

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

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

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

**Present**

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

**Advisory Members**

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

**Absent**

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

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

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

**Staff**

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

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Thursday, August 26**

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

**Local Financing Issues**

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

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

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

The last project described by Mr. Sutherland is the acquisition of property and renovation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

particularly in southern New Mexico.

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

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

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

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

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

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

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

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

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

### **Border Authority General Update**

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

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

Mr. Moralez then told the members that during the third quarter of fiscal year 2010, the Border Authority conducted a traffic study along with data collection. He said that as a result of

the 2010 legislative session, the Border Authority's budget was cut by 22% for fiscal year 2011. Additionally, one full-time-equivalent position was cut. Even after the cuts, he explained, the budget for the fiscal year ended in the black.

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

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

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

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

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

Mr. Creek mentioned that the Border Authority has been working with Public Service

Company of New Mexico to export natural gas to Mexico. He noted that next week, Border Authority officials will sign the pre-construction contract for the natural gas pipeline through the Santa Teresa port area.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. Pacheco recommended that the OMA be placed in the executive, specifically the

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

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

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

### **Friday, August 27**

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

### **Spaceport Authority General Update**

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

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

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

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

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

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

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

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

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

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

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

There are a number of active projects underway at the Spaceport at this time. Mr. Homans said that the Spaceport officials have been working with New Mexico's congressional delegation on issues related to the promotion of the Spaceport. He noted that there has been significant interest in the Spaceport's progress and plans at the federal level and even worldwide. Mr. Homans also said that the federal Commercial Reusable Suborbital Research Program for the purchase of research payloads could effectively bring about \$15 million a year to the

Spaceport for the next five years.

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

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

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

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

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

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

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

desire for exciting activities, as well as dining and shopping.

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

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

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

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

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

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