

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

**September 26-27, 2005  
Mount Cristo Rey Room, Sunland Park Racetrack and Casino  
Sunland Park**

The fourth meeting of the New Mexico finance authority (NMFA) oversight committee for the 2005 interim was called to order by Senator Mary Kay Papen, vice chair, at 10:20 a.m. in the Mount Cristo Rey room of the Sunland Park racetrack and casino in Sunland Park.

**Present**

Sen. Mary Kay Papen, vice chair  
Rep. Daniel R. Foley  
Sen. Clinton D. Harden, Jr.  
Rep. Jane E. Powdrell-Culbert  
Sen. Shannon Robinson  
Sen. Nancy Rodriguez (9/27)  
Rep. Henry Kiki Saavedra  
Rep. Joe M Stell  
Rep. Don L. Tripp

**Advisory Members**

Sen. Vernon D. Asbill  
Rep. Ernest H. Chavez  
Rep. Anna M. Crook  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Richard C. Martinez  
Sen. Leonard Lee Rawson  
Rep. Harriet I. Ruiz  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton

**Absent**

Rep. Daniel P. Silva, chair  
Sen. Joseph J. Carraro  
Rep. Dona G. Irwin  
Rep. Patricia A. Lundstrom  
Sen. Lidio G. Rainaldi  
Sen. H. Diane Snyder  
Rep. Richard D. Vigil

Sen. Ben D. Altamirano  
Rep. Jose A. Campos  
Sen. Pete Campos  
Sen. Kent L. Cravens  
Sen. Dianna J. Duran  
Sen. Joseph A. Fidel  
Sen. Stuart Ingle  
Rep. Ben Lujan  
Sen. Steven P. Neville  
Rep. Luciano "Lucky" Varela

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

**Staff**

Renee Gregorio  
Kathleen Dexter

## **Guests**

The guest list is in the meeting file.

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

## **Monday, September 26**

### **Welcome, Sunland Park Racetrack and Casino**

Scott Scanland, New Mexico government affairs lobbyist, welcomed the committee to Sunland Park racetrack and casino and expressed gratitude to the legislature for its support of the racing industry. He reported that the Sunland Park racetrack and casino has sent over \$110 million in gaming revenue to the state, with \$87 million paid in purses in that time. Mr. Scanland stressed that the most important issue for the racing industry at the present time is off-reservation gaming, with a Native American casino being proposed off-reservation near Las Cruces. In response to a question about what proposed legislation might do to help with stopping off-reservation gaming, Mr. Scanland indicated that the procedure for this is mainly in the hands of the federal government through the BIA and the secretary of the interior. Senator Papen suggested that committee members write to the department of the interior as individual legislators on this matter.

In response to a question on the expansion of racetracks in other areas of the state and whether there are enough horses, jockies and trainers to accommodate such expansion, Mr. Scanland reported that all racetracks are beginning to see a slippage in the number of horses available. He added that horse farms are becoming prominent in the area, but that the process of growing and training horses is a time-consuming one.

In answer to a question about revenues from the racetrack and casino, Mr. Scanland said that during July and August, revenues were at \$2.3 million; he added that the other three state tracks' combined revenues add up to Sunland Park's revenues.

### **Sunland Park and Area Needs**

Ruben Segura, mayor of Sunland Park, welcomed the committee to what he called this tri-state community of 2.3 million people. He spoke of the ways in which the community is targeting itself toward very direct economic development, mentioning the purchase of the western playland site, which has shifted ownership from Texas to New Mexico. He added that adequate infrastructure is needed in the area to be able to attract new businesses. Mayor Segura reported that the Sunland Park extension is complete, with \$8.3 million going toward the project from both federal and state sources. He spoke of the need and advantages of an Anapra-Sunland Park port of entry, which would be noncommercial in nature, as being able to help reduce air pollution emissions and stimulate economic development by fortifying revenue on both sides of the border. He outlined the El Paso regional mobility plan, which promotes circular transport systems that help to divert traffic away from urban areas. He also talked about a transit system that would be linked to El Paso, a rail safety project, a bridge project at Anapra and a feasibility

study for the extension of the Columbus border highway, which are all necessary projects in the area.

### **The Verde Group: The Santa Teresa Master Plan**

Claude Billings, Gilbert Mesa, Jack Darrell and Dave Majors of the Verde group, a private development company that owns a swath of land along the border, including territory between San Diego and Brownsville, explained the company's concept of land development and expansion in Santa Teresa. Verde group, a self-described well-capitalized venture, owns 21,000 acres adjacent to Santa Teresa that will be developed to include residential, commercial and corporate facilities. They spoke of the formation of the Verde group, which was founded in 2003 with the intent of owning and operating facilities on both sides of the U.S.-Mexico border. Mr. Billings reported that the main two functions of the group are to develop master plan communities and to develop, own and operate corporate facilities along the described target market. He added that by 2025, this development would create between 14,000 and 18,000 new jobs, with an additional 1,300 to 1,700 construction jobs; new businesses will generate revenues of between \$13 million and \$16 million and area schools, hospitals, emergency services and other community needs would be better met.

Mr. Mesa added that the acreage is due west of Sunland Park; the Verde group owns water rights to much of the land; there is land reserved for open space; 18 percent of the land will be developed for industrial and commercial uses; and retail use will encompass four percent of the land and schools two percent. He stated that the time line for approval of the village one plan is October of this year.

In response to committee members' questions, Verde group representatives stated that:

- Verde group has acquired a significant amount of water rights, some owned outright and some in conjunction with Dona Ana county. Sustainability issues have been studied to accommodate industrial, commercial and residential development, including coordination with the state engineer;
- Verde group anticipates donating parcels of land for the building of schools, but is still negotiating with the school districts and will look to the state for help;
- Verde group will make alliances with builders to build homes; it will own the corporate facilities;
- water and sewer are the biggest infrastructure needs and the city of Sunland Park and Dona Ana county have agreements in place for provision of these services. Verde group is developing a master plan for requirements and options for water and sewer;
- it will take many funding sources, including the Verde group, to pay for needed water and sewer; and
- development will generate significant tax revenues for the proposed schools to function, but Verde group will be working closely with school districts and developing schools gradually, starting with village one.

Committee members expressed a lot of concern over funding for proposed schools, stating that schools have trouble affording to build or maintain what already exists and that these new schools could very well be a burden on the state budget, and urged the Verde group to be sure its evaluation procedures are thorough.

Edgar Lopez, a real estate developer who is also on the board of the border authority, assured the committee that the Verde group is one of the finest development groups that has been in the area and that the revenues it will generate from its development will cover what it is proposing. He added that the border authority represents much more than simply the Santa Teresa area and that the authority could certainly handle legislative appropriations for infrastructure needs along the border. Jaime Campos, executive director of the border authority, added that the border authority and the Verde group are working well together and that federal money for the rail relocation project, along with much support, have made many investors interested in the area. He said that the area needs not only jobs, but a way to attract people.

### **Border Tour: Development, Customs and Crossings**

The border authority and Verde group led the committee on a tour of the border area around Sunland Park and Santa Teresa, featuring land to be developed, existing industry in the area, the Verde group's bi-national park, housing already in place, the railroad running through Santa Teresa and the border crossing and cattle crossing at Santa Teresa. The committee viewed firsthand the radioactive truck inspection system and customs procedures at the Santa Teresa port of entry and learned that 250,000 head of cattle cross the border each year after being thoroughly inspected at the U.S. customs-certified facility owned by the Chihuahua cattle union.

### **Border Authority: Vision, Trade and Traffic, Infrastructure**

The border authority reported an expectation for rapid growth at Santa Teresa because of Verde group development and a rebounding maquiladora industry, both supported by the good working relationships that exist between the authority and government agencies in the U.S. and Mexico. The border authority sees its vision as one of using the border as a platform to create a new level of economic activity that includes new jobs and opportunities for New Mexicans. The authority reports that it must develop a strategic plan for border development; infrastructure and port-of-entry operations are key; and any plan has to take both sides of the border into consideration, with full cooperation at all levels of government in both the U.S. and Mexico.

Mr. Campos outlined the ways in which commercial trade has increased at New Mexico's ports of entry. He said the border authority is in the final stages of dealing with the Mexican government to get connecting points for trade in Columbus. He added that the parking area at Columbus is being expanded with money received through the legislative capital outlay process. (See the border authority's report for details on trade and traffic increases and decreases and further border infrastructure improvements.)

Mr. Campos spoke of the border authority's statutory authorization to issue revenue bonds and borrow money for projects, but said that the authority has never done so. Such projects would have to provide a secure revenue stream, he added, and the issuance costs for

small projects are high. Mr. Campos said that federal help is often needed for border infrastructure and that most of the buildings on the border are built on a spec basis. He stated that the border authority would be interested in financing through the NMFA rather than issuing bonds itself because the bond rating for the border authority may be poor, whereas NMFA is established. The border authority would like its projects to be placed on the public project revolving fund authorization list. In response to a question about the income stream for potential loans from NMFA, Mr. Campos indicated that user fees from the trucking industry would likely provide the income stream, and that the Verde group would be a partner in assisting with financing options as well.

Rachel Garcia-Banegas, deputy director of the border authority, reported on promotion efforts being made by the authority, including tourism department billboards to direct people to the ports of entry, brochures at visitors' centers, participation in trade shows, media promotion and the border authority's web site at [www.nmborder.com](http://www.nmborder.com). She also mentioned a map that was produced for chili growers that shows a more expeditious route through the Santa Teresa port of entry to help truckers reduce their crossing time by two hours. Jim Creek, projects manager of the border authority, added that this is significant because approximately one-third of the chili processed in New Mexico actually comes from Chihuahua. In response to a question about where the funding came from for all the border promotion projects, Ms. Garcia-Banegas said the authority received a one-time federal relief grant, which has now been exhausted, so many of the promotion projects cannot continue. Senator Rawson mentioned that the local delegation of legislators put its efforts together to come up with the needed capital outlay money for the border authority's new building. Mr. Campos remarked that the authority hopes to break ground next year on a seven-acre parcel east of its current location. Mr. Creek indicated that the authority received \$434,000 from the legislature, which has not yet been spent. Senator Papen asked the authority to provide estimates for the building project as well as total costs.

Juan Massey of the trade and Mexican affairs division of the economic development department gave details of an upcoming meeting of the New Mexico-Chihuahua commission, which will focus on tourism, trade and industrial promotion, border crossing and infrastructure, water and environmental issues, dignity and hospitality issues and border security. Mr. Massey said that the maquiladora supplier program is one of the main responsibilities of his office, which consists of recruiting U.S. and foreign corporations that export goods to maquiladoras in Juarez to establish their businesses in New Mexico. He reported that three Electrolux suppliers have moved to New Mexico in this past year. Mr. Massey outlined the ways in which the trade and Mexican affairs division assists New Mexico businesses in creating trade opportunities with Mexico. He concluded by saying that the division and the border authority are working together to develop a twin foreign trade zone along the border to offer maquiladoras and their suppliers a healthy competitiveness and more opportunities along the border. He also said that the division works consistently with other state agencies and holds teleconferences with Mexican local, state and federal agencies.

**Tuesday, September 27**

The minutes of the August 22-23 meeting in Ruidoso were unanimously approved by the committee.

### **Behavioral Health Capital Fund: NMFA Report**

Mark Valenzuela, director of intergovernmental relations, NMFA, spoke of the passage of Senate Bill 248 in 2004 and Senate Bill 52 in 2005. The former created the behavioral health capital fund and loan program, but without funding. The latter provided the authority to the NMFA to issue bonds against the cigarette tax revenue stream for the program; a bond of \$2.5 million was issued to capitalize this fund. He explained that the program provides funding for capital projects to eligible entities, which are defined as nonprofit behavioral health facilities that serve sick and indigent patients and have assets totaling less than \$10 million. He said there are 150 clinics that meet this definition in the state. Mr. Valenzuela added that the legislation creates a partnership between the department of health (DOH) as program administrator and NMFA as loan administrator. Further, the program provides clinics with an avenue of low-cost financing with which to improve their facilities. (See handout for a breakdown of responsibilities between NMFA and DOH.) He added that NMFA mostly does business with governmental entities and that dealing with nonprofits will be new territory. Mr. Valenzuela said that NMFA would have a detailed report to the committee by December 1 on activities with this fund.

On questions from the committee regarding the behavioral health capital fund and its administration, Mr. Valenzuela reported that:

- in relation to where the money comes from to repay these loans since patients are indigent and the entities are nonprofit, entities must pledge some portion of their income to pay off the loan. NMFA sets up coverage ratios to determine how much revenue can be used; many counties also have indigent funds;
- NMFA has had no defaults in the primary care capital fund, which is similar to the behavioral health capital fund; NMFA requires a debt reserve of 10 percent of the total project cost, which is very conservative, and provides entities with ongoing support;
- for-profit entities are not part of the Primary Health Care Act, after which this fund was modeled after; a certain percentage of the population served has to be indigent; and for-profits may not fall under the \$10 million in asset requirement;\*
- NMFA will work with DOH to review potential federal funding for this program;
- the revenue stream to this fund will decrease at a rate of three percent every year it exists;
- the cigarette tax distribution that NMFA receives has been used for the UNM cancer center and law school and the behavioral health capital fund; and
- NMFA makes sure that UNM has enough money to pay back its debt before that money reverts to the general fund on a monthly basis.

\*(Mark Valenzuela was asked by Senator Papen to further research the exclusion of for-profits in the funding through the behavioral health capital fund.)

A big check presentation was made by NMFA for the behavioral health capital fund.

### **Child Care Facility Revolving Loan Fund**

Nina Johnson and Loretta Lucero of the children, youth and families department (CYFD) reviewed the enactment of Senate Bill 358 in 2003, which created a partnership between NMFA and CYFD to provide low-cost financing for capital projects for for-profit licensed child care facilities. Ms. Johnson said that the funding comes from a federal fiscal relief program, which allocated \$250,000 to the fund. Loans made from the fund will be in the \$5,000 to \$20,000 range, and no more than 20 percent of the current fund balance may be loaned to a single provider in a single loan. Ms. Johnson also reviewed the priorities for loans to facilities and acceptable improvements that can be made (see handout for details).

In response to questions from the committee, CYFD representatives stated the following:

- centers that receive loans must be licensed for at least three years;
- in the quality rating system established by CYFD, which rates child care programs on five levels, by July 2006 centers must be at a minimum of level 2 to receive assistance;
- child care centers seeking improvements can seek funding for improvements that would allow them to keep up with licensing requirements or upgrade the center to include meal service, for example; and
- CYFD adheres to the strictest regulations in place.

Legislators expressed concern that the program be developed without a geographic bias so that much of the state's rural areas are considered, and asked CYFD representatives to take this message back to CYFD and report back to the legislative finance committee on this issue.

Senator Rawson brought up a question regarding how much of the governmental gross receipts tax (GGRT) distribution that NMFA receives is bonded or available. He added that many municipalities have to charge GGRT on utility bills and that this revenue will necessarily increase as utilities increase. He went on to question if there is any possibility of reducing the rate on the GGRT. Bill Sisneros, executive director of NMFA, remarked that the system is quite clear on the GGRT and that legislation did not create a ceiling amount with the remainder earmarked for something else. He went on to say that the agreement in place with the bond purchaser is a legal document that clearly spells out the obligations of the revenue stream; New Mexico continues to receive improved ratings because of the use of the GGRT as backup insurance on bonds. He added that changing this system now would be technically classified as a default, but that he would research how language could be amended to add a ceiling amount and to pledge the remainder as a credit enhancement without jeopardizing the funds.

The committee adjourned at 10:55 a.m.