

MINUTES
of the
SECOND MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE
July 1, 2004 - Taos
July 2, 2004 - Espanola

The second meeting of the New Mexico Finance Authority (NMFA) Oversight Committee for the 2004 interim was called to order by Representative Daniel P. Silva, vice chair, at 10:15 a.m. on July 1 at the request of the chair, Senator Mary Kay Papen, in the Rio Grande Room of the Taos Convention Center in Taos.

Present

Sen. Mary Kay Papen, chair
Rep. Daniel P. Silva, vice chair
Rep. Roberto "Bobby" J. Gonzales
Sen. Clinton D. Harden, Jr. (July 1)
Rep. Earlene Roberts
Sen. Nancy Rodriguez
Rep. Henry Kiki Saavedra
Rep. Sheryl Williams Stapleton

Absent

Sen. Pete Campos
Rep. Dona G. Irwin
Sen. Don Kidd
Rep. Brian K. Moore
Sen. Shannon Robinson
Sen. H. Diane Snyder
Rep. Don Tripp

Advisory members

Rep. Jose A. Campos
Sen. Dianna J. Duran
Rep. Mary Helen Garcia
Rep. Ben Lujan
Rep. Patricia A. Lundstrom
Rep. Harriet Ruiz
Sen. Bernadette M. Sanchez
Rep. Edward C. Sandoval
Rep. Luciano "Lucky" Varela
Rep. Robert White

Rep. Donald E. Bratton
Rep. Anna M. Crook
Sen. Joseph A. Fidel
Sen. Mary Jane M. Garcia
Sen. Stuart Ingle
Sen. Leonard Lee Rawson
Rep. James G. Taylor

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

Staff

Janice McCrary
Kathleen Dexter

Guests

The guest list is in the meeting file.

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

Thursday, July 1 - Rio Grande Room, Taos Convention Center

CALL TO ORDER AND WELCOME

Representative Silva turned the meeting over to Representative Gonzales for introductions and welcome comments given by Bobby Duran, mayor of Taos; Charlie Gonzales, mayor of Questa; and Don Francisco Trujillo, Taos County commissioner.

INFRASTRUCTURE NEEDS IN TAOS AND SURROUNDING AREAS

Mayor Duran, Mayor Gonzales and Commissioner Trujillo were joined by Tomas Benavidez, assistant county manager and county attorney, for a detailed presentation on infrastructure needs in the greater Taos area, where extensive growth has put a strain on existing water and wastewater systems. Projects listed in the town of Taos five-year priority capital improvement plan include a biolarium advanced wetlands wastewater treatment system; replacement of deteriorated wastewater lines; a dissipation structure for one of the town's large drainage channels; a 500,000 gallon pressure tank; a new well near the airport to meet firefighting and water supply needs west of town; and renovation of existing water facilities to meet federal arsenic standards. Major infrastructure needs in Taos County include a joint town-county judicial complex, a relief route, upgrades in emergency medical services and upgrades in all public facilities to meet handicapped-access standards set by the Americans with Disabilities Act of 1990. Unlike the projects planned for both the Town and County of Taos, projects currently under way in Questa have already been funded through a combination of state sources, including the NMFA, the community development block grant, the governor's water innovation funding project and legislative appropriations. Like Taos, Questa is developing a biolarium for wastewater, and its list of current projects primarily focuses on upgrading old water lines and storage tanks.

In general discussion among the committee members, it was noted that MolyCorp shares some responsibility for water quality in the Questa area, and its pledge of \$500,000 is insufficient to fund necessary improvement projects; Taos County could save money by bringing certain functions in-house, such as solid waste disposal; and regional detention facilities and privatization could save counties money on prisoner detention and transportation.

NMFA FUNCTION AND STRUCTURE

Bill Sisneros, executive director of the NMFA, and Carlos Romero, intergovernmental relations director for the NMFA, gave an overview of the statutory charge of the agency, projects it is funding statewide and challenges it faces. The amount of projects funded through the NMFA nearly tripled in a single year, rising from \$600 million to \$1.6 billion, and the agency is running out of loan capacity in certain programs. Because of market fluctuations, the NMFA can no longer set bond rates six months in advance, as it has done in the past, and must now set them only 90 days in advance. Given both of these situations, a "reimbursement hole" has been created in the NMFA's base fund, which is beginning to erode. Unless this trend changes, there is a possibility the agency will have to stop funding future projects.

In discussing the list of specific projects approved for funding by the NMFA board for fiscal year 2005, committee members brought up the concern that certain areas of the state, such

as the south valley of Albuquerque, might not be fully represented when NMFA funding decisions are made. Mr. Romero described the NMFA's process for making those decisions and stated that the NMFA has plans to develop a centralized, one-stop application procedure for all state funding sources in an effort to better assist small and underserved communities.

UPDATES ON GRIP FINANCING PROGRAM, WATER TRUST BOARD AND WATER AND WASTEWATER PROJECT GRANT FUND

Brian Brooks, director of Governor Richardson's investment partnership known as "GRIP", gave a presentation on the NMFA board's approval of three investment broker-dealers for managing NMFA funds, recent market trends and federal actions that affect the NMFA. In the short term, the NMFA's debt service payments will decrease following the rise in treasury yields imposed by the federal reserve on the day prior to the meeting, saving the state approximately \$3 million per year. The same federal action, however, will also raise the cost of future NMFA bond issues. In general discussion, committee members requested monthly progress reports on Department of Transportation (DOT) projects and copies of the DOT's drawdown schedule, which is currently being revised to match bond maturity schedules and to prioritize by project readiness.

Angela Gonzales-Rodarte, program administrator for the NMFA, presented a time line proposed by the Water Trust Board (WTB) for its FY 2005 funding application process. On questions from the committee, Ms. Gonzales-Rodarte explained that annual reapplication is required by statute, both to ensure project accountability and as an acknowledgment that funding may not be available every year. In general discussion among committee members, it was noted that the NMFA needs to hire additional personnel to provide technical assistance to applicants.

Tony Duran, financial advisor for the NMFA, gave an update on projects funded through the Water and Wastewater Project Grant Fund. He described the grant funding calculation process, which takes into account median household income, local bonding capacity and local contribution. On questions from the committee, Mr. Duran explained that median household income is derived in segments as small as census tracts and that allowance is made for severe economic downturns that might render census data inaccurate.

APPROVAL OF THE MINUTES

Chairwoman Papen asked if the members had had an opportunity to read the minutes and called for any changes or corrections. Being none, the minutes were approved as written.

PUBLIC COMMENT

John Painter, board member for the El Prado Water and Sanitation District, gave a presentation on the district's need for grant funding as it has nearly reached its maximum loan capacity. The district needs to expand its system and also has legal expenses to pay from the regional Indian water rights settlement.

The committee recessed at 3:45 p.m. for a tour of the Taos Pueblo war chief watershed restoration project, which was funded through the WTB.

Friday, July 2 - Espanola City Council Chambers

RECONVENE AND WELCOME

The second day of the meeting of the NMFA Oversight Committee convened at the Espanola City Council Chambers. Chairwoman Mary Kay Papen called the meeting to order at 10:10 a.m. and requested that Speaker Ben Lujan preside.

Mayor Richard Lucero, Espanola, welcomed members to Espanola and gave a historical overview of the settlement of the area. These cultural communities have worked to retain their identities and autonomy, making it challenging to join hands to create regional projects. Currently, there are five separate and distinct governments that must work together in the Espanola area: San Juan Pueblo, Santa Clara Pueblo, Rio Arriba County, Santa Fe County and Espanola. They have been unable to reach agreement on the creation of a regional water facility and indicated they would like to see it created legislatively. Mayor Lucero indicated there is not enough money in the legislature to solve the local problems and that Espanola has been successful in acquiring \$3 million of federal funding for planning.

The Espanola valley has 17 community water associations. Currently, there is a voluntary collaboration of the water associations. However, they have no authority to act on behalf of a regional water system. Mayor Lucero believes that it would take two to three years to complete the first phase, known as the Cordova project, but there have been problems in crossing tribal lands. The remainder of the project would be undertaken community by community and could be complete within five years once all agreements are in place. Mayor Lucero stated that the increasing issues with water are creating a greater urgency to bring communities to the table.

UPDATE ON RAIL PROJECT

Secretary Rhonda Faight, DOT, introduced Mr. Lawrence Rael, executive director of the Mid Rio Grande Council of Governments and explained that the commuter rail project has been undertaken as a partnership with this organization. She turned the podium over to Mr. Rael to brief the committee on the rail project.

Mr. Rael stated that the commuter rail project is envisioned to operate on existing rails between Belen and Santa Fe. The first phase of the project would be from Belen to Bernalillo. Phase 2 would be from Bernalillo to Santa Fe. Mr. Rael presented demographics regarding the volume of cars currently commuting and how the commuter rail could alleviate some of the highway congestion currently existing.

Project development, including design and engineering, is estimated to be \$4 million. Phase 1 is estimated to cost \$75 million and is part of GRIP. A portion of needed funding has been received for this project. Creation of public/private partnerships for investment are being explored.

A question and answer period ensued. Mr. Rael differentiated commuter rail from light rail, saying that commuter rail runs on heavier track with limited stops. The trip from Belen to

Bernalillo is 46 miles. Phase 2 is approximately 36 months out. Secretary Faught was questioned as to whether GRIP includes any proposed funding for Phase 2. According to Secretary Faught, GRIP has allocated \$200 million of these funds toward Phase 2. Ms. Faught also fielded questions regarding needed subsidies for operation of this project. She stated that all public transportation requires subsidies but that the regional transit district, once established, will be able to impose a .5 cent gross receipts tax to pay for operations. The regional transit authority for the Bernalillo area is expected to be in existence by the end of summer. Ms. Faught also explained that many communities use reversible highways to alleviate congestion but that this is not possible on interstate highways. Mr. Rael, in response to a question, stated that there is a planned connection to the Albuquerque Sunport that may be a combination of a train stop and a short bus commute — a true inter-modal approach.

The issues of marketing the benefits of riding public transportation were discussed. Changing the habits of current drivers would have to happen. The estimated cost of a one-way trip is estimated to be \$1.50 - \$2.00. Additionally, there are initiatives being undertaken to ensure a local, trained work force. Secretary Faught described that there is current legislation pending at the federal level that would provide \$3 million in planning money to the state. Chairwoman Papen requested that staff write a letter in support of this legislation on behalf of the committee.

ADJOURNMENT

The meeting adjourned at 12:30 p.m. for a tour of the San Juan-Chama diversion project.