative authorization of loans made with money from that fund.

EDRF program. The EDRF program, enabled by the Statewide Economic Development Finance Act, allows the NMFA to partner with banks by participating in, or buying a portion of, business loans. This arrangement lets banks take more risk and improves businesses' access to capital. The NMFA lends EDRF money only for projects that the Economic Development Department (EDD) authorizes. These projects enjoy certain protections from public inspection.

Legislative authorization. Changes in 2005 to the enabling law required that the legislature authorize any project funded through the program. Later, the requirement was temporarily suspended for standard projects. Prior to the suspension, either the project funding rate was low or projects were altogether not funded because of delays caused by the authorization requirement or because of the authorization bill's failure to pass. Meanwhile, the program developed a reputation among banks as being too inefficient to participate in. To address the program's low-utilization rate, the legislature temporarily suspended the legislative authorization requirement in 2011 and 2013. In that time, the NMFA used nearly $10 million to help fund 18 projects, and the program's reputation improved.

The NMFA would like the committee to consider extending the suspension beyond 2016. Without the prior legislative authorization requirement: 1) the loans made through the program tend to be of a higher caliber; 2) the money dedicated to the program is used more effectively; 3) the loan wait time is much lower; 4) the state is better poised for recruiting businesses and helping them expand; and 5) banks are more inclined to participate in the program. Meanwhile, businesses and banks are concerned that the legislative authorization requirement: 1) potentially exposes a business's confidential proprietary information, thereby compromising its competitive advantage; 2) potentially provides an avenue for outside banks to undercut a participating bank; 3) unnecessarily delays the time from application to loan issuance; and 4) is out of sync with the regular pace of business activity.

Questions and Discussion

On questioning, Mr. Brooks, Mr. Coalter and committee members addressed the following topics.

Fund capitalization. Mr. Brooks reported that the fund initially consisted of state and federal appropriations. During the years of lean state revenues, some of the state contribution reverted to help with solvency. Since then, the fund has received no appropriation. Loan repayments and earned interest constitute the capital available for lending.

Loan terms. Mr. Brooks indicated that banks wishing to utilize the program bring to the NMFA financing packages that outline the requested loan amount. While the interest rate is based on rates established by the United States Department of the Treasury, they are marked up slightly to offset risk.

Program recruitment. Mr. Brooks said that the EDD recruits businesses to take advantage of the program. Banks also drive which businesses seek loan participation. The

NMFA, therefore, is limited in influencing what kinds of businesses participate. When the NMFA learns of a business that wishes to take advantage of the program's benefits, it refers the business to one or more banks. Sometimes the EDD arranges meetings to discuss a particular project. Generally, the department, the NMFA and the bank participate in those meetings.

Legislative authorization. Mr. Brooks explained that the NMFA requests only that the legislative project authorization requirement, not the reporting requirement, be suspended. Other states in the region with similar programs have neither a reporting nor a legislative authorization requirement; however, their programs are implemented at the local level, and local reporting and authorization requirements vary. Some committee members expressed the view that the legislature should retain some oversight of the program.

Mr. Brooks reported that the NMFA did not pursue the projects legislatively authorized in the years between 2008 and 2011 because it determined that they were of bad credit quality or because the borrowers sought financing elsewhere due to delays.

A member pointed out that a business benefits from banks competing to offer it a lower rate. Mr. Coalter explained that, in this program's context, the NMFA's client is not the business, but rather the bank.

Minutes

On a motion made and seconded, the minutes of the committee's August meeting were approved without objection.

City of Ruidoso Capital Projects Funded Through the NMFA

Tom Battin, mayor, Village of Ruidoso, Debi Lee, village manager, Village of Ruidoso, and Mr. Dillenback discussed as follows Ruidoso projects funded through the NMFA.

Ms. Lee reported that, since 2009, four projects have been funded, including a drinking water loan that closed in 2014. The project features new water meters and equipment for remotely accessing information tracked by the meters. That accessibility is particularly useful to the many part-time residents who are able to check their usage remotely and, thus, be alerted to any freeze-caused leaks. Crews are now working on meter installation. Other NMFA-financed projects include: 1) a 2011 airport refunding, which was used exclusively for financial savings; 2) renovations to the civic center in 2009, which was an economic development initiative in partnership with the adjacent lodge; and 3) the 2009 purchase of two pumper fire trucks and one aerial fire truck, which helped to prevent the Little Bear Fire from spreading to the upper canyon and the village center.

Mr. Dillenback said that the NMFA has worked for a long time with the village and that the village consistently has been astute at choosing wisely among its financing options. Ms. Lee reported that the village's bond rating has improved since about six years ago. Mayor Battin expressed his gratitude for the NMFA in its role of improving the village's financial stability.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topic.

Firefighting and infrastructure. Ms. Lee and Mayor Battin attested that, as evidenced during the Little Bear Fire, the village is adequately prepared for wildfires. They added that the U.S. Forest Service and the town of Mescalero can help the village fight fires. The presenters agreed with a committee member who commented that forest thinning is a good tool in fire prevention. Some committee members commended the village on the quality of its airport and convention center.

Public School Facilities Funding

Robert Gorrell, executive director, Public School Facilities Authority (PSFA), and Mr. Dillenback presented on public school facility financing through the NMFA.

Public school-NMFA financing. Mr. Dillenback described the process for school district funding through the NMFA and characterized the relationship between the PSFA and the NMFA as mutually beneficial. A substantial proportion of outstanding PPRF loans are to school districts, which enjoy relatively high credit ratings because of the state's ability to guarantee school districts' bonds. Many school districts have undertaken a variety of projects with money from the Public School Capital Outlay Council (PSCOC) and loans from the NMFA. Some school districts that have reached their bonding capacity seek from the NMFA bond anticipation notes, which promote timeliness in project implementation. The practice of securing bond anticipation notes lapsed when the PSCOC was providing advances on its distributions to districts, but that practice has ceased. Mr. Dillenback highlighted reports, prepared by the PSFA for the NMFA, with information on the facility considered for financing and recommendations.

Mr. Gorrell summarized the process for public school facility funding. Schools are measured for educational adequacy, and districts apply for project funding. The PSCOC makes awards based on eligibility and measures of wealth in the district. The question of bond issue is posed to voters, and once approved, bonds may be sold. The PSFA and the NMFA collaborate when a district seeks funding through the NMFA.

Energy efficiency bonds. Mr. Dillenback also discussed energy efficiency and renewable energy bonds, whose sale provides a method for schools to retrofit their facilities with energy efficiency components and reap savings on energy use. In the program, the Energy, Minerals and Natural Resources Department evaluates a district's plan for energy savings, and it reviews outcomes after implementation. Mr. Gorrell remarked that the overall effectiveness of the energy bond program for school districts is uncertain.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Information request. A member requested, and Mr. Dillenback agreed to provide, more information on projects of the Mesa Vista Consolidated, Chama Valley Independent and Española Public school districts.

Teacher housing. A member asked about funding for improvements to teacher housing facilities that are in poor condition. The member remarked that repairing structures promptly would improve cost-effectiveness. Mr. Gorrell confirmed that teacher housing projects are eligible for PSCOC funding but said that the PSCOC has not made awards for that purpose because it has identified higher priorities. In lieu of PSCOC funding, he noted, NMFA loans could be secured for the purpose.

Future reduced funding. Mr. Gorrell said that, with the implementation of legislation from the past regular session that will phase in reductions to severance tax bonding capacity, the PSCOC will have less money available for awards. As a result, it is less likely that school facilities will be maintained in their current condition. Two strategies for addressing the anticipated shortfall are: 1) improving maintenance on existing facilities; and 2) reducing the aggregate square footage of public school facilities (as calculated per student).

City of Clovis Capital Projects Funded Through the NMFA

Larry G. Fry, city manager, City of Clovis, summarized projects in Clovis pursued through the NMFA, which date to 1998 and amount to over $18.5 million. These projects are: 1) a 1998 Water Project Fund solid waste project; 2) a 2011 PPRF refunding; 3) a 2012 Water Project Fund treatment plant filtration equipment purchase; and 4) a 2014 PPRF loan for infrastructure to treat effluent and promote efficient water use. Most recently, the city received Water Project Fund money for infrastructure for water conservation, treatment and reuse.

Questions and Discussion

On questioning, Mr. Fry and committee members addressed the following topic.

Eastern New Mexico Water Utility Authority (ENMWUA) project. Mr. Fry commented that, with a new full-time director, the ENMWUA project is progressing more quickly. He added that the project has been delayed because of difficulties in securing funding, especially from the federal government, and because of the need to acquire easements on the properties, particularly on railroad property, through which the planned pipeline will run.

Regional Report from the Department of Transportation (DOT)

Timothy Parker, engineer, District 2, DOT, and Marcos B. Trujillo, policy director, DOT, reported as follows on the region's transportation challenges and opportunities. Following their presentation, Senator Leavell spoke about a letter from him to the secretary of transportation. The letter addresses the need for specific road improvements in the southeast corner of the state.

District 2 characteristics. District 2 features more four-lane non-interstate miles of roadway than any other district in New Mexico. U.S. Route 285, a non-interstate highway that receives no interstate money, runs through the district. Of the 332 staff members for the district, 185 hold maintenance positions and 76 hold construction positions. The district contracts for some of its construction work. In spite of the district's rural character, its roads have a relatively high average daily traffic rate. Much of that traffic consists of heavy trucks associated with oil and gas production. U.S. Route 285 from Artesia to Roswell is the most trafficked roadway in the district.

District 2 maintenance and construction. The district's maintenance crews do a variety of repair, prevention and clean-up activities. At times, the maintenance crews help law enforcement personnel in their work by controlling traffic and cleaning up roadways. The maintenance crews commonly have to address flooding and mud slides. The district's active-construction project cost is approximately $109 million. District 2 and other districts' projects and related information, including project-funding sources, are listed on the DOT's web site under "Statewide Transportation Improvement Program".

U.S. Route 82. A project referred to as a top priority in the state is the approximately 63-mile stretch of U.S. Route 82 from Artesia to Lovington. Heavy work trucks constitute 84% of the vehicles that travel the stretch, which is marked by a high crash incidence. The crashes are largely due to the roadway's traffic characteristics and condition. The over-$105 million project, for which about half of the funding has been identified, will be implemented in phases. The DOT is seeking funding for the second half.

Letter about roadway improvements. Senator Leavell described the road problems and a proposed solution addressed in his letter to Secretary of Transportation Tom Church. The recent oil discovery in the Delaware Basin has sharply increased the amount of heavy traffic on U.S. Route 285 from the Texas state line to Loving and on certain stretches of state highways 128 and 18. Those roads were not built to accommodate the weight — much of it from trucks carrying water to and from well heads — that they are withstanding, and so the roads have deteriorated. Aside from inconveniencing those drivers, the road conditions have caused many accidents and deaths. Senator Leavell said that he will introduce legislation to fund those and other roads' improvement with money from the motor vehicle excise tax currently earmarked for the general fund.

Questions and Discussion

On questioning, the presenters, committee members and Mr. Coalter addressed the following topics.

Maintenance budget. Mr. Parker described the district's approaches to, and budget shortfalls for, needed maintenance. He said that a substantial part of the maintenance budget is used for lawsuits and settlements. Several members remarked on the inadequacy of transportation funding, the safety issues associated with deteriorating roads and the need to find new funding sources for road improvement.

Relationship between the NMFA and the DOT. Mr. Coalter said that the NMFA issues the DOT's bonds and performs other work for the DOT. The NMFA charges the DOT an amount equivalent to the cost of paying NMFA staff for the work. Mr. Trujillo added that the legislature established the NMFA-DOT relationship in 2004 and that the agencies have worked to reduce the DOT's costs.

City of Las Cruces and City of Carlsbad Capital Projects Funded Through the NMFA

Mark Winson, assistant city manager and chief administrative officer, City of Las Cruces, presented on capital projects in Las Cruces that are funded by the NMFA. Luis R. Camero, director of utilities, City of Carlsbad, presented on NMFA-funded projects in Carlsbad.

Las Cruces projects. Mr. Winson remarked on the variety of recent city projects. Most recently, the city took out a PPRF loan for almost $2.8 million to buy solid waste trucks, each at a cost of about $250,000, to replace the existing fleet. In 2014, the city borrowed from the PPRF for solid waste capital improvements. The money funded a new community collection center, administrative office improvements and technology upgrades at a landfill. Before that, the city closed on a PPRF loan for a refunding of then-outstanding bonds, which created savings for the city's capital projects fund. Mr. Winson closed by noting that the NMFA serves an important role in financing the city's smaller projects.

Carlsbad projects. Mr. Camero gave an overview of Carlsbad's NMFA-financed projects, which include a 2015 PPRF loan for solid waste trucks and equipment, a 2013 drinking water loan for the Double Eagle water system and an American Recovery and Reinvestment Act of 2009 drinking water loan to replace a water line. Mr. Camero noted also that: 1) the city secured good financing terms for the large-scale Double Eagle water system project; and 2) the city is awaiting approval on its application for a PPRF loan to build a new recreation complex.

<u>Questions and Discussion</u>

On questioning, Mr. Dillenback and committee members addressed the following topic.

Interest rates on PPRF loans. Mr. Dillenback explained that the amount of interest a borrower pays on a PPRF loan depends on changes in the bond market, the loan terms and the borrower's eligibility for disadvantaged funding.

The committee recessed at 3:02 p.m.

<u>**Friday, September 11**</u>

The committee reconvened at 9:32 a.m., with Representative Powdrell-Culbert chairing the meeting. Before hearing presentations, the committee paused for a moment of silence to remember the events of September 11, 2001.

Report on Colonias Infrastructure Projects

Doug Moore, chair, Colonias Infrastructure Board, Oscar Vasquez Butler, vice chair of the board, and Angela Quintana, senior program administrator, NMFA, reported on the colonias infrastructure program.

Ms. Quintana gave background on the program as follows. The legislature established the Colonias Infrastructure Board and program in 2011 to address the needs for basic infrastructure in colonias. The program's enabling law uses population, geographic distance from the U.S.-Mexico border (150 miles or less) and other characteristics to define "colonia". Under that definition, there are 171 colonias. The board consists of 12 members, some voting and others advisory. Some members serve by virtue of their office. Others are appointed. Since the program's inception, state loans and grants in the amount of nearly $60 million have been awarded — and nearly $40 million in federal funding leveraged — for 148 water, solid waste, flood-control, road and pre-development housing projects. Recent and proposed program changes include: 1) added NMFA staff, which will provide more outreach to communities, project oversight, faster closing, faster reimbursement and more board support; 2) potential policy shifts to better address project readiness and timely use of funding and to clarify program requirements; 3) adjustments in the application cycle to better align with other funding programs; and 4) revised application requirements to comply with the executive order on capital spending and to incorporate project presentations.

Mr. Vasquez Butler expressed gratitude toward the sponsors who carried the colonias program bill and underscored the program's importance for redressing communities' inadequate water, road and drainage infrastructure. He added that the program reduces poverty, creates jobs and uses money wisely by leveraging federal funds.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Information requests. Members requested a list of all communities that fit the definition of "colonia", a list of those that have received funding through the program and a project status update.

Rural poverty. Several members deplored the state's rampant poverty and stressed the importance of recognizing and eradicating substandard living conditions. A member asserted that: 1) the state government's initial inaction toward unscrupulous developers created the conditions common to colonias, so the state, therefore, should fix the problem; and 2) the deplorable conditions hinder the state's ability to attract companies to locate in the state. A committee member suggested that the committee visit one or more colonias during a future meeting.

Geographic restriction. Some committee members argued in favor of removing the geographic restriction to make the program more equitable, i.e., expanding program eligibility to communities that possess the characteristics of a colonia but that fall outside the geographic qualification. Another committee member suggested that expanding an already underfunded program would dilute the funds available for each recipient. Committee members also: 1) proposed tracking needs as they are met and, as they diminish, removing the geographic restriction; 2) acknowledged the unfairness of the restriction and encouraged ongoing discussions about how to address it; 3) argued that the restriction provides for more efficient use of state money, given that federal money can be leveraged for communities within the 150-mile parameter; 4) proposed increasing the amount of money available for the program, by reducing, for example, the share of severance tax bonds available for capital outlay; 5) argued that removing the restriction would dilute the already insufficient amount of money available for communities in need; and 5) highlighted the tension between not wanting to support the program's geographic inequity and wanting to support correlative funding for tribal projects. Mr. Moore responded by: 1) saying that he would convey to the board the committee's concerns about possible unfairness created by the program's geographic stricture; 2) acknowledging that poverty exists statewide and that the scale of need exceeds the program's capacity to respond to that need; and 3) supporting the idea that the program be expanded to award more money.

Colonias Infrastructure Board. On the subject of the program board, committee members: 1) expressed praise for the board's competence and balanced composition; 2) recommended that the board actively seek out worthy projects rather than only consider those brought forward by better-equipped applicants; and 3) recommended that the board more broadly publicize program successes. Mr. Moore commented that: 1) the board tries to refrain from acting with political bias and from moving too slowly; 2) he would like the program to be a model of success in the fight against poverty, but regulatory hurdles and communities' low staffing levels sometimes interfere with that goal; 3) the board is considering hiring an auditor to conduct audits for participating communities; 4) the program has produced positive results in its mere four years of implementation; and 5) the board strives to improve the program, and it compassionately reviews all applications. Mr. Vasquez Butler added that the board emphasizes addressing critical needs first. He acknowledged that needs are statewide. He said that the project in Ruidoso Downs, whose funding's propriety some questioned, addressed a legitimate need.

Technical assistance; project fulfillment. Ms. Quintana indicated that communities can access technical help with their applications and projects from NMFA staff, who conduct training, as well as councils of governments, the DOT, the Department of Finance and Administration (DFA), the Office of the State Engineer, the Department of Environment and the Office of the State Auditor. For the program, the NMFA dedicates three administrators and one staff person who reviews expenditures; meanwhile, other NMFA staff assist in specific professional areas. Mr. Coalter told the committee that the NMFA is trying to create synergy among all water programs. Ms. Quintana said that money not used for projects because of regulatory compliance or timeliness issues is reallocated.

Nor-Lea General Hospital and Cigarette Tax Revenue Funding for Cancer Treatment Centers

Mr. Dillenback and David Shaw, CEO, Nor-Lea General Hospital, discussed as follows NMFA-financed projects in the Nor-Lea Hospital District.

Funding history. Mr. Dillenback stated that the district has undertaken projects funded through grant agreements with the DFA and through a PPRF loan repaid with revenue from the rural county cancer treatment cigarette tax. He indicated that cigarette tax revenue levels are difficult to predict, and while it is assumed that revenues from the source will continually decrease, they have in some years defied that expectation.

Nor-Lea Cancer Center. Mr. Shaw talked about the cancer center's history and current status. About a decade ago, policymakers recognized a high prevalence of cancer in the region and the struggle of area cancer patients who had to travel over 100 miles for treatment at the nearest facility. The Nor-Lea Cancer Center was established in 2006 in partnership with a cancer center in Lubbock, Texas. It was expanded in 2009 and again in 2014. Since 2006, the number of procedures conducted at the center has increased dramatically. Further growth is expected. Whereas the original center had four treatment chairs and one exam room, it now has 10 treatment chairs, eight exam rooms and two private beds. Approximately half of the center's patients are from Lea County, and many travel from Texas to Lovington to take advantage of the center's services. Mr. Shaw spoke highly of the center, which has a team of volunteers. No one is turned away from receiving services. The staff, through their dedication, has established a foundation to help offset the costs of medications, accommodations and transportation for patients who cannot afford them.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Nor-Lea Cancer Center. A committee member praised the facility and its services. Several members commented on the importance of the cigarette tax for making such facilities possible.

Cigarette tax revenue; smoking trends. A member expressed support for policies that earmark revenue generated from an activity like smoking for a use that addresses the problems created by the behavior. Mr. Dillenback said that changes in 2010 to the tax structure and the advent of electronic and vapor cigarettes have made it difficult to track trends in cigarette use. Also, he surmised that rises in cigarette use can be attributed to the difficulty some smokers have in quitting. Mr. Coalter remarked that the NMFA exercises caution when projecting revenues, like that from the cigarette tax, that tend to fluctuate. He noted that the Taxation and Revenue Department is an appropriate source for data on cigarette tax revenues.

Border Authority (BA) Update, Regional Activity Report and Budget

William Mattiace, executive director, BA, and David Espinoza, budget analyst, BA, updated the committee on recent border-related activity and presented the fiscal year (FY) 2017 BA budget request as follows.

Recent border-related activity. Mr. Mattiace discussed developments in the border region, which include increased rail traffic, establishment of the Foxconn electronics manufacturing plant and construction of commercial traffic lanes. He named some of the area projects that have been completed recently and said that the feasibility of creating a rail line between Mexico and the U.S. continues to be explored. He noted that the authority will request a special appropriation to continue and finish the study.

FY 2017 budget. Mr. Espinoza reviewed the authority's FY 2015 to FY 2016 budgets and the authority's FY 2017 budget request. Vacancy savings were achieved in FY 2015. The increase in the FY 2017 budget request is due to an increase in insurance and telecommunications costs.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Anapra port of entry. A committee member expressed support for stimulating the Sunland Park economy by improving its infrastructure and building its commercial base. Mr. Mattiace indicated that key decision-makers have evinced a lack of support for establishing the Anapra port of entry, a passenger-vehicle and pedestrian crossing, in Sunland Park. A member advised Mr. Mattiace to share that information with local officials, many of whom harbor hope that the port's establishment will be realized. The member added that, with this awareness, private grant money dedicated to the project could be freed up for another use.

BA scale and capacity. A member commented on the authority's relatively small size and unutilized bonding capacity, saying that the state has for a long time missed the opportunity to maximize the authority's potential to more fully help develop the border region. Mr. Mattiace responded that the rail crossing being studied would present a good opportunity for the authority to issue bonds, which could be repaid with revenue from rail crossing fees.

Adjournment

There being no further business before the committee, the fourth meeting of the NMFA Oversight Committee adjourned at 11:34 a.m.

Revised: October 5, 2015

TENTATIVE AGENDA
for the
FIFTH MEETING IN 2015
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

October 6-7, 2015
Room 307, State Capitol
Santa Fe

Tuesday, October 6

10:00 a.m.		**Call to Order and Welcome** —Representative Jane E. Powdrell-Culbert, Chair —Senator Joseph Cervantes, Vice Chair
10:05 a.m.	(1)	**New Mexico Finance Authority (NMFA) Board Report** —John E. McDermott, Chair, NMFA Board —Robert P. Coalter, Chief Executive Officer (CEO), NMFA
10:30 a.m.	(2)	**New Mexico Renewable Energy Transmission Authority (NMRETA) Report** —Robert E. Busch, Chair, NMRETA
11:15 a.m.	(3)	**Proposed NMFA Rule Change** —Robert P. Coalter, CEO, NMFA —Marquita D. Russel, Chief of Programs, NMFA
12:00 noon		**Lunch on Your Own**
1:30 p.m.	(4)	**City of Santa Fe Capital Projects Funded Through the NMFA** —Oscar S. Rodriguez, Director of Finance, City of Santa Fe
2:10 p.m.		**Approval of Minutes**
2:15 p.m.	(5)	**Spaceport Authority Budget; Current and Potential Revenues; Welcome Center; Road; and Uses of Spaceport Tax District Increment** —Christine Anderson, Executive Director, Spaceport Authority —Richard Holdridge, Chair, Spaceport Authority Board
		Recess

Wednesday, October 7

9:30 a.m. (6) **Water Trust Board (WTB) — Project Application Timeline Revisited; Proposed Policy Revisions**
—Tom Clifford, Chair, WTB; Secretary, Department of Finance and Administration
—Marquita D. Russel, Chief of Programs, NMFA

11:00 a.m. (7) **Proposed Legislation for the NMFA**
—Robert P. Coalter, CEO, NMFA

Adjourn

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

October 6-7, 2015
Room 307, State Capitol
Santa Fe

The fifth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Jane E. Powdrell-Culbert, chair, on October 6, 2015 at 10:00 a.m. in Room 307 of the State Capitol in Santa Fe.

Present
Rep. Jane E. Powdrell-Culbert, Chair
Sen. Joseph Cervantes, Vice Chair
Rep. Sharon Clahchischilliage
Sen. Lee S. Cotter
Rep. Candy Spence Ezzell
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Sen. Richard C. Martinez
Rep. Andy Nunez
Sen. Michael Padilla
Rep. Patricio Ruiloba

Absent
Rep. David E. Adkins
Rep. Dona G. Irwin
Rep. Patricia A. Lundstrom
Rep. Stephanie Maez
Sen. Nancy Rodriguez
Rep. Patricia Roybal Caballero
Sen. John C. Ryan
Sen. William P. Soules
Rep. Monica Youngblood

Advisory Members
Rep. Alonzo Baldonado
Rep. Kelly K. Fajardo (10/6)
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Tomás E. Salazar
Rep. Sheryl Williams Stapleton

Sen. Sue Wilson Beffort
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. Mary Kay Papen
Sen. William H. Payne
Sen. Clemente Sanchez
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
Tessa Ryan, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

<u>Tuesday, October 6</u>

NMFA Board Report

Robert P. Coalter, chief executive officer (CEO), NMFA, and John E. McDermott, NMFA board chair, reported as follows on September NMFA activity.

Loan and grant activity. Fourteen loans, more than usual for a one-month period, closed, and three grants were awarded. Ten of the loans were funded through the Public Project Revolving Fund (PPRF), three through the Water Project Fund and one through the Colonias Infrastructure Project Fund. Six of the 14 loans exceeded $1 million each. Three grants were made through the Local Government Planning Fund.

Other activity. The NMFA entered into a contract with a vendor to integrate a new bond banking and loan management system. The NMFA also approved an internal audit plan. The audit will begin in October. The NMFA intends, and is on track, to complete the audit in early November. Much of the change from September of last year in the NMFA's net financial position statement and revenues and expenses statement reflects recent increases in loan activity. Though the NMFA is below its monthly budgeted spending rate, that rate will soon increase when bills come due and staff travel increases.

<u>Questions and Discussion</u>

On questioning, the presenters and committee members addressed the following topics.

Loans. Zach Dillenback, chief lending officer, NMFA, who was in the audience, provided more detail about the PPRF loans to Los Alamos County, Eastern New Mexico University, the Jicarilla Apache Nation and the City of Bloomfield. Mr. Dillenback agreed to follow up with more detail, including uses and means of repayment, on the Jicarilla Apache Nation loan. A member commented that the loan seemed disproportionately large compared with the others made in the last five quarters. Mr. Dillenback explained that loans to tribal entities are calculated with more emphasis on net asset value than for those to nontribal entities; for the latter, tax revenue is usually the focus. In the case of the Jicarilla Apache Nation, the NMFA also analyzed the nation's cash flow and historic ability to manage debt service. Mr.

McDermott remarked that the board thoroughly vetted the proposed loan to the nation, and it considered that savings from its refinance would help secure repayment.

Staff statewide travel. Mr. Coalter said that NMFA staff will soon travel extensively around the state to meet with representatives of entities eligible for NMFA programs. A member requested that the NMFA notify legislators in advance of meeting in the legislators' respective districts. Mr. Coalter agreed to the request.

Other. Robert Brannon, chief financial officer (CFO), NMFA, who was in the audience, answered members' questions about the NMFA's accrued payroll expense and the effects on the NMFA of the Governmental Accounting Standards Board's Statement Number 65.

New Mexico Renewable Energy Transmission Authority (NMRETA) Report

Robert E. Busch, NMRETA board chair, recapped the history and purpose of the authority, gave a brief professional autobiography and talked about recent developments for the program. The New Mexico Renewable Energy Transmission Authority Act was signed into law in 2007. It established a program to primarily support the development of energy transmission lines to move the state's "landlocked" renewable energy supply to market. Mr. Busch, a retired engineer who served as the CFO of a large utility company in the eastern part of the United States, began his board service shortly after the program's inception. The NMRETA has managed to support several projects and has accomplished much, particularly in the last two years, including having entered into a public-private partnership with Clean Line Energy Partners to pursue the multibillion-dollar Western Spirit project. That project, currently under way, centers on harvesting wind energy in central New Mexico and transmitting it through a high-voltage line to the Four Corners region. Like with all such similarly scaled projects, it will take a long time to complete. Nonetheless, its developers have made notable progress in the last month, including having secured a tribe's agreement for a right of way.

After the last regular session, the governor line-item vetoed the recurring appropriation to the NMRETA. Shortly thereafter, the NMRETA board decided to suspend the NMRETA's operations, and the office planned for its closure on August 31. However, a week before that date, Clean Line Energy Partners stepped in and arranged to help fund the NMRETA's operations. Sometime in the two weeks after the date of this presentation to the committee, the board was planning to vote on whether to revive the NMRETA and continue participating in the Western Spirit project.

<u>Questions and Discussion</u>

On questioning, Mr. Busch and committee members addressed the following topics.

NMRETA board; right of way; the SunZia project; relationship to the NMFA. Mr. Busch indicated that: 1) in response to the appropriation veto, a governor-appointed board member submitted a letter of resignation but was later asked by the administration to rescind it; other appointed members probably will remain on the board; 2) the NMRETA operates under confidentiality agreements with developers and cannot disclose the name of the tribe through whose land the right of way was acquired; 3) he believes that the order from the federal Department of Defense takes care of the White Sands Missile Range issue encountered in the multibillion-dollar SunZia project's implementation; and 4) the NMRETA can conduct its own financing and therefore does not require the NMFA's services.

Proposed NMFA Rule Change

Mr. Coalter and Marquita D. Russel, chief of programs, NMFA, presented a proposal by the NMFA staff to amend the NMFA's PPRF rules that define eligibility for disadvantaged qualified-entity loans and that establish the maximum amounts those entities may borrow each year at the discounted rates. The proposal would also make technical changes to the PPRF program's rules. Ms. Russel noted that changes to PPRF program rules require approval by the committee and the NMFA board. She explained the rule-change process. First, the board considers the proposed changes and offers feedback. NMFA staff revises the proposal accordingly and presents it to the committee. NMFA staff then brings any committee-suggested revisions to the board. Ms. Russel further commented that the PPRF was established about 20 years ago, and its rules have been amended few times since then.

Ms. Russel outlined the PPRF rule-change proposals as follows. An entity with a median household income (MHI) of less than 80% — up from the current level of 75% — of the state's MHI would qualify for the 0% interest rate. Correspondingly, an entity with an MHI of between 80% and 100% of the state's MHI would qualify for the next-lowest rate. That rate would decrease from 3% to 2% or to an amount that the NMFA board determines. Lastly, each fiscal year (FY), an eligible entity could borrow at those rates as much as $500,000 — up from the current level of $200,000 — for infrastructure and $150,000 — up from the current level of $75,000 — for equipment. Correspondingly, the maximum amount that would qualify for the 0% rate or 2% rate would increase from $200,000 to $500,000.

<u>Questions and Discussion</u>

On questioning, the presenters and committee members addressed the following topics.

Interest rates and caps. Ms. Russel stated that: 1) NMFA staff arrived at several conclusions after exploring ways to make loans more affordable and use money more efficiently, and only the proposals presented required a rule change; 2) the PPRF loan parameters were established in 1999 and have not kept pace with market changes; 3) banks might disfavor the proposed changes because of their potential to discourage bank business, but that circumstance is inherent to the program's fundamental purpose; 4) like the committee, the NMFA board has questioned whether the discounted interest rate is set at an optimal level; 5) NMFA staff advises against using instead a variable rate tied to a defined benchmark because borrowers favor certainty in the loan rate; and 6) the proposal to authorize the NMFA board to change the rate is intended to allow for the timely response to substantial market changes. Mr. Coalter added that, if there were a rapid increase in interest rates, the program could better adapt if the NMFA board were allowed to unilaterally adjust the interest rate.

Members expressed reluctance to delegate to the NMFA board the authority to unilaterally adjust the discounted interest rate. They commented that: 1) even given the change's simplicity and the unlikelihood that the board would act arbitrarily, such a delegation might be inadvisable; and 2) in the absence of that delegation, the committee would have adequate opportunity to weigh in on rate adjustments.

A member remarked that the committee could consider variations on the proposed interest rate and corresponding loan cap amounts, such as: 1) a lower rate and a lower cap, to alter the balance in the existing net benefit distribution; 2) adjusting the caps respective to infrastructure and equipment to emphasize a policy preference for a particular investment type; or 3) increasing the MHI percentages further to expand eligibility for the discounted rates. Responding to the first suggestion, Mr. Coalter pointed out that the NMFA is proposing an increase in the discounted-rate loan cap amounts because buying power has diminished since 1999, when the current limits were established. The member responded by saying that an update that seeks only to align the caps to changes in the market assumes that the caps' initial level was and remains desirable.

MHI calculation. Ms. Russel explained that: 1) the Bureau of Business and Economic Research provides the NMFA with MHI data, which are derived from United States Census Bureau records; 2) to determine a community's MHI, the NMFA uses a five-year rolling average; and 3) an entity can challenge the NMFA's MHI determination and opt for an alternative survey process; this alternative is particularly useful in the cases of smaller systems or portions of jurisdictions. A member commented that using the average, rather than the mean, can at times yield a skewed profile of a community, since one outlying addend in the calculation can affect the result significantly.

Effects of changes. Ms. Russel indicated that: 1) the proposed rule changes would modestly increase the number of disadvantaged qualified-entity loans made and make it easier for those entities to comply with repayment terms by reducing loan interest amounts; 2) the NMFA believes that the measures are sustainable and will not jeopardize the PPRF's solvency; 3) there has consistently been money in the PPRF available for lending; and 4) the NMFA is not asking for an increase in lending capacity, and it is not changing other program policies. Referring to charts in the handout, Ms. Russel also delineated some counties and municipalities that the changes would affect.

Committee requests for changes. The committee requested NMFA staff, during the subsequent break, to revise the handout outlining the proposed rule changes to reflect the committee's requests for changes to the proposal. A member suggested that those changes include in the definition of "disadvantaged qualified entity" the measure that the NMFA uses to determine an entity's MHI.

Motion on rule change. After the lunch break, Ms. Russel explained the revised rule-change proposals, which were presented in two handouts. One handout showed the following changes from the original proposal: 1) no provision to allow the NMFA board to set a fixed interest rate; and 2) the definition of "disadvantaged qualified entity" would identify how the MHI is calculated and include the option for the NMFA to consider an alternative survey. The second handout showed an alternative to the first handout's first change. The alternative would allow the NMFA board to determine a fixed discounted interest rate based on market conditions. On a motion made and seconded, the committee approved without objection the rule changes shown on the first handout in their entirety.

City of Santa Fe Capital Projects Funded Through the NMFA

Oscar S. Rodriguez, director of finance, City of Santa Fe, Alan Hook, water resources analyst, City of Santa Fe, and Mr. Dillenback presented on the city's history of NMFA-funded projects. Mr. Dillenback noted that the city has closed on 32 funding agreements within four different NMFA programs at a total cost of over $215 million.

Mr. Rodriguez, who said he has been in his position for 10 months, described two of the city's recent PPRF loan projects. In 2014, the city borrowed $3.5 million to buy seven new buses. In 2015, it took out a loan to advance refund outstanding convention center debt. The refunding yielded a net present-value savings of over $4 million.

Mr. Hook highlighted some of the city's NMFA-funded water projects. Water project loans totaling $4 million and taken in 2010 and 2011 paid for integrated water infrastructure for the Buckman Direct Diversion water treatment plant. A 2011 water project loan improved the McClure and Nichols reservoirs that feed the Canyon Road water treatment plant. A 2013 drinking water loan was used to construct a solar photovoltaic system to reduce energy costs associated with the Buckman Direct Diversion. The system affords energy-cost savings.

Mr. Rodriguez and Mr. Hook noted that the city is considering refinancing one of its loans and has applied for water project funding for forest treatment and watershed protection of the areas around two reservoirs. Mr. Hook added that the city recently completed a prescribed burn, which will help protect the drinking water supply.

<u>Questions and Discussion</u>

On questioning, the presenters and committee members addressed the following topics.

City finances. Mr. Rodriguez summarized the state of the city's finances in light of recent news of its budget shortfall. He said that the city is grappling with a structural imbalance but that the city has enough cash to sustain itself for awhile and that the situation does not affect the city's debt plans or obligations.

Bus program. Mr. Rodriguez indicated that: 1) in the past, the city has secured some federal transportation money to buy buses, but such money is scarcer now; 2) the city council has talked about structuring the city's bus purchase debt service so that it does not outlive the bus's useful life; 3) when buses wear down, the city tries to sell or trade them or reserve them as backup units; 4) although the ridership rate is relatively low, the bus program is primarily meant to provide a service, not generate profits; and 5) some classes of riders are entitled to free or discounted rides.

Solar energy system. A member commented that the Buckman solar energy system financed with a drinking water loan seems like a worthwhile project but also questioned whether, considering the many serious, unmet water infrastructure needs throughout the state, it represents the best use of the money invested in it. The member pointed out that, each year, the amount of money available for water projects financed through the Water Project Fund falls short of the amount represented by requests for that financing. Mr. Dillenback noted that the project was pursued through a federal stimulus program initiative to encourage environmental protection. He added that the project's funding does not preclude the funding of any project pursued by an entity able to afford, and eligible for, a drinking water loan. The member: 1) praised the NMFA's recently expanded efforts to maximize the utilization of programs dedicated to water infrastructure financing; and 2) stressed the importance of both prioritizing water infrastructure needs and matching the entities with those needs to the most appropriate funding program.

Minutes

On a motion made and seconded, the minutes of the committee's August meeting were approved without objection.

Spaceport Authority Budget; Current and Potential Revenues; Welcome Center; Road; and Uses of Spaceport Tax District Increment

Christine Anderson, CEO, Spaceport Authority, and Richard Holdridge, Spaceport Authority board chair, updated the committee on the authority's capital and operations budgets, 2010 tax district bond expenditures, revenue, educational outreach, southern road and visitor experience.

Capital budget; 2010 tax district bond expenditures. Ms. Anderson reviewed the Spaceport Authority's capital budget and the authority's uses of 2010 gross receipts tax (GRT) bond revenue. The Spaceport Authority's capital budget consists of general fund and severance tax bond appropriations ($142.1 million) and revenue derived from a GRT increment assessed in Dona Ana and Sierra counties ($76.4 million). Most of the over-$14 million that remains from general fund capital appropriations and severance tax bonding is dedicated to paying for improvements to the southern road. The over-$1 million from GRT bond revenue must be spent before the end of the calendar year.

Operations budget. Ms. Anderson reviewed actual, estimated, projected and requested sources and uses of money in the Spaceport Authority's operations budget for the period from FY 2014 through FY 2017. FY 2015 and FY 2016 are years in which the Spaceport Authority will transition from having a high proportion of bond revenue to a high proportion of operations revenue. The large year-over-year increase in the FY 2016 operations budget is for increased marketing and sales, facility maintenance, aerospace operations and information technology support. In that budget's contractual category, much of the increased spending is for around-the-clock protective services. The Spaceport Authority will increase its marketing in FY 2016. Having received less in appropriations for supplemental revenue than it requested, the Spaceport Authority will cut back on its construction and equipment purchases.

Revenue. Ms. Anderson cited the Spaceport Authority's primary revenue sources, described the Spaceport Authority's efforts to increase revenue and highlighted some results of those efforts. Much of the Spaceport Authority's revenue comes from Virgin Galactic lease payments and user fees and general fund appropriations. To boost revenue, the Spaceport Authority is focusing on marketing and sales. So far, its efforts have resulted in a film shooting, business from new aerospace customers and a motorcycle event. The Spaceport Authority has ramped up efforts to attract more business from space launch, space testing, satellite ground station and unmanned aerial vehicle companies and business from tourism, film and corporate events, merchandise sales, virtual education and corporate sponsorships. Other revenue-generating possibilities include conference-hosting, corporate events, product video and photo shoots, airplane fly-ins, sporting events and weddings.

Educational outreach. The Spaceport Authority offers several educational opportunities for middle school, high school and college students. They include a real-time virtual classroom, live spaceport tours, payload launches and collaborative aerospace projects. The Spaceport Authority has reached out especially to sixth graders in Dona Ana and Sierra counties but seeks also to engage sixth graders throughout the state. Transportation costs often prohibit that wider outreach.

Southern road. Ms. Anderson described the two routes to the spaceport (the paved northern road and the unpaved southern road), the preference of most visitors and workers to approach the spaceport using the southern route, the deplorable condition of the southern road and the plan for rehabilitating it. The plan includes improving four county roads, three of which are in Dona Ana County. The county agreed to undertake the road project, while both Dona Ana and Sierra counties agreed to maintain it. The Spaceport Authority agreed to fund the road's construction and pay other costs. Its projected completion is August 2017.

Visitor experience. The Spaceport Authority offers visitors opportunities to explore the off-site visitor center, travel to the spaceport via shuttle and tour the spaceport property. The visitor center in Truth or Consequences, which opened in June, occupies a 1930s-era building leased by Follow the Sun Tours, LLC. The company has a licensing agreement with the Spaceport Authority to regularly offer tours. The center features videos and a variety of exhibits. The Spaceport Authority expects that visitor center attendance will greatly increase when Virgin Galactic starts flying and other spaceport-related activity picks up.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Southern road; spaceport access. Members expressed concerns about the southern road still being unfinished and about the quality of its construction. Ms. Anderson and Mr. Holdridge indicated that they share the committee's frustration about the pace of progress. Ms. Anderson also said that: 1) archaeological work caused a project delay, but otherwise, the counties control the project's progress; 2) the two routes leading to the area around the spaceport existed before the spaceport was built; and 3) the legislature at that time appropriated money to pave the last 10 miles of the northern road. A member commented that the decision, which was steeped in politics, to pave the northern road rather than the southern road was intended to give preference to construction contractors based in the more northern part of the state.

Ms. Anderson explained that visitors are shuttled in because the Federal Aviation Administration prohibits cars from parking at the spaceport.

Sources and uses of revenue. Ms. Anderson answered a series of pinpointed questions about the Spaceport Authority's operations budget, marketing efforts and capital outlay requests. She mentioned that: 1) all spaceport property is on state land, and the Spaceport Authority pays rent to the State Land Office; 2) the Spaceport Authority also pays rent for an office in Las Cruces; 3) the capital outlay requests on page 34 of the handout are listed in priority order; 4) the Spaceport Authority would like to buy a prefabricated hangar, for which there would be high demand, to use for storage; 5) potentially, a customer could pay for the road to the hangar; 6) the Spaceport Authority projects that, in the future, the visitor center will attract about 1,000 people a month; 7) the visitor center is closed only on Tuesdays and Wednesdays; and 8) Virgin Galactic recently reaffirmed its commitment to launch from the spaceport, is in the process of building two spaceships and continues to pay its lease.

Spaceport competition. When asked about how the spaceport compares with other states' spaceports, Ms. Anderson indicated that: 1) there are 10 spaceports licensed in the U.S.; 2) other states are considering building spaceports; 3) New Mexico's spaceport stands out because it occupies 18,000 acres; is adjacent to White Sands Missile Range, which has 6,000 square miles of unrestricted air space; is remote; affords privacy; was built from the ground up; is situated amid an attractive landscape; has vertical launch capability; and has a long, wide runway for spacecraft and aircraft; and 4) the state's biggest competitors in the field are Texas and Florida.

Educational programming; county GRT. In response to questions about the spaceport's educational programming and Dona Ana and Sierra counties' financial commitments to the spaceport, Ms. Anderson stated that: 1) the Spaceport Authority has been in talks with the Albuquerque Public School District about hosting educational tours; 2) the Spaceport Authority does not manage the counties' 25% portion of revenues from the GRT increment; rather, the money is directed to those counties' school districts; 3) the spaceport's portion of the GRT revenue pays off bonds sold since 2009; 4) the Spaceport Authority may put to operational use any portion of its GRT revenue in excess of what is required to repay those bonds; 5) legislation was recently introduced to alter that arrangement, but the legislation failed; and 6) the excess money reduces the Spaceport Authority's need for state appropriations. Mr. Holdridge further explained that, at the spaceport's inception, the two counties voted to impose the GRT increment to repay the bonds and generate revenue for their use, which historically has been education-related. In all, he said, the increment generates about $6 million a year. David Buchholtz, a Spaceport Authority board member who was in the audience, added that the counties may choose to end the tax after the bonds expire, which, according to Mr. Brannon, who was also in the audience, will be in 2029. A member expressed frustration that Dona Ana County bears the brunt of the obligation but has so far not seen the promises that induced it — like job creation and a paved southern road — materialize. Furthermore, the member said, it is objectionable that the tax is not set to expire. The member added that the spaceport is primarily a state project, so the state should assume the costs resulting from unanticipated launch delays and that the counties' commissioners should appear before the committee to discuss the use of the spaceport's excess revenue. Ms. Anderson pointed out that the state contributed $142.1 million from the sale of severance tax bonds to the spaceport and that, throughout the course of its lease, Virgin Galactic will pay about $200 million to the Spaceport Authority. More revenue, she said, is coming from other customers.

Continued investment. A member recalled that, when the idea of a spaceport was introduced, legislators were lured by the prospects of revenue and jobs. Now, the member said, many doubt the spaceport's potential for success, are concerned about the many setbacks that have befallen the spaceport and question the wisdom of continuing to invest in a project with such a low return on investment. Another member acknowledged that, although Ms. Anderson did not influence the decision to establish the spaceport, and in spite of her commitment to the spaceport's success, much of legislators' frustration with the spaceport's slow progress is directed at her. Referring to recent legislation that proposed selling the spaceport, Mr. Holdridge remarked that, were the state to walk away from its spaceport customers, who have invested a lot in it, it would send the message to other prospective business partners that the state cannot be trusted. Ms. Anderson added her remarks, which included that: 1) New Mexico's spaceport has made more progress than other spaceports; 2) other states with spaceports envy New Mexico's facility and airspace; 3) other states that are pursuing spaceports see the venture as a long-term investment; 4) the private-sector leaders in the space industry believe firmly in the future of space commercialization; 5) the scale of the state's investment was appropriate for the scale of the venture, which could prove lucrative; 6) such commercial space pursuits are necessarily long-term investments, and it is unreasonable to expect profits from them to materialize quickly; and 7) the state should take a firm stance on whether to continue its investment and, if so, refrain from frustrating the Spaceport Authority's customer-recruitment efforts by waffling on its commitment.

The committee recessed at 3:55 p.m.

<u>Wednesday, October 7</u>

The committee reconvened at 9:30 a.m., with Representative Powdrell-Culbert chairing the meeting.

Water Trust Board (WTB) — Project Application Time Line Revisited; Proposed Policy Revisions

Tom Clifford, secretary of finance and administration and WTB chair, and Ms. Russel updated the committee as follows on the history of, and proposed revisions to, the water project financing program's application time line and program policies. Secretary Clifford noted that the NMFA staff has made strides in making the program more effective by aiming to produce a refined list of recommended projects in time for the session while still giving applicants enough time to first complete applications and then comply with regulatory requirements.

Program background. The Water Project Finance Act created the 16-member WTB, outlined five types of projects eligible for financing and empowered the board to develop program rules and select projects for funding. In 2013, the WTB heightened project-readiness requirements and made applying for financing a two-step process. To accommodate applicants' ensuing need for more application time, the WTB adjusted the program time line, which resulted in presenting to the legislature for its authorization an all-encompassing project list. In 2014, amid complaints from the legislature about the list not having been culled before legislative authorization was expected, the WTB and staff solicited public comment in a four-week period and worked on policy revision proposals with the goal of further improving the program.

Proposed policy changes. In addition to some technical changes not discussed, the NMFA proposes in its program policies to: 1) remove certain project-governance, financial-planning, water-accounting and technical-governance requirements considered unnecessary, redundant or overly burdensome; 2) incorporate certain prioritization criteria; 3) allow regional water associations to have up to 20%, versus the 50% and 5% figures applicable to other entity types, of an awarded grant's money unspent and still qualify for another award; 4) incorporate into the written policy certain existing practices related to borrowing capacity, loan repayment and loan security; 5) add the requirement that loans first be structured as construction loans and then convert to permanent loans; 6) delimit indirect project-cost funding eligibility; 7) add agencies on which the WTB may rely for technical expertise; 8) in response to what small entities cited as their biggest concern, allow MHI to be considered in determining the match requirement and allow applicants supported by rate-paying constituents to borrow, rather than pay up front, money to meet the local-match requirement; 9) for poorer entities, decrease the local match in proportion to MHI; and 10) publish more fully program requirements by project-category type.

Next steps. Ms. Russel said that the proposals would be presented to the WTB for review at its October meeting and that the NMFA expects to have a vetted project list ready for the legislature in January. Secretary Clifford said that the WTB was interested in the committee's feedback on the proposals. He also said that, once the WTB approves projects for funding in May, entities whose projects were chosen for funding can work with the State Board of Finance on the next steps toward securing money for the projects.

Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

Program parameters; costs to applicants and participants. Ms. Russel and Secretary Clifford answered members' questions about the program as follows: 1) the application solicits information about project management, but there is no requirement that an entity employ a manager exclusively to oversee the project; further, agency project management help is available; 2) the program features local-match and loan-component requirements; 3) capital outlay money cannot serve as the local match, since severance tax bond sales generate funding for both programs; nonetheless, securing such money for a project is valuable in that it can reduce the program amount requested; 4) the required loan component ranges from 10% to 40% and depends on the entity's ability to repay the loan; 5) if unforeseen circumstances arise, an entity's annual principal payment may be forgiven; such forgiveness has been granted fewer than 10 times since 2006; 6) a loan can be repaid over a period of up to 20 years at 0% interest; 7) as allowed by rule, the NMFA sets and assesses an administrative fee of .25%, which is .25% of the loan amount; 8) the NMFA policy proposals would help applicants control their costs by eliminating excessive requirements, but the requirement that applicants submit adequate planning documents would stand; and 9) grants from the Local Government Planning Fund can be used to hire people to plan projects and produce those documents. A member expressed support for the idea that entities contribute financially to increase their stake in projects. Another member pointed out that smaller entities have a relative disadvantage of scale in that certain fixed costs are inherent to every project. Lastly, a member proposed that the legislature fund the NMFA adequately so that the agency does not have to charge an administrative fee.

Application cycle; legislative review of project list. Ms. Russel indicated that the schedule for application submission and screening is in part as follows: 1) applicants will make presentations to the WTB on December 12; 2) the project management team will then decide which projects it recommends; and 3) the project review committee will recommend projects to the full board on January 4. Ms. Russel said that, in December, all that could be presented to the committee is a basic list of projects not yet qualitatively reviewed; Secretary Clifford added that the list of projects available in January will have been screened for everything but final regulatory approvals. Having expressed a desire to review a more refined list of projects before the legislative session, the committee discussed the possibility of meeting in December or in January.

Coordination in water project funding. Secretary Clifford noted that NMFA staff coordinates with other agencies' staff to help guide entities to appropriate water project funding opportunities; however, such coordination is often stymied by the complexity in those programs. Ms. Russel commented that the colonias and water project programs' application cycles were recently made to overlap to provide for enhanced coordination and to reduce project delay. Some members criticized the executive branch's having frustrated coordination efforts by presenting late in the last regular session a list of water projects for capital outlay funding.

Consideration of small-entity applicants. A member remarked that: 1) many rural entities' existing water systems are falling apart; 2) water is not a luxury that people in those communities can do without; 3) rural entities have trouble competing with urban entities for such things as water systems, in part because they rely on volunteers rather than professional staff to pursue needed projects; 4) meanwhile, many of those entities request from their legislators millions of dollars in funding assistance that cannot be secured; and 5) given these realities, the NMFA should actively reach out to small entities with big needs. Ms. Russel responded by saying that the policy proposals would remove smaller entities' biggest obstacles; they reflect efforts to make the process easier for small entities while still ensuring responsible investments and good governance. She added that the program still requires those entities to submit plans, but financial aid for that purpose is available. The member requested a table showing the acequias that have applied for, and have been either awarded or denied, program assistance. Another member remarked that it seems that the proposals will improve smaller applicants' access to funding.

Preference for projects "urgent to meet the needs of a regional planning area...". Several members argued that the meaning of "urgent", as used in the Water Project Finance Act, should be clarified. They also expressed concern about how a preference for regional projects might harm small entities with desperate water needs or conflict with their goals. A member pointed out that regional plans take a long time to develop, can quickly become outdated and might contain flaws. Secretary Clifford responded by saying that: 1) the statutory provision requires the WTB to give priority to projects that are part of long-term water plans; 2) nevertheless, smaller entities are still eligible for funding and can score high in the ranking; 3) the legislature may amend the act to target other priorities if it wishes; 4) the word "urgent" has been treated not as synonymous with "emergency", but rather as describing a project integral to a regional plan; 5) all projects suitable for the program require planning; if an emergency water-supply situation develops, an entity can seek emergency funding from the State Board of Finance; and 6) the conversation with small entities to identify remaining program barriers should continue. Ms. Russel noted that the meaning of "urgent" has made program administration more difficult and remarked that the efficiencies afforded by regionalization could benefit small entities.

Program reform. A member remarked that the legislature has in effect been taken out of the water project funding program's decision-making process. The WTB is heavily composed of executive-branch representatives, and it can manipulate project selection by putting more weight on factors it wishes to emphasize. Moreover, the project authorization bill in the recent past has consisted of an exhaustive, not pared-down, list of projects, which gives the WTB broad funding discretion. The member argued that the legislature should play a more active role in scrutinizing and amending the project authorization bill and should consider amending the Water Project Finance Act to make changes as it sees fit.

Proposed Legislation for the NMFA

Mr. Coalter and Ms. Russel presented bill drafts for the committee to review and to which it would respond. Mr. Coalter indicated that all the initiatives embodied in the bill drafts had been presented to the committee in the previous year except one: that related to the Economic Development Revolving Fund. It was agreed that the bills would be considered for sponsorship and endorsement at the next meeting.

$3 million appropriation to the Local Government Planning Fund (.202188.1SA). Mr. Coalter said that the appropriation would be used to make grants, mostly for $50,000 each, to local entities for preliminary engineering reports. He added that some entities that apply for the grants are eligible for only a portion of the maximum $50,000 grant amount.

$1.8 million appropriation for drinking water system financing (.202189.1SA). Mr. Coalter indicated that the appropriation would constitute matching funds for the federal Safe Drinking Water Act program. Ms. Russel added that the program requires the state to match 20% of the federal investment.

Public body ability to delegate decision-making authority on public security sales (.202187.1SA). Michael Zavelle, chief financial strategist, NMFA, who was in the audience, gave some background on the proposal, which the committee endorsed last interim. It originated as a private-sector initiative that affects the NMFA. A bill embodying the concept was first introduced in 2013 and has been substantially revised since then. Last session, the senate passed the bill, but time ran out before it could clear the house. A member noted that the House Ways and Means Committee eventually passed it, and throughout the legislative process, no one voted "no" on the bill.

Extended suspension of requirement for legislative authorization of non-state Statewide Economic Development Finance Act (SWEDFA) projects (.202190.3SA). Ms. Russel noted that the proposal was discussed at the August meeting. She explained that the bill would extend the suspension, which is set to expire in 2016, on legislative authorization for non-state SWEDFA projects. The measure, she said, would help the NMFA comply with federal requirements for spending within a specific time frame.

PPRF project authorization. Mr. Dillenback, who was in the audience, noted that: 1) the bill would authorize for three years the funding of 140 listed projects, each of whose cost is $1 million or more; 2) a project's inclusion on the list does not guarantee its funding; 3) the bill is subject to amendment; 4) projects with a valid unexpired authorization are not on the list; 5) the Department of Military Affairs project (number 33 on the list) consists of proposed improvements to the National Guard of New Mexico building in Santa Fe; 6) the Department of Transportation project (number 34) represents improvements to facilities primarily in Santa Fe, but otherwise throughout the state; and 7) in part, whether an entity can pledge sufficient security determines its eligibility for a PPRF loan. Members: 1) pointed out a technical inaccuracy in the bill; 2) commented that the project descriptions are too general, particularly given that legislators receive capital outlay requests for projects whose inclusion in the bill is difficult to determine because of the descriptions' vagueness; 3) remarked also on the flexibility afforded applicants by that vague language; and 4) requested more specific information about the projects. Mr. Coalter agreed to provide the additional information.

Adjournment

There being no further business before the committee, the fifth meeting of the NMFA Oversight Committee adjourned at 12:11 p.m.

Revised: November 10, 2015

TENTATIVE AGENDA
for the
SIXTH MEETING IN 2015
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

November 20, 2015
State Capitol, Room 317
Santa Fe

Friday, November 20

9:30 a.m.		**Call to Order and Welcome** —Representative Jane E. Powdrell-Culbert, Chair —Senator Joseph Cervantes, Vice Chair
9:35 a.m.	(1)	**New Mexico Finance Authority (NMFA) Board Report** —John E. McDermott, Chair, NMFA Board —Robert P. Coalter, Chief Executive Officer (CEO), NMFA
10:00 a.m.	(2)	**Update on Local Government Planning Fund** —Marquita D. Russel, Chief of Programs, NMFA
10:30 a.m.	(3)	**NMFA Budget** —John E. McDermott, Chair, NMFA Board —Robert P. Coalter, CEO, NMFA
10:55 a.m.		**Approval of Minutes**
11:00 a.m.	(4)	**Update on Loan Program Funding** —Robert P. Coalter, CEO, NMFA —Robert Brannon, CFO, NMFA
11:30 a.m.	(5)	**Update on Economic Development Revolving Fund Funding** —Robert P. Coalter, CEO, NMFA —Marquita D. Russel, Chief of Programs, NMFA
12:00 noon		**Lunch Break**
1:30 p.m.	(6)	**Update on Applications for Water Project Fund Funding** —Marquita D. Russel, Chief of Programs, NMFA —Tom Clifford, Secretary, Department of Finance and Administration (Invited)

2:30 p.m. (7) **Request for Endorsement of Proposed Legislation**
—Robert P. Coalter, CEO, NMFA

Adjourn

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

November 20, 2015
Room 317, State Capitol
Santa Fe

The sixth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, vice chair, on November 20, 2015 at 9:44 a.m. in Room 317 of the State Capitol in Santa Fe.

Present
Rep. Jane E. Powdrell-Culbert, Chair
Sen. Joseph Cervantes, Vice Chair
Rep. David E. Adkins
Rep. Sharon Clahchischilliage
Sen. Lee S. Cotter
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Idalia Lechuga-Tena
Rep. Patricia A. Lundstrom
Rep. Andy Nunez
Sen. Michael Padilla
Sen. Nancy Rodriguez
Rep. Patricia Roybal Caballero
Rep. Patricio Ruiloba

Absent
Rep. Candy Spence Ezzell
Rep. Dona G. Irwin
Sen. Richard C. Martinez
Sen. John C. Ryan
Sen. William P. Soules
Rep. Monica Youngblood

Advisory Members
Rep. Alonzo Baldonado
Rep. Kelly K. Fajardo
Rep. Roberto "Bobby" J. Gonzales
Sen. Bill B. O'Neill
Sen. John Pinto
Rep. Debbie A. Rodella
Sen. Clemente Sanchez

Sen. Sue Wilson Beffort
Sen. Jacob R. Candelaria
Rep. George Dodge, Jr.
Rep. Brian Egolf
Sen. Stuart Ingle
Rep. Sarah Maestas Barnes
Sen. Mary Kay Papen
Sen. William H. Payne
Rep. Tomás E. Salazar
Rep. Sheryl Williams Stapleton
Rep. Don L. Tripp

Staff
Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Jeff Eaton, Research and Fiscal Policy Analyst, LCS
Tessa Ryan, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

<u>Friday, November 20</u>

Members of the committee introduced themselves. Senator Cervantes recognized Representative Lechuga-Tena as having replaced Representative Stephanie Maez in the legislature.

NMFA Board Report

Robert P. Coalter, chief executive officer, NMFA, and John E. McDermott, NMFA board chair, reported as follows on October NMFA activity.

Loan and grant activity. Loan and grant activity was more robust than usual. Nine loans, four of which were in an amount over $1 million, closed, and two Local Government Planning Fund grants were funded. Of the loans, six were funded through the Public Project Revolving Fund (PPRF), one was funded through the Water Project Fund and two were funded through the Colonias Infrastructure Project Fund.

Other activity. In other activity, the new loan-origination system is being implemented; the state-required audit was submitted to the state auditor ahead of the deadline; and all but one of the measures to correct internal structural weaknesses identified after the fraudulent-audit incident have been accomplished.

Mr. Coalter also reviewed the following, summarized in a handout accompanying the presentation: 1) statements of net financial position, revenues, expenses and operating budget; 2) loans and recent bond issues; and 3) measures to correct internal structural weaknesses.

<u>Questions and Discussion</u>

On questioning, the presenters and committee members addressed the following topics.

Program funding and terms. Mr. Coalter explained that: money for Local Government Planning Fund grants comes from the governmental gross receipts tax (GGRT); money for the Water Trust Board program comes from the Water Trust Fund; and 80% of the money for the drinking water program comes from the federal government, while 20% of that money consists of GGRT revenue. Mr. Coalter agreed to provide the interest rates for the PPRF loans that closed in October.

Statement of net position and statement of revenues and expenditures. Mr. Coalter and Robert Brannon, chief financial officer, NMFA, who was in the audience, clarified aspects of the NMFA's revenues and expenditures, citing the increase in loan volume as a key factor in several year-over-year changes.

Audits. Mr. McDermott and Mr. Coalter explained that the NMFA undergoes two audits: an external, financial audit and an internal, risk-assessment audit. The external audit is submitted to the state auditor. The NMFA contracts with a firm, which possesses a wide range of expertise, to perform the internal audit. That audit, which is designed to monitor day-to-day activities, categorizes and prioritizes structural risks to improve compliance and efficiency.

New Markets Tax Credit program loan. Marquita D. Russel, chief of programs, NMFA, indicated that a recent New Markets Tax Credit program loan, yet to be finalized, would support a medical center in Las Cruces. Senator Cervantes informed the committee that his family has financially supported the center.

Update on the Local Government Planning Fund

Ms. Russel updated the committee on the Local Government Planning Fund grant program. She named several program enhancements that the committee recently approved, including those to better assist smaller communities, lower-income communities and communities facing revenue declines. Ms. Russel reviewed a table showing a three-year snapshot of the types of plans funded through the program. On questioning, Ms. Russel noted that many federal funding agencies and the Water Project Fund program condition funding on the submission of an asset management plan.

NMFA Budget

Mr. Brannon summarized the NMFA's budget structure, finances and fiscal year (FY) 2015 and FY 2016 budgets as follows.

Budget structure and finances. No government agency need approve the NMFA's budget. Instead, the NMFA governing board reviews and approves it. The NMFA does not receive a state general fund appropriation to cover the expense of its operations, but rather uses payments from program participants for that purpose.

FY 2015 budget. The amounts budgeted in FY 2015 for personnel expenses, the internal audit and administrative and processing fee revenues exceeded the actual amounts for those categories. Higher-than-predicted activity in the drinking water, Water Project Fund, colonias infrastructure and Local Government Planning Fund grant programs contributed to increased grant revenue and expense.

FY 2016 budget. In developing its FY 2016 budget, the NMFA focused on three initiatives: 1) increasing public lending officers' travel and marketing a new New Markets Tax Credit program allocation; 2) investing more in servicing and online resources, including by adding an administrator in the NMFA's Water and Infrastructure Department and improving the NMFA's website; and 3) hiring a compliance officer and creating a compliance department to oversee regulation compliance and to monitor programs. The FY 2016 budget represents a 5.4% overall increase from the prior fiscal year. A significant increase is for two new employees to help pursue the second and third initiatives. The budget's increase in operating expenses will help carry out the third initiative.

Mr. Brannon reviewed tables showing: 1) comparisons between the FY 2015 and FY 2016 actual and projected budget figures; 2) the divisions of revenue and employees by program for FY 2016; and 3) a snapshot of current financial information. The bulk of revenue and the majority of employees for the FY 2016 budget year are dedicated to administering the PPRF, Water Project Fund, drinking water and colonias infrastructure programs. For the first quarter of the fiscal year, the NMFA has spent just over one-fourth of its budgeted annual revenue.

On questioning, Mr. Coalter indicated that the new employees would be in place soon, and Mr. Brannon indicated that the non-operating revenue decreases reflected in the financial snapshot compromise somewhat the NMFA's ability to make loans.

Minutes

On a motion made and seconded, the minutes of the committee's September meeting were approved without objection.

Update on Loan Program Funding

Mr. Brannon elaborated as follows on the NMFA's project financing programs.

Infrastructure and capital equipment project financing: the PPRF, Local Government Planning Fund and colonias infrastructure programs.

- The PPRF program, NMFA's flagship program created in 1992, is marked by: standard and — for lower-income borrowers, below-market — interest rate loans; an annual legislative authorization bill; high bond ratings, which are particularly important in the current financial environment; a wide variety of participating entity types; providing help to participants in the areas of credit and debt capacity analysis, loan structuring and refinancing; and a contingent liquidity account, which helps ensure fund availability.
- The Local Government Planning Fund program, created in 2002, offers planning grants. Most grants are for planning water and wastewater projects, but some are for other types of projects.
- The colonias infrastructure program, created in 2010, is marked by funding from a 5% annual senior severance tax bond allocation and federal fund leveraging.

Water project financing: the Drinking Water State Revolving Loan Fund, Water Project Fund and Acequia Project Fund programs.

- The state's Drinking Water State Revolving Loan Fund program, created in 1998, provides low-cost assistance for construction of and improvements to drinking water facilities. The NMFA partners with the Department of Environment to administer the program. Through that partnership, the department produces a list of priorities for funding, and the NMFA accepts applications in the order listed. The program receives funding from federal awards, state matches, loan interest and loan repayments.
- The Water Project Fund program, created in 2002, is marked by: grants and low-cost loans for five types of water projects; funding from an annual Water Trust Fund distribution and an annual 10% senior severance tax bond allocation; a 16-member board; and a requirement that projects be legislatively authorized.
- The Acequia Project Fund program, created in 2004, makes grants for project planning as recommended by the Water Trust Board. The program is funded through private donation.

Community facilities and economic development project financing: the Primary Care Capital Fund, Behavioral Health Capital Fund, New Markets Tax Credit, Smart Money Loan Participation and Collateral Support Participation programs.

- The Primary Care Capital Fund program, created in 1994, offers 3% interest rate loans for equipment, land and buildings to nonprofit primary care clinics, school-based health centers and telehealth sites that have relatively low asset levels and that are in rural and medically underserved communities. The NMFA partners with the Department of Health to administer the program. Up to 20% of annual loan principal and interest is forgiven in exchange for services rendered to indigent patients.
- The Behavioral Health Capital Fund program, created in 1994, is like the Primary Care Capital Fund program, but for small behavioral health clinics. The NMFA partners with the Human Services Department to administer the program. Clinics that have assets of $10 million or less and that are in rural and medically underserved communities qualify for the program's capital needs financing. The fund was capitalized with revenue from cigarette tax bonds.
- The state's New Markets Tax Credit program, which an advisory board oversees and which provides financing in federally designated low-income communities, was established in 2006 through the Statewide Economic Development Finance Act (SWEDFA). The NMFA partners with New Mexico Community Capital in operating Finance New Mexico, LLC; that corporation has received federal appropriations to administer the program.
- The Economic Development Revolving Fund consists of state and federal sub-accounts, which have received approximately $5 million in net state appropriations and $13 million in federal appropriations.

- The Smart Money Loan Participation Program, also called the Smart Money Initiative, was established in New Mexico in 2003 through the SWEDFA. The program allows the NMFA to buy less-than-half interests in loans made by banks to for-profit and nonprofit private entities. The loans are made in exchange for the borrowers' agreement to create one or more jobs. The Economic Development Department helps determine project eligibility. The requirement that the program's projects be legislatively authorized has been suspended until June 30, 2016.
- The Collateral Support Participation Program is akin to the Smart Money program in origin and design. In it, too, the NMFA partners with the Economic Development Department. The program helps fill financing gaps left by the Smart Money program and uses private money to leverage federal money.

Mr. Brannon reviewed a table showing available funding by program and a table showing, for each program, historical information on loans closed and loan values.

Questions and Discussion

On questioning, NMFA staff and committee members addressed the following topics.

Colonias infrastructure program. Speaking about the colonias infrastructure program, Ms. Russel indicated that: 1) in 2015, the legislature transferred money out of the Colonias Infrastructure Project Fund, thereby reducing the amount available for funding; 2) last year, about $16 million was available to fund projects; 3) the corresponding amount for the coming year has not been determined; and 4) program money is consistently utilized.

Acequia Project Fund program. Discussing the Acequia Project Fund program, Ms. Russel said that: 1) the Healy Foundation, which has a strong interest in water issues and acequias, provided the only funding the Acequia Project Fund has received; 2) program policies were developed largely through rule; 3) only about $25,000 remains in the fund; 4) the program makes grants exclusively; and 5) the legislature could appropriate money to the fund. Ms. Russel and Mr. Coalter agreed to provide information on: 1) the percentage of Water Project Fund program money used for acequias; 2) the number and names of acequia projects funded in the past five years; and 3) recommended options for earmarking money to generate more money for the fund.

Loan participation programs and the PPRF. Responding to a member's concern about the lack of vacant commercial space in certain parts of the state, Ms. Russel clarified that federal rules prohibit Smart Money loan money from being used to build facilities for speculative lease or purchase, but that a local government could use the PPRF program for that purpose or for a building expansion. Ms. Russel also clarified that, with federal money, the NMFA can take a subordinated position in a loan, but with state money, the NMFA's position must be equal to that of the bank. The amount of a loan participation program loan is based on factors that include the loan term, project location and lien structure. Zach Dillenback, chief lending officer, NMFA, who was in the audience, said that the PPRF program has been used in many cases to provide financing to supplement Public School Facilities Authority financing.

Program cycles. Mr. Coalter explained that some programs, like the PPRF, are offered year-round, while others, like the colonias infrastructure program and the Water Project Fund program, have annual application cycles. Ms. Russel added that the Department of Environment produces a quarterly priority list for the drinking water program and that several of the water infrastructure financing program cycles were designed to overlap for improved access to funding.

Update on Economic Development Revolving Fund Funding

Ms. Russel and John Brooks, director of commercial lending, NMFA, gave an update on the Economic Development Revolving Fund, which is used to administer the Smart Money Loan Participation and Collateral Support Participation programs. Ms. Russel noted that, unlike with federally appropriated money, the NMFA is more careful with its use of state-contributed money for these programs, since the Anti-Donation Clause of the Constitution of New Mexico limits the allowable uses of state money. She reiterated that the Smart Money program allows the NMFA to purchase interests in bank loans to for-profit and nonprofit borrowers and that the Collateral Support program requires the state to leverage $10.00 in private money for every federal dollar loaned. Ms. Russel reviewed tables showing the status of loans made in both programs. She noted that the recession interfered with the timely repayment of some Smart Money program loans, but there have been no such breaches by borrowers in the Collateral Support program. She also reviewed a table outlining Collateral Support program loans by type, noted that the bulk of program money is used for construction loans and pointed out that the law suspending the legislative authorization requirement has helped the program.

<u>Questions and Discussion</u>

On questioning, the presenters and committee members addressed the following topics.

Plaza Hotel loan. Ms. Russel elaborated on the status of the Plaza Hotel loan, the only loan participation program loan, she said, that has been defaulted on. After the hotel went into foreclosure, the lending bank made the winning bid on the hotel and then sold it. Meanwhile, efforts are being made to collect from the guarantors the difference between the bid price and the outstanding debt. In all, about half the loan has been repaid, and the NMFA will likely take a small loss on the deal, which the NMFA will write off as bad debt.

Construction loans. Ms. Russel indicated that the NMFA has made six Collateral Support program loans for construction projects, which tend to be short-term, non-refinanced loans.

Program highlights. Ms. Russel said that the loan participation programs feature interest rates generally lower than banks' rates and no fees — qualities that make the programs attractive to borrowers.

Update on Applications for Water Project Fund Funding

Ms. Russel gave an overview as follows of the Water Project Fund program status. Applicants' notice of intent to apply for funding was due on November 6. Applications are due on November 23. The Water Trust Board will meet on December 2 and 3 to hear project presentations. On January 7, 2016, the board will select projects to be included in the legislative authorization bill. That bill's project list will be culled more than prior years' lists. Ms. Russel directed the committee's attention to a list of projects whose sponsors have filed notices of intent.

Questions and Discussion

On questioning, Ms. Russel and committee members addressed the following topics.

Appropriations from the Water Project Fund. Ms. Russel indicated that, in the last year, the legislature appropriated money from the Water Project Fund for purposes other than those that the Water Trust Board had previously determined that money in the fund would be used for. The amount the board originally understood to be available for water projects will be made up for with revenue from other sources, including loan proceeds, she said.

Application cycle and project list. A member expressed disappointment that, despite the committee's having repeatedly requested that it be presented during the interim with a bill featuring a culled list of water infrastructure projects, the list will not be available this year until January 7, 2016 — after the last committee meeting. Citing as evidence of those requests a handout produced by committee staff and containing Water Project Fund program-related portions of handouts and minutes from meetings dating to 2011, the member stressed that the issue has been recurrent. The member commented that the date planned for a culled list to become available is only days before the session begins. Getting the list so late, the member remarked, will make it difficult for the legislature to authorize the bill because it will not know further in advance the projects listed in it.

Ms. Russel responded that, this year, the application process was modified to accommodate the needs of entities that have historically struggled with meeting the program's application requirements. A culled list, she said, will not be ready until January 7 in part because of those changes. A member acknowledged that, by requesting program changes, the committee contributed to the timing of this year's list's readiness. The member also expressed the hope that there be no such delay in future years.

The committee discussed options for addressing the delay in readiness of a culled project list, including: meeting again in January; not passing an authorization bill this year; having committee staff disseminate the list to members promptly after it is prepared; and asking the Legislative Finance Committee, which will meet shortly before the session, to review the culled list in the NMFA Oversight Committee's place. A member commented that experience has shown that, even without an enacted approved-project bill, the board will use available money to fund previously approved, vaguely identified projects. Another member remarked that the

NMFA Oversight Committee, not the Legislative Finance Committee, is charged with reviewing the project list.

The committee resolved to request that the New Mexico Legislative Council approve an additional meeting shortly before the session for the purpose of reviewing the culled project list bill.

Project funding. Ms. Russel said that the Water Trust Board routinely selects projects for legislative authorization whose combined cost exceeds the amount projected to be available for project funding. That way, a project that loses the need for funding or is deemed ineligible can be replaced by another project, and all available funding can be utilized.

Request for Endorsement of Proposed Legislation

Mr. Coalter, Ms. Russel and Mr. Dillenback presented bill drafts for the committee to consider for endorsement.

PPRF project authorization (.202216.2SA). Mr. Dillenback noted that the law requires a project whose cost is $1 million or more to have legislative authorization, which lasts three years, for the NMFA to finance it. He also said that the project list presented to the committee at its previous meeting was more encompassing than the list presented. In the month since that meeting, NMFA staff sought and received clarification on which entities maintained interest in pursuing PPRF program financing.

On questioning, Mr. Dillenback explained that a PPRF loan's interest rate is driven by a variety of factors, including loan term and structure, market rates and the borrower's degree of disadvantage. He also said that, depending on a school district's characteristics, it might be advantageous for school districts to pursue infrastructure financing through the PPRF program. Further, the recently enacted program rule changes and the future declines in severance tax bonding capacity will likely draw more school district participants to the PPRF program.

A member expressed disagreement with the inclusion of the Spaceport Authority in the PPRF project authorization list, remarking that the Spaceport Authority is subject to too little oversight: without having to seek approval from any higher body or from voters, the Spaceport Authority may freely borrow money to be repaid by revenue from the gross receipts tax. Mr. Dillenback noted that: the Spaceport Authority's previous loan authorization is set to expire; the loan would be repaid with revenue from the spaceport gross receipts tax and would be used to construct the southern road and welcome center; inclusion in the list does not constitute a guarantee of funding; the NMFA would decline to make the loan if it determined that such lending were imprudent; and "debt refinance" in the authorization language of the Spaceport Authority project means that, within PPRF program rules, the Spaceport Authority would be able to restructure its debt obligations.

The committee discussed the possibility of endorsing a version of the bill amended to remove Item 76, the authorization for a loan to the Spaceport Authority. Members pointed out that the exclusion would prompt the convened legislature to discuss the propriety of authorizing the project, thereby allowing scrutiny of the project's merits in a public forum. Arguing that the item should not be removed, a member reasoned that: 1) allowing the Spaceport Authority to restructure its debt would be beneficial; and 2) a safeguard, the NMFA's further vetting, would yet remain. Senator Cervantes informed the committee that the Spaceport Authority leases a building from a building entity in which he has a minority interest, and he expressed his belief that voting on a motion to endorse the bill would not constitute an ethical breach.

With one member in opposition, the committee moved to endorse the bill with the omission of Item 76. Representative Lundstrom and Senator Cervantes agreed to sponsor the bill.

Public body ability to delegate decision-making authority on public security sales (.202187.1SA). Mr. Coalter reported that a 2015 version of this bill passed the senate and then died in the house. A member noted that the bill faced no debate or opposition in the senate. Mr. Coalter added that enacting the bill would bring New Mexico in line with other states and that not having this measure in place has caused, in at least the City of Albuquerque's case, lost revenue.

With one member in opposition, the committee endorsed the bill. Senator Cervantes agreed to sponsor it.

Extended suspension of the requirement for legislative authorization of non-state SWEDFA projects (.202190.3SA). Ms. Russel explained some technical aspects of the bill. She added that enacting the measure was important for the NMFA to be able to meet federal leveraging requirements applicable to the program.

With no opposition, the committee endorsed the bill. Representative Adkins agreed to sponsor it.

Appropriation for $3 million to the Local Government Planning Fund (.202188.1SA). Ms. Russel reported that this bill routinely comes before the legislature. The increase in amount that is requested for transfer from the PPRF to the Local Government Planning Fund is in response to the increase in demand for money from the latter fund.

With no opposition, the committee endorsed the bill. Representative Gonzales agreed to sponsor it.

Appropriation for $1.8 million for drinking water system financing (.202189.1SA). Ms. Russel explained that this bill routinely comes before the legislature. It appropriates money to comply with a federal-match requirement.

With no opposition, the committee endorsed the bill. Representative Rodella agreed to sponsor it.

Adjournment

There being no further business before the committee, the sixth meeting of the NMFA Oversight Committee adjourned at 3:20 p.m.

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

January 14, 2016
State Capitol, Room 309
Santa Fe

<u>Thursday, January 14</u>

10:00 a.m.		**Call to Order and Welcome** —Representative Jane E. Powdrell-Culbert, Chair —Senator Joseph Cervantes, Vice Chair
10:05 a.m.		**Approval of Minutes**
10:10 a.m.	(1)	**<u>Request for Endorsement of Proposed Water Project Legislation</u>** —Robert P. Coalter, Chief Executive Officer, New Mexico Finance Authority
		Adjourn

MINUTES
of the
SEVENTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

January 14, 2016
Room 309, State Capitol
Santa Fe

The seventh meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Jane E. Powdrell-Culbert, chair, on January 14, 2016 at 10:07 a.m. in Room 309 of the State Capitol in Santa Fe.

Present
Rep. Jane E. Powdrell-Culbert, Chair
Rep. David E. Adkins
Sen. Lee S. Cotter
Rep. Bealquin Bill Gomez
Sen. Ron Griggs
Rep. Idalia Lechuga-Tena
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Rep. Andy Nunez
Rep. Patricia Roybal Caballero
Rep. Patricio Ruiloba

Absent
Sen. Joseph Cervantes, Vice Chair
Rep. Sharon Clahchischilliage
Rep. Candy Spence Ezzell
Rep. Dona G. Irwin
Sen. Michael Padilla
Sen. Nancy Rodriguez
Sen. John C. Ryan
Sen. William P. Soules
Rep. Monica Youngblood

Advisory Members
Rep. Alonzo Baldonado
Rep. Kelly K. Fajardo
Rep. Debbie A. Rodella
Rep. Tomás E. Salazar

Sen. Sue Wilson Beffort
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. Mary Kay Papen
Sen. William H. Payne
Sen. John Pinto
Sen. Clemente Sanchez
Rep. Sheryl Williams Stapleton
Rep. Don L. Tripp

Staff
Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Jeff Eaton, Research and Fiscal Policy Analyst, LCS
Tessa Ryan, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Minutes Approval

Because the committee will not meet again until the 2016 interim, the minutes for this meeting have not been officially approved by the committee.

<u>Thursday, January 14</u>

Request for Endorsement of Proposed Water Project Legislation (.202970.1SA)

Robert P. Coalter, chief executive officer, NMFA, and Marquita D. Russel, chief of programs, NMFA, testified on the water projects recommended by the Water Trust Board to move forward in the funding process. Ms. Russel noted that many NMFA staff persons work with the water project program, and she acknowledged those who were in the audience: Angela Quintana, Charlotte Larragoite, Zachary Thomas, Dan Opperman and Mark Chaiken.

Water Trust Board-approved project list. Ms. Russel reviewed the first of three presentation handouts. The first handout listed the applicants for Water Project Fund funding by rank, those applicants' projects and relevant details. The handout included a table showing the percentage of applicants by project type and the total values of, and average scores for, the projects in those categories. Ms. Russel reported that the total project value of the 42 applicants preliminarily determined to be eligible for funding was about $55 million and that the average score for those applications was 70%. Twenty-three of those projects, she said, were in the category of water storage, conveyance and delivery. Ms. Russel highlighted a table showing the funding proportion targets for each project type.

Summary of program application and policy changes; summary of recommended projects. Ms. Russel reviewed as follows a second handout, which outlined changes to program policies and project evaluation criteria. Following a process that included public comment, the Water Trust Board approved policies to streamline the application process starting with the 2016 funding cycle. Among the policy changes is a local match requirement: going forward, an applicant entity's median household income will help determine the entity's local match.

Ms. Russel also recapped the application cycle and results as follows. There were 94 notices of intent to apply and 77 applications. The project management team reviewed 60 of those applications. Representatives of 58 applicant entities presented their projects to the board. The NMFA estimates that about $22 million will be available for project funding and that the value of the 42 projects recommended by the board is approximately $42 million. Meanwhile, some projects on the list might become ineligible for funding for their failure to comply with program requirements. The board will make its final project funding decisions in May.

Water project authorization bill (.202970.1SA). The committee reviewed a third handout, a bill draft listing the Water Trust Board's project recommendations. The bill would authorize the NMFA to use money from the Water Project Fund to make loans and grants for those projects.

Questions and Discussion

On questioning, Ms. Russel, Ms. Quintana and committee members addressed the following topics.

Water Project Fund program and current funding cycle. Ms. Russel answered members' questions about the Water Project Fund program and current project recommendations as follows. The NMFA funds projects in priority order and tries to fund as many whole projects as possible within established funding targets and guidelines. Projects identified as having spend-down issues are italicized in the list and are at risk of becoming ineligible. However, those projects' sponsors have until March 4 to show that the applicable spending criteria have been met. If the sponsors fail to meet that requirement, they may request a policy waiver from the board. A member commented that the funding target ranges seem broad, and Ms. Russel characterized the approach to meeting them as more of an art than a science. Ms. Russel further noted that the board heard applicants' presentations on January 4 and voted on project recommendations on January 7 and that, of the two applicants that did not present their projects to the board, one received the board's recommendation and the other did not.

A member underscored the committee's need to review the project authorization list earlier in the interim. Ms. Russel noted that the NMFA's program policy revision process interfered with producing the list sooner and that no such delay is expected in coming years.

Authorization expiration. Ms. Russel clarified that a statute enacted last year imposes a three-year expiration on the legislative authorization of projects funded through the Water Project Fund.

Use of Water Project Fund money for water rights adjudication. Ms. Russel indicated that the NMFA does not track the use or balance of money statutorily required to be distributed to the Office of the State Engineer for water rights adjudications because the office does not report that information to the NMFA. A member remarked that if the office is not spending that money, the money should be reserved in the Water Project Fund.

Specific projects. Members inquired about specific projects on the list. Ms. Quintana indicated that the Santa Cruz Irrigation District project is receiving some federal funding.

Legislative authorization of Public Project Revolving Fund (PPRF) projects. A member said that the filed committee-endorsed bill that would authorize the NMFA to fund PPRF projects mistakenly included the Spaceport as a funding recipient. The member said that the item would be promptly removed by amendment during the session.

Colonias infrastructure program update. Concerning the colonias infrastructure program, Ms. Russel reported that: applications for colonias infrastructure funding were due in December; in all, the value of projects applied for is about $36 million; the NMFA is in the process of identifying — and giving applicants the opportunity to address — problems in the applications; several applicants have spend-down issues; and the Colonias Infrastructure Board will soon hear applicants' presentations.

<u>Endorsement</u>

With no opposition, the committee endorsed the proposed water project bill. Senator Cervantes agreed to sponsor it.

Minutes

On a motion made and seconded, the minutes of the committee's November meeting were approved without objection.

Adjournment

There being no further business before the committee, the seventh meeting of the NMFA Oversight Committee adjourned at 11:03 a.m.

ENDORSED LEGISLATION

HOUSE BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

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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authority:

1. the academy for technology and the classics in Santa Fe county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

2. the Albuquerque public school district in Bernalillo county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

3. the Alice King community school in Bernalillo county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

4. the city of Anthony in Dona Ana county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

5. the city of Artesia in Eddy county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects and a special assessment district;

6. the Aztec municipal school district in San Juan county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

7. the Belen consolidated school district in Valencia county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

8. the city of Belen in Valencia county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

9. Bernalillo county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

10. the board of regents of eastern New Mexico university in Roosevelt county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

11. the board of regents of New Mexico institute of mining and technology in Bernalillo and Socorro counties for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

12. the board of regents of northern New Mexico state school in Rio Arriba county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

13. the board of regents of the university of New

Mexico in Bernalillo county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

14. the Carlsbad soil and water conservation district in Eddy county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

15. the town of Carrizozo in Lincoln county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

16. Catron county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

17. the village of Causey in Roosevelt county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

18. the Chama valley independent school district in Rio Arriba county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

19. the Claunch-Pinto soil and water conservation district in Torrance county for building, equipment, infrastructure, debt refinance, road, land acquisition, water,

wastewater, water rights and solid waste projects;

20. the town of Clayton in Union county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

21. the Cobre consolidated school district in Grant county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

22. Colfax county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

23. the Corona public school district in Lincoln county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

24. the Cuba independent school district in Sandoval county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

25. the village of Cuba in Sandoval county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

26. Curry county for building, equipment,

infrastructure, debt refinance, land acquisition, water, wastewater, water rights and solid waste projects;

27. the Deming public school district in Luna county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

28. the department of military affairs for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

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

30. the village of Dora in Roosevelt county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

31. the Dora consolidated school district in Roosevelt county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

32. the Dulce independent school district in Rio Arriba county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

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33. Eddy county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

34. El Prado water and sanitation district in Taos county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

35. the village of Encino in Torrance county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

36. the city of Espanola in Santa Fe and Rio Arriba counties for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

37. the town of Estancia in Torrance county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

38. the Eunice public school district in Lea county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

39. the Farmington municipal school district in San Juan county for building, equipment, infrastructure, debt

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

40. the village of Floyd in Roosevelt county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

41. the Floyd municipal school district in Roosevelt county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

42. the Fort Sumner municipal school district in DeBaca county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

43. the city of Gallup in McKinley county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

44. the Gallup-McKinley county school district in McKinley county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

45. the general services department for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste

projects;

46. the governing board of Santa Fe community college in Santa Fe county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

47. the village of Grady in Curry county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

48. the Grady municipal school district in Curry county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

49. the city of Grants in Cibola county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

50. the Greentree solid waste authority in Lincoln county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

51. the village of Hatch in Dona Ana county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

52. the House municipal school district in Quay county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

53. the town of Hurley in Grant county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

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

55. the Jal public school district in Lea county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

56. Lea county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

57. Lincoln county medical center in Lincoln county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

58. the Logan municipal school district in Quay county for building, equipment, infrastructure, debt refinance,

road, land acquisition, water, wastewater, water rights and solid waste projects;

59. the village of Logan in Quay county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

60. the Lordsburg municipal school district in Hidalgo county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

61. the city of Lordsburg in Hidalgo county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

62. the village of Los Lunas in Valencia county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

63. the Loving municipal school district in Eddy county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

64. the Lovington municipal school district in Eddy county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and

solid waste projects;

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

66. the village of Magdalena in Socorro county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

67. the village of Maxwell in Colfax county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

68. the village of Melrose in Curry county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

69. the Mesa Vista consolidated school district in Rio Arriba county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

70. the town of Mesilla in Dona Ana county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

71. Miner's Colfax medical center in Colfax county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

72. the city of Moriarty in Torrance county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

73. the Mountainair public school district in Torrance county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

74. the Navajo tribal utility authority in San Juan and McKinley counties for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

75. the New Mexico school for the arts in Santa Fe county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects and facilities acquisition;

76. the spaceport authority for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

77. Otero county for building, equipment,

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

78. the Portales municipal school district in Roosevelt county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

79. the Pueblo of Cochiti in Sandoval county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

80. the Pueblo of Laguna in Bernalillo, Cibola and Sandoval counties for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

81. the Pueblo of Santa Ana in Sandoval county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

82. the Pueblo of Zuni in McKinley county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

83. Quay county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

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84. the Quemado independent school district in Catron county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

85. the Reserve independent school district in Catron county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

86. Rio Arriba county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

87. Roosevelt county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

88. the city of Ruidoso Downs in Lincoln county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

89. the Ruidoso municipal school district in Lincoln county for building, equipment, infrastructure, debt refinance, land acquisition, water, wastewater, water rights and solid waste projects;

90. the village of Ruidoso in Lincoln county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste

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projects;

91. the San Jon municipal school district in Quay county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

92. the village of San Jon in Quay county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

93. San Juan county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

94. Sierra county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

95. the town of Silver City in Grant county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

96. the Socorro consolidated school district in Socorro county for building, equipment, infrastructure, debt refinance, land acquisition, water, wastewater, water rights and solid waste projects;

97. Socorro county for building, equipment, infrastructure, debt refinance, road, land acquisition, water,

wastewater, water rights and solid waste projects;

98. the city of Socorro in Socorro county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

99. the southwest solid waste authority in Grant county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

100. Taos soil and water conservation district in Taos county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

101. Taos county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

102. the Taos municipal school district in Taos county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

103. the town of Taos in Taos county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

104. the Tatum municipal school district in Lea

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

105. the city of Texico in Curry county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

106. the village of Tijeras in Bernalillo county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

107. Torrance county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

108. the Truth or Consequences municipal school district in Sierra county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

109. the Tucumcari public school district in Quay county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

110. the city of Tucumcari in Quay county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste

projects;

111. the Tularosa municipal school district in Otero county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

112. Union county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

113. Valencia county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects;

114. the town of Vaughn in Guadalupe county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects; and

115. the village of Wagon Mound in Mora county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects.

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

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

SENATE BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

ENDORSED BY THE NEW MEXICO FINANCE AUTHORITY

OVERSIGHT COMMITTEE

AN ACT

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

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

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

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

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

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

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

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

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

"[<u>NEW MATERIAL</u>] DELEGATION OF AUTHORITY BY PUBLIC BODY--AUTHORIZING INSTRUMENT.--

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) the interest and principal payment dates;

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

(3) the sale price;

(4) the interest rate;

(5) the interest payment periods;

(6) the redemption and tender provisions;

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

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

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

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

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

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

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

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

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

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

"[NEW MATERIAL] REPORT TO LEGISLATURE--AUTHORIZING INSTRUMENT--DELEGATION OF AUTHORITY FOR PUBLIC SECURITIES ISSUANCES.--By September 30 of each year, the authority shall report to the New Mexico finance authority oversight committee about the authority's public securities issuances, completed in the prior twelve months, that involved a delegation of authority through an authorizing instrument pursuant to Section 2 of this 2016 act."

SECTION 4. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2016.

HOUSE BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

ENDORSED BY THE NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

AN ACT

RELATING TO THE NEW MEXICO FINANCE AUTHORITY; PROVIDING FOR STANDARD PROJECTS THAT RECEIVE ECONOMIC DEVELOPMENT REVOLVING FUND FUNDING TO BE APPROVED FIRST BY LAW STARTING JULY 1, 2019; REPEALING AND REENACTING A SECTION OF THE NMSA 1978.

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

SECTION 1. That version of Section 6-25-6 NMSA 1978 (being Laws 2011, Chapter 150, Section 2, as amended by Laws 2013, Chapter 106, Section 2) that is to become effective on July 1, 2016 is repealed and a new Section 6-25-6 NMSA 1978 is enacted to read:

"6-25-6. [NEW MATERIAL] NEW MEXICO FINANCE AUTHORITY--ADDITIONAL POWERS AND DUTIES.--

A. To implement a program to assist eligible entities in financing projects, the authority has the powers

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specified in this section.

B. State projects receiving financing assistance with money in the fund shall first be approved by law. To protect public money in the fund or other public resources, rules of the authority relating to state projects shall include provisions to ensure achievement of the economic development goals of the state project and shall describe the means of recovering public money or other public resources if an eligible entity defaults on its obligations to the authority.

C. Standard projects receiving financing assistance with money in the fund shall be approved by the authority pursuant to rules approved by the New Mexico finance authority oversight committee. Beginning July 1, 2019, standard projects shall first be approved by law.

D. The authority may:

(1) issue project revenue bonds on behalf of an eligible entity, payable from the revenues of a project and other revenues authorized as security for the bonds, to finance a project on behalf of an eligible entity;

(2) make loans from the fund for projects to eligible entities that establish one or more dedicated sources of revenue to repay the loan from the authority;

(3) enter into loan participation agreements from the fund for projects, whether in the form of an interest rate buy-down, the purchase of loans or portions of loans

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originated and underwritten by third-party lenders or other similar arrangements;

(4) provide loan guarantees from the fund for projects;

(5) make, execute and enforce all contracts necessary, convenient or desirable for purposes of the authority or pertaining to project revenue bonds, economic development revolving fund bonds, loans, loan participations or loan guarantees and the Statewide Economic Development Finance Act and pay the reasonable value of services rendered to the authority pursuant to the contracts;

(6) purchase and hold loans and loan participations in the fund at prices and in a manner determined by the authority;

(7) sell loans and loan participations acquired or held by the authority in the fund at prices and in a manner determined by the authority;

(8) prescribe the form of application or procedure required of an eligible entity to apply for financing assistance;

(9) fix the terms and conditions of the financing assistance, including the priority of lien and type of collateral or other security, and enter into agreements with eligible entities with respect to financing assistance;

(10) fix, revise from time to time, charge and

collect fees and other charges in connection with the issuance of bonds; the making, purchase, participation in or guarantee of loans; and the review of proposed financing assistance to an eligible entity, whether or not the financing assistance is provided;

(11) employ architects, engineers, accountants and attorneys; construction and financial experts; and such other advisors, consultants and agents as may be necessary in its judgment, and fix and pay their compensation;

(12) to the extent allowed under its contracts with the holders of bonds of the authority, consent to modification of the rate of interest, time and payment of installments of principal or interest, security or any other term of financing assistance;

(13) consider the ability of the eligible entity to secure financing for a project from other sources and the costs of that financing;

(14) acquire fee simple, leasehold, mortgagor's or mortgagee's interests in real or personal property and sell, mortgage, convey, lease or assign that property for authority purposes; and

(15) in the event of default by an eligible entity, enforce its rights by suit, mandamus and all other remedies available under law.

E. The authority shall adopt rules subject to approval of the New Mexico finance authority oversight committee to:

(1) establish procedures for applying for financing assistance;

(2) establish credit qualifications for eligible entities and establish terms and conditions for financing assistance;

(3) establish economic development goals for projects in consultation with the department;

(4) establish methods for determining quantifiable benefits;

(5) provide safeguards to protect public money and other public resources provided for a state project;

(6) establish procedures by which the authority requests approval by law for projects receiving financing assistance with money in the fund; and

(7) establish fees to pay the costs of evaluating, originating and administering financing assistance.

F. The authority shall coordinate with the department to provide staffing and other assistance to the department in carrying out the department's responsibilities and activities pursuant to the Statewide Economic Development Finance Act.

G. The authority shall report to the New Mexico finance authority oversight committee twice each year regarding the total expenditures from the economic development revolving fund for the previous fiscal year, the purposes for which expenditures were made, an analysis of the progress of the projects funded and proposals for legislative action."

SECTION 2. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2016.

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.202190.3SA

HOUSE BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

ENDORSED BY THE NEW MEXICO FINANCE

AUTHORITY OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE LOCAL GOVERNMENT PLANNING FUND.

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

SECTION 1. APPROPRIATION.--Three million dollars ($3,000,000) is appropriated from the public project revolving fund to the local government planning fund administered by the New Mexico finance authority for expenditure in fiscal year 2017 and subsequent fiscal years to make grants to qualified entities to evaluate and estimate the costs of implementing the most feasible alternatives for infrastructure, water or wastewater public projects or to develop water conservation plans, long-term master plans, economic development plans or energy audits and to pay the administrative costs of the local government planning program. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert

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to the public project revolving fund.

SECTION 2. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2016.

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HOUSE BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

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 2017 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, 2016.

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SENATE BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

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 city of Anthony in Dona Ana county for a flood prevention project;

2. to the village of Corrales in Sandoval county

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for a flood prevention project;

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

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

5. to the upper Hondo soil and water conservation district in Lincoln county for a flood prevention project;

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

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

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

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

10. to the town of Mesilla in Dona Ana county for a water conservation or treatment, recycling or reuse project;

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

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

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

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

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

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

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

18. to the city of Santa Fe in Santa Fe county for a water conservation or treatment, recycling or reuse project;

19. to the town of Bernalillo in Sandoval county for a water conservation or treatment, recycling or reuse project;

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

21. to the Albuquerque-Bernalillo county water utility authority in Bernalillo county for a water storage, conveyance and delivery project;

22. to the Ancones mutual domestic water and

wastewater consumers association in Rio Arriba county for a water storage, conveyance and delivery project;

23. to the city of Belen in Valencia county for a water storage, conveyance and delivery project;

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

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

26. to the city of Deming in Luna county for a water storage, conveyance and delivery project;

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

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

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

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

31. to El Salto mutual domestic water consumers' and mutual sewage works association in Taos county for a water storage, conveyance and delivery project;

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32. to the greater Glorieta mutual domestic water consumers association in Santa Fe county for a water storage, conveyance and delivery project;

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

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

35. to the Jemez Springs domestic water association in Sandoval county for a water storage, conveyance and delivery project;

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

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

38. to the village of Melrose in Curry county for a water storage, conveyance and delivery project;

39. to the village of San Jon in Quay county for a water storage, conveyance and delivery project;

40. to the Santa Cruz irrigation district in Rio Arriba and Santa Fe counties for a water storage, conveyance and delivery project;

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

42. to the city of Truth or Consequences in Sierra

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.

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