

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

October 9-10, 2008
Mid-Region Council of Governments Building
809 Copper Ave. NW
Albuquerque

The fifth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Mary Kay Papen, chair, at 9:15 a.m. on Thursday, October 9, 2008, at the Mid-Region Council of Governments Building in Albuquerque.

Present

Sen. Mary Kay Papen, Chair
Rep. Daniel P. Silva, Vice Chair
Rep. Janice E. Arnold-Jones
Rep. Richard J. Berry
Sen. Joseph J. Carraro
Rep. Patricia A. Lundstrom
Rep. Jane E. Powdrell-Culbert
Sen. Lidio G. Rainaldi
Sen. Nancy Rodriguez
Rep. Henry Kiki Saavedra
Sen. H. Diane Snyder
Rep. Don L. Tripp
Rep. Richard D. Vigil

Advisory Members

Rep. Ernest H. Chavez
Rep. Anna M. Crook
Sen. Dianna J. Duran
Rep. Thomas A. Garcia (10-9)
Rep. Roberto "Bobby" J. Gonzales
Rep. Ben Lujan
Sen. Richard C. Martinez
Rep. Edward C. Sandoval
Rep. Sheryl Williams Stapleton
Rep. Luciano "Lucky" Varela

Absent

Rep. Elias Barela
Sen. Clinton D. Harden, Jr.
Rep. Dona G. Irwin
Sen. David Ulibarri

Sen. Vernon D. Asbill
Rep. Jose A. Campos
Sen. Pete Campos
Sen. Kent L. Cravens
Rep. Candy Spence Ezzell
Rep. Daniel R. Foley
Sen. Mary Jane M. Garcia
Sen. Stuart Ingle
Rep. W. Ken Martinez
Sen. Steven P. Neville
Sen. Leonard Lee Rawson
Rep. James R.J. Strickler
Sen. James G. Taylor
Rep. Thomas C. Taylor

(Attendance dates are noted for legislators not attending the entire meeting.)

Staff

Doris Faust, Legislative Council Service (LCS)
Larry Matlock, LCS
Tom Pollard, LCS

Guests

The guest list is in the original meeting file.

Thursday, October 9

Call to Order

Senator Papen called the meeting to order and asked the committee members to introduce themselves.

Welcome and Report on Albuquerque Capital and Infrastructure Issues

Mayor Martin Chavez gave the committee members a warm welcome before he warned them that the city would need to "tighten its belt" while still getting capital outlay funds on the street. Mayor Chavez reported that Albuquerque is facing a \$12.5 million deficit with no good financial news on the horizon.

The city council recently approved a tax increment development district (TIDD) to allow the project at Winrock Mall to proceed to the second phase. The city needs to do something about Winrock Mall, which is mostly empty and has been called an eyesore and a blight. The mayor wants to use the city's gross receipts to build new roads and a connection to mass transit, leveraging the funding.

Mayor Chavez reported that the city had sold its airport bonds the previous week, which had been a matter of concern because of the current market conditions. Credit will become more problematic, and operational budgets will have to decrease.

Mayor Chavez closed his presentation by encouraging partnerships on a regional basis. Upon questions from the committee, he explained that a TIDD lets the city keep a portion of the taxes generated by a developer's investment and devote that portion to infrastructure in the district. Mayor Chavez said that "TIDDs help us to avoid the mistakes we made on the west side of Albuquerque, where we have been playing infrastructure catch-up for 10 years".

He spoke of meeting the new chief executive officer of Eclipse Aviation, who told him that the company makes two jets and will continue to manufacture one of them in Albuquerque, which might mean more jobs after three months to retool the assembly line. On a positive note, Mayor Chavez reported that even if Eclipse Aviation went away tomorrow, it has highlighted New Mexico as a center for technology and upgraded the infrastructure, which is here permanently.

Representative Arnold-Jones asked about group homes, where investors buy residences that escape state regulation by housing three or fewer patients, noting that some of the neighborhoods in the Northeast Heights have as many as eight of these group homes on one block. Mayor Chavez responded that he is aware of the problem, but since the group homes are state funded, the responsibility for them remains with the state.

Speaker Lujan commented that capital outlay and gross receipts tax go hand-in-hand, that the City of Albuquerque has a lot of outstanding capital outlay projects and that projects have been completed, but the money is outstanding.

Border Authority Legislative Proposals

Jaime Campos, executive director of the Border Authority, and Deputy Director Emma Johnson-Ortiz provided an update on recent developments in the border region. Ms. Johnson-Ortiz was excited to tell the committee that groundbreaking on the Mexican side of the border had taken place for a mega-project by a manufacturer of electronic equipment, establishing operations a few yards away from the authority's new building at the border.

It is the first of four phases that will hire 9,300 workers, with as many as 20,000 on the Mexican side in the next few years, attracting maquiladoras to the Santa Teresa area, as well as suppliers, retailers and distribution centers. The grand opening for the new building will be February 25, 2009.

Senator Papen asked about the cattle crossing at Santa Teresa. Mr. Campos explained that it is the best cattle crossing, and it is even better because it does not pollute. Although the cattle crossing was closed because of fears of mad cow disease, it was only temporary, and that crossing is open now.

Representative Silva asked what the rail crossing would mean for New Mexico. Mr. Campos explained that one train has the potential to keep 300 trucks off the road. Ciudad Juarez is the mega-park of auto parts manufacturers, but more would locate there if a rail line were available. "It will have to be a combination of public and private investment", he said, noting that a bid is being put out for a maritime port in Baja California because the port in Long Beach, California, is not sufficient. It will be completed by 2014.

Ms. Johnson-Ortiz informed the committee that the authority will ask for three pieces of legislation for the 2009 legislative session, dealing with these issues:

- excepting the Border Authority from the Property Control Division of the General Services Department;
- removing conflicts in statute regarding the authority's power to develop; and
- it will be about issuing revenue bonds, although this bill is not ready.

With regard to the proposed bill on bonding issues, Representative Lundstrom asked, "If the revenue sources are dependent on development, the businesses in the foreign trade zone and

the state of the economy, what's the back-up plan if the revenue sources don't come in?". Mark Valenzuela, director of governmental affairs and legislative finance strategy for the NMFA, said that the debt is not paid by the state. "If the NMFA takes on the debt, the state isn't responsible for paying it back. The Border Authority is allowed to issue bonds on its own or through the NMFA.". Mr. Campos said this would be the subject of the third bill, which would be worked out at the end of November.

Ms. Faust reminded the committee that all four authorities had been given notice that all bills for committee endorsement must be requested soon enough so that they may be mailed out to the committee members at least 10 days in advance of the December meeting.

Renewable Energy Transmission Authority (RETA) Legislative Proposals

Lisa Szot, executive director of the RETA, appeared before the committee with General Counsel Ted Apodaca. She repeated her request made at the September meeting to support an upgrade in transmission capacity at the Willard substation on the Belen-to-Willard line. Her handout, which is in the meeting file, listed several concepts that have been discussed with the governor's administration, although no draft legislation has yet been approved for release. The concepts are:

- establishing funding sources to enable the RETA to meet its mandate;
- creating tax incentives to get access to the RETA's financing capabilities;
- authorizing the RETA's bonds to be purchased as an investment for the Public Project Revolving Fund and other money invested by the NMFA;
- authorizing the NMFA to provide credit enhancements under the NMFA economic development program and list the RETA as an entity for which the NMFA may make a loan guarantee;
- authorizing the NMFA to issue bonds on behalf of the RETA, identifying projects as "qualified projects" under the Public Project Revolving Fund to facilitate access to that funding source;
- improving the RETA financing and administrative operations; and
- enhancing the RETA bond terms and conditions to improve marketability.

The committee discussed the concepts and their implications, especially regarding the lack of oversight. Mr. Apodaca mentioned that the RETA would issue regulations for the types of procurement policies it adopts.

Speaker Lujan noted that although the Public Regulation Commission regulates a lot of pipelines, the legislature has not given it a direct revenue stream. All of the commission's budget comes from the general fund. Speaker Lujan further said, "Your request is twofold. You want your own bank account, and then you want to come to the legislature for a direct appropriation instead of going through the environmental department."

Senator Snyder expressed concern over giving the RETA that much authority and independence.

The committee recessed for lunch and returned at 2:00 p.m.

NMFA Legislative Proposals

Bill Sisneros, chief executive officer of the NMFA, and Mr. Valenzuela presented the authority's 2009 legislative agenda, which includes:

- appropriation requests:
 - \$2 million for a state match to the Drinking Water State Revolving Loan Fund, which will bring in \$8.5 million from the federal government; and
 - \$2 million for the Local Government Planning Fund from the Public Project Revolving Fund (PPRF);
- authorization legislation;
- PPRF authorization bill;
- the SmartMoney authorization bill;
- the Water Trust Board;
- the amendments to the PPRF to clarify the NMFA's ability to issue bonds for the RETA, UNM hospital and charter schools;
- a memorial to study the use of moral obligation as a backstop to NMFA bonds as a method to gain AAA rating and minimize cost; and
- non-NMFA legislation:
 - development of a charter school financing entity;
 - enhancement to the Rural County Cancer Treatment Fund by increasing the share of the cigarette tax; and
 - the ability to use the Emergency Medical Services Fund as a security revenue stream for NMFA loans.

Review and Comparison of Tax Increment Development Districts (TIDD)

Olivia Padilla-Jackson, director of the State Board of Finance, and Dan White, economist with the Legislative Finance Committee (LFC), began their presentation. Each gave the committee a handout, as well as a single-sheet side-by-side comparison. Laird Graeser, economist for the Department of Finance and Administration (DFA), and Norton Francis of the LFC joined them at the presenters' table.

Mr. White began the presentation with background and an update on the Mesa del Sol TIDD project, which is the only TIDD thus far that has received almost \$1 million in a gross receipts tax increment. The five governing districts can bond up to \$500 million, as approved by the legislature in 2007.

SunCal has not received bonding authorization and has not received any gross receipts taxes because a governing board has yet to be established. The newest TIDD has been approved for a 75 percent increment of gross receipts tax by the city council. Dick Minzner, lobbyist, was introduced by Will Steadman with SunCal. Mr. Minzner was at the meeting to talk about the tax benefits received by the state, noting that "...there was a personal income tax, a capital gains tax paid by the heirs. It had a zero base and all of the \$250 million was capital gain. Some were not

New Mexico residents, but state government and the state economy benefited from the money spent."

Mr. White explained that the Winrock TIDD proposal is actually run by two separate companies, one by Winrock and one by Quorum. Each district can get a different increment. One might ask for a 75 percent increment, others for more or less. The numbers come from the TIDD development plan.

Representative Lundstrom asked what the time frame would be if only four of the TIDDs are approved. Mr. Graeser responded that the approval is for the state increment. The county has fully approved the master plan for all nine TIDDs. The approval of the four districts' use of the state tax increment should not have a material slowing-down effect on the overall pace of the development. Mr. Steadman added that the approval of the state component affects the progress, expediting the installation of the infrastructure needed to serve the facilities.

Ms. Padilla-Jackson said that a rule had been adopted at the last meeting of the State Board of Finance to allow for a 30-day public comment period. There are 24 community groups interested, the main input being from developers. The rule will take effect on October 15, 2008 and addresses timelines, internal methodology and the establishment of reporting requirements.

Representative Lundstrom requested a bill to be drafted to increase state oversight of the TIDD program. There being no objection, the motion passed.

Winrock/Quorum Town Center Tax Increment Development District Proposal

Michael Kelly with Winrock Partners, LLC, began his presentation at 5:00 p.m. His handout, "Winrock/Quorum Town Center Re-Development Project", is in the meeting file.

Mr. Kelly explained that, with respect to this particular TIDD application, there are \$4.00 or \$5.00 of private money for every dollar of proceeds going in. The handout contains maps of TIDDs one through three.

The benefits to the state will include increased tax revenues from construction and increased employment. The project will generate \$8.3 million in additional annual gross receipts tax after the bonds are retired and an additional \$582,000 in annual gross receipts tax while TIDD bonds are outstanding. Three thousand three hundred retail jobs are involved, with 1,700 additional professional jobs to be filled by company expansions and relocations. Twelve thousand seven hundred sixty-five construction jobs over an eight-year period are expected.

Of the 450,000 square feet available in the old Winrock Mall and the abandoned motel, 400,000 will be torn down. Mr. Kelly mentioned that someone trying to steal copper wire from one of the vacant buildings was nearly electrocuted while attempting to steal a live transformer. He said that urban renewal is a thing of the 1970s, and currently there is no other way to revitalize the property without the TIDD. The current tenants of the property are Dillard's, Sports Authority and Bed, Bath and Beyond.

The committee recessed at 5:41 p.m.

Friday, October 10

The meeting was called to order by the chair at 8:40 a.m.

Overview of Local Capital Projects and Capital Needs

Thaddeus Lucero, Bernalillo County manager, said his first priority is the jail, which will be financed by requesting additional taxing authority for gross receipts tax. The current facility is almost at maximum capacity with 2,750 inmates. "We are going to have to start turning away prisoners that should not be turned away."

The other priorities for Bernalillo County include:

- \$500,000 for construction on Eubank Boulevard;
- Raymond G. Sanchez Community Center improvements;
- a public safety academy;
- an animal care facility; and
- a large, multipurpose facility in Tom Tenorio Park.

Senator Papen asked Mr. Lucero if a mental health evaluation is performed on those entering the jail. He replied that they get a medical evaluation within 24 hours, and if they are on psychotropic medications, they are transferred to a psychological unit. He noted that the percentage of inmates awaiting a court date was at least 50 percent.

Representative Swisstack, serving in his capacity as the mayor of Rio Rancho, gave the committee copies of his handout. His top projects are:

- \$42 million to equip Well 23, which has already been drilled to provide service to the north central area;
- \$15 million to widen Northern Boulevard from two to four lanes between Acorn Loop and 34th Street;
- \$34 million to pay for planning, design and construction of two lanes on Paseo del Volcan;
- \$35 million for phase 2 of a project to widen Unser Boulevard from Farol to Progress Boulevard;
- \$2,972,736 for a water tank at Enchanted Hills West to provide additional storage and fire flow protection; and
- \$11,500,000 to extend 30th Street from Italia to Paseo del Volcan to provide better access to Rio Rancho's "new downtown".

Details for each project are in the handout.

Representative Lundstrom noted that the majority of the funding requests were federally based, and that the federal government has been more willing to invest in mass-transit projects.

She said that at a National Conference of State Legislatures meeting in New Orleans, a national infrastructure committee had been proposed. She asked staff to consider if such a committee would be appropriate for the New Mexico Legislature.

Louis Honing, mayor of the Village of Los Lunas, gave the committee his priorities in a handout; a copy is in the meeting file. Los Lunas projects include:

- \$2,219,480 to widen New Mexico 314 from Main Street to Courthouse Road;
- \$500,000 to design and construct 200 new parking spaces and resolve water retention issues east of the current station parking lot (Rail Runner);
- \$5 million for phase II construction of an intermodal transportation center; and
- \$979,739 to create a second river crossing with a 16-inch main water line.

Fifteen more projects are listed in the handout.

David Lopez of the Belen City Council presented his community's needs, including:

- a new water storage tank;
- storm drain improvements;
- redrilling well #5; and
- Llano improvements on the south side of the exit.

Corrales Mayor Philip Gastayer gave the committee his handout, which is in the meeting file. His community's top five needs are:

- \$1.4 million to develop playing fields and a playground on unimproved land in Salce Park;
- \$2 million over five years for a central water system or hydrants for fire suppression, especially in the bosque;
- \$500,000 for information technology for the village offices;
- \$2 million over five years for repairs to residential roads and drainage; and
- \$800,000 over two years for farmland preservation.

Bryan Olguin, Mayor of Peralta (New Mexico's newest municipality, incorporated in 2007), gave the committee his handout, containing the town's top five capital outlay projects:

- \$230,000 for administrative facilities at 2615 Highway 47;
- \$50,000 for consultant services to develop a comprehensive plan for zoning, permitting, nuisance abatement, animal control, law enforcement, water and wastewater planning;
- \$4,282,500 to extend a sewer line from Peralta Elementary School to the southern boundary of Peralta along Highway 47, about 1.75 miles;
- \$180,000 for a fire department vehicle to transport personnel; and
- \$2,454,250 for a traffic mitigation plan, including the redesign and construction/resurfacing of several residential streets and the acquisition of road maintenance equipment.

Approval of Minutes and Committee Business

Representative Saavedra moved to approve the minutes from the committee's third meeting. Representative Silva seconded, and, there being no objection, the motion passed.

Transit District Gross Receipts Tax Increment Proposal

Lawrence Rael, executive director of the Mid-Region Council of Governments, began his presentation at 11:16 a.m. His handout, which gives the details of the Rio Metro Plan to coordinate transit in the region, is in the meeting file. The bill, which gave local governments the authority to form regional transit districts, resulted in the Rio Metro District and the North Central Region. The Rio Metro District consists of Sandoval, Bernalillo and Valencia counties. Jack Valencia from the North Central Region joined Mr. Rael at the presenters' table. Mr. Rael noted that roads are built to move equipment, not people. "A few people driving cars take up a lot of space on the roads. Putting people into mass transit will open up much-needed space.". He asked for \$20 million for mass transit projects in the district.

New Mexico First Town Hall Meeting Report

Secretary of Transportation Rhonda Faught brought nine members of her staff, including the deputy secretary of the department, for her presentation. Her handout is in the meeting file. The recommendations generated by the meeting include:

- developing a comprehensive plan;
- educating the voting public;
- creating government partnerships for future developments;
- enabling public/private partnerships;
- spending transportation-related revenues on transportation needs;
- redirecting taxes from transportation projects to the State Road Fund;
- increasing infrastructure funding;
- increasing transit funding;
- indexing taxes to account for inflation;
- establishing a permanent transportation fund; and
- continuing to study funding options.

Representative Lundstrom moved that the chair appoint a subcommittee to come up with proposed legislation for the NMFA Oversight Committee to consider at its final meeting, including people who participated in the New Mexico First Town Hall Meeting. Representative Silva seconded the motion, which passed on a vote of 11 to 2. Representative Saavedra and Senator Rainaldi voted against the motion.

Senator Papen asked what legislation the governor would want for the 2009 legislative session regarding the Department of Transportation. Secretary Faught replied that she did not have the governor's recommendations and might not get them until the session begins.

Spaceport Authority Legislative Proposals

Matthew Woodlee, director of international trade for the Economic Development Department (EDD), began his presentation at 12:29 p.m. His presentation was very brief

because the committee was scheduled to take a tour of local TIDDs at 12:30 p.m., and Senator Papen had warned the presenters and committee members that the tour would start on time.

Mr. Woodlee listed the three pieces of legislation that his department would request for the 2009 legislative session:

1. a confidentiality bill, allowing the Spaceport Authority not to disclose proprietary information (Senate Bill 99 from the 2008 legislative session);
2. changing the name to "Spaceport America"; and
3. addressing liability issues in the personal space flight industry to allow for informed consent.

Mr. Woodlee concluded his presentation, at which time the committee members and staff boarded a bus for the tour.

Tour of Existing and Proposed Tax Increment Financing Districts: Mesa del Sol, SunCal and Winrock

Vanessa Alarid led the tour of SunCal. Her handout is in the meeting file. The committee did not visit Mesa del Sol because most of the members had already seen it during the meetings of other interim committees. The bus took the members and staff to see the emptiness of Winrock Mall and Mr. Kelly of Winrock Partners pointed out the motel, which continues to be a security problem.

The tour ended and the committee adjourned at 2:45 p.m.