

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

**June 20, 2005
Room 322, State Capitol**

The first meeting of the New Mexico finance authority (NMFA) oversight committee for the 2005 interim was called to order by Representative Daniel P. Silva, chair, at 10:10 a.m. in room 322 of the state capitol.

Present

Rep. Daniel P. Silva, chair
Sen. Mary Kay Papen, vice chair
Sen. Joseph. J. Carraro
Rep. Daniel R. Foley
Sen. Clinton D. Harden, Jr.
Rep. Dona G. Irwin
Rep. Patricia A. Lundstrom
Rep. Jane E. Powdrell-Culbert
Sen. Lidio G. Rainaldi
Sen. Shannon Robinson
Sen. Nancy Rodriguez
Rep. Henry Kiki Saavedra
Sen. H. Diane Snyder
Rep. Don L. Tripp
Rep. Richard D. Vigil

Absent

Advisory Members

Rep. Jose A. Campos
Rep. Ernest H. Chavez
Sen. Dianna J. Duran
Rep. Mary Helen Garcia
Rep. Roberto "Bobby" J. Gonzales
Rep. Ben Lujan
Sen. Richard C. Martinez
Rep. Edward C. Sandoval
Rep. Sheryl Williams Stapleton
Rep. Joe M Stell
Rep. Luciano "Lucky" Varela

Sen. Ben D. Altamirano
Sen. Vernon D. Asbill
Sen. Pete Campos
Sen. Kent L. Cravens
Rep. Anna M. Crook
Sen. Joseph A. Fidel
Sen. Mary Jane M. Garcia
Sen. Stuart Ingle
Sen. Steven P. Neville
Sen. Leonard Lee Rawson
Rep. Harriet I. Ruiz

Staff

Renee Gregorio
Cleo Griffith
Kathleen Dexter

Guests

The guest list is in the meeting file.

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

Statutory Charge and NMFA Overview

Renee Gregorio reviewed the statutes governing the NMFA oversight committee and outlined the committee's duty to oversee both the NMFA and the border authority.

Bill Sisneros, executive director of the NMFA, described the evolution of the NMFA since its enabling legislation was passed in 1992 and cited a need to make the authority more policy-driven at this stage in its development. He explained that New Mexico has an advantage in the bond market and in insurance ratings because its bonds are backed not only by income and a cash reserve but also by the state's governmental gross receipts tax (GGRT). This tax-based third tier of security makes the bonds attractive investments and provides further credit enhancement for the state.

Legislation Overview from Recent Session

Mark Valenzuela, NMFA director of intergovernmental relations, reviewed legislation passed during the 2005 session that affects the NMFA and detailed its associated revenue sources, including fees, surcharges and the cigarette tax. One piece of legislation — Senate Bill 54 (Chapter 76), a duplicate of House Bill 294 (pocket vetoed) — authorizes the NMFA to fund emergency water and wastewater projects around the state from the water and wastewater project grant fund (WWGF). However, a \$25 million appropriation in the original bill was stricken in committee, and Mr. Valenzuela stated that the NMFA would be closing out this program due to lack of funds. Committee members expressed concern that closing the WWGF program would leave no source of grant funding for small communities facing water and wastewater emergencies; significant federal matching funds would be lost; and legislators would be forced to use their capital outlay funding to cover emergency projects. Committee members also noted that to close the WWGF program and refer former NMFA projects to the department of finance and administration (DFA) capital outlay unit would be to relinquish some legislative control to the executive branch. The presenters acknowledged the members' concerns and agreed to take direction from the committee regarding the WWGF program.

On questioning from committee members, the presenters stated that:

- the NMFA is not involved with pension obligation bonds beyond reviewing and vetting proposed investment programs for these bonds;
- the NMFA is moving toward more frequent bond issues — every three months rather

than annually — in order to meet changing market conditions, including fluctuating interest rates;

- the public project revolving fund may be used not only for funding but also for refinancing a project if, after a review of the project's debt structure, the NMFA determines that refinancing would be beneficial;
- both the NMFA and DFA review all local government financing packages;
- the NMFA needs to develop a system for tracking project completion and contract compliance in addition to the monitoring done by the state auditor; and
- if DFA takes over project funding, the NMFA would still be involved with communities by working with them on their debt structure.

Committee members debated whether water rights adjudication costs should come out of the operating budget for the office of the state engineer or the courts rather than out of the water project fund, as is now required with the passage of House Bill 1110 (Chapter 293).

Governmental Gross Receipts Tax

Mr. Valenzuela and Mr. Sisneros gave an overview of the GGRT, statutory exemptions to the tax and the role that the tax plays as security for bond issues. Approximately 82 percent of GGRT revenue comes from local water utilities, sewage services and solid waste management; 11 percent from admissions to certain recreation, athletic and entertainment events; and seven percent from the sale of tangible personal property from facilities open to the general public. In part because of the security provided by the GGRT, the NMFA portfolio is growing steadily by approximately \$20 million annually, with a current total near \$650 million. In general discussion, committee members noted that to disturb the GGRT revenue stream by adjusting or eliminating the tax could have serious negative consequences for small communities with NMFA-funded projects and that, at five percent, the rate for the GGRT is lower than the gross receipts tax that would be paid if the sales were made by a private business.

Work Plan and Meeting Dates

On a motion duly made, seconded and passed without objection, the committee chose the following dates and locations for meetings during the interim.

July 25-26	Raton
August 22-23	Ruidoso
September 26-27	Sunland Park
November 1-2	Santa Fe
November 21-22	Santa Fe

The work plan was expanded to include a presentation from the youth conservation corps on its use of funds that are earmarked for the program within the GGRT distribution to the energy, minerals and natural resources department.

Philosophy and Goals of the NMFA

Marquita Russel, NMFA chief of programs, and Mr. Sisneros gave an overview of the

NMFA's platform, including its management evolution, policies and practices, market strategy, portfolio mix, safeguards and interaction with the executive and legislative branches. The authority is developing a mission statement and policy description, which will be brought before the NMFA board as well as the oversight committee during the interim. As part of its move toward more aggressive asset management, the NMFA has hired a database management director and will also move into a performance-based budgeting system. The authority is currently understaffed with only one employee per \$33 million in activity and will address its staffing shortage at an upcoming board meeting. New programs available through the NMFA to communities with low credit ratings include a subordinate lien program and variable rate loans. On questioning from committee members, the presenters clarified that variable rate loans can be a positive strategy in certain limited cases and are only issued when appropriate.

The committee adjourned at 3:25 p.m.