

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

**June 10, 2009  
Room 307, State Capitol**

The first meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Patricia A. Lundstrom, chair, at 10:15 a.m. on Wednesday, June 10, 2009, in Room 307 of the State Capitol in Santa Fe.

**Present**

Rep. Patricia A. Lundstrom, Chair  
Sen. Mary Kay Papen, Vice Chair  
Sen. Sue Wilson Beffort  
Rep. Richard J. Berry  
Rep. Anna M. Crook  
Rep. Brian F. Egolf, Jr.  
Sen. Tim Eichenberg  
Sen. Stephen H. Fischmann  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Sen. George K. Munoz  
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

**Advisory Members**

Rep. Janice E. Arnold-Jones  
Rep. Jose A. Campos  
Rep. Ernest H. Chavez  
Sen. Dianna J. Duran  
Rep. Candy Spence Ezzell  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Thomas A. Garcia  
Sen. Timothy M. Keller  
Rep. Ben Lujan  
Rep. W. Ken Martinez

**Absent**

Rep. Elias Barela  
Sen. Kent L. Cravens

Sen. Stuart Ingle  
Sen. Richard C. Martinez  
Sen. John M. Sapien

Rep. Andy Nuñez  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton  
Rep. Thomas C. Taylor  
Rep. Luciano "Lucky" Varela

**Staff**

Doris Faust  
Renée Gregorio  
Sandy Mitchell  
Tom Pollard

**Wednesday, June 10**

**Interim Legislative Committee Protocols**

Paula Tackett, director, Legislative Council Service (LCS), advised the committee of the interim committee protocols, including those relating to the establishment of a quorum. She said that a quorum consists of 50 percent plus one of the voting members assigned to the committee. Once a quorum is established, it is presumed to exist until the question of whether a quorum exists is raised by a voting member or a roll call vote is taken. She said the New Mexico Legislative Council authorizes the speaker of the house and the president pro tempore to adjust the membership of the committees. Members may resign at any time. Ms. Tackett addressed issues related to the sound system in the committee rooms, saying that the sound system adjusts automatically and is easily disrupted by background noise. If a committee member is having trouble hearing, she suggested checking for excessive background noise (e.g., side conversations, paper rustling, typing, etc.). Ms. Tackett discussed the interim committee calendar and said that meeting conflicts were avoided as best as possible during the calendar creation. She added that any changes to the calendar must be approved by the legislative council. Finally, Ms. Tackett addressed per diem and mileage forms and conference attendance. She also explained that complaints have arisen over the use of cell phones during committee meetings and that it is up to the committee chairs to address those concerns. Representative Lundstrom then instructed the committee that cell phones should be kept on vibrate, and calls should be taken outside. At the request of a member, Ms. Tackett then discussed the blocking provision, which states that no action shall be taken if a majority of the members from one house vote against a measure; however, she noted that this provision does not apply to the New Mexico Finance Authority Oversight Committee.

**New Mexico Renewable Energy Transmission Authority (NMRETA) Legislation Summary**

Jeremy Turner, executive director of the NMRETA, and Robert Busch, chairman of NMRETA, provided background information on the NMRETA and a summary of legislation from the 2009 legislative session. Mr. Turner explained that the primary focus of the NMRETA

is to develop renewable energy-related transmission infrastructure and storage projects. Thirty percent of the energy in the NMRETA-acquired or -constructed transmission infrastructure must be renewable. The NMRETA is able to finance transmission and storage projects through the issuance of revenue bonds payable from the revenues generated by the development.

Mr. Turner then discussed the two pieces of legislation introduced last session concerning the NMRETA (Senate Bill 35, by Senator Harden, and House Bill 563, by Representative Campos). The bills were identical by the end of the session, but neither was passed by the legislature. The legislation was designed to allow the NMFA to issue bonds on behalf of the NMRETA or to purchase them from the Public Project Revolving Fund (PPRF) and to grant developers of renewable energy transmission and storage facilities the same tax benefits currently available for renewable energy generating facilities.

Mr. Turner discussed the first NMRETA project, a 100-megawatt wind farm in Torrance County known as High Lonesome Wind Ranch. The estimated financing from the NMRETA is \$34 million, with total revenue over the life of the project estimated at approximately \$580 million and total operating expenses over the life of the project estimated at \$219 million.

Mr. Busch explained some of the difficulties facing the NMRETA. Transmission lines are very expensive, and renewable energy projects tend to get built in small pieces rather than all at once. He stated that it would be preferable to have bigger projects, but there are not enough people who want to aggregate.

Mr. Turner was asked to explain why Senate Bill 35 was tabled during the 2009 legislative session. Mr. Turner explained that an amendment on the senate floor had provided for the bonds to go through the State Board of Finance. He stated that the time delays associated with that process warranted the tabling of the bill.

In response to a question concerning the NMRETA's use of the power of eminent domain, Mr. Turner explained that while the NMRETA has the ability to use eminent domain to place transmission lines, it prefers not to use that power but to work with the landowners instead.

### **NMFA Legislation Summary**

Matthew A. Jaramillo, financial advisor of the NMFA, and William C. Sisneros, chief executive officer of the NMFA, gave an overview of legislation from 2009. All six bills supported by the NMFA were passed and signed by the governor. They include:

- House Bill 76 — authorizes the NMFA to make loans from the PPRF to 95 public entities and nine charter schools for capital projects;
- House Bill 77 — appropriates \$2 million from the PPRF to the Drinking Water State Revolving Loan Fund for construction of drinking water systems throughout the state;
- Senate Bill 23 — appropriates \$2 million from the PPRF to the Local Government Planning Fund for water or wastewater system development, economic development or

- long-term water management and water conservation strategies;
- Senate Bill 90 — authorizes financing assistance from the Economic Development Revolving Fund in the form of loan participation with private lenders (smart money loan participation program);
- Senate Bill 405 — authorizes the NMFA to make loans or grants from the Water Project Fund for 61 qualifying water projects and to make grants from the Acequia Project Fund for 20 acequia water projects; and
- Senate Bill 584 — expands the list of "qualified entities" and public projects for purposes of the PPRF.

The question was raised as to whether all the bills were endorsed by the committee. Doris Faust, staff attorney, LCS, replied that some were not committee-endorsed legislation.

Mr. Sisneros was asked to discuss the smart money program as it relates to the anti-donation clause of the state constitution. Mr. Sisneros stated that the NMFA partners with banks to provide loans for smart money projects and does not give money to particular businesses.

### **NMFA Platform**

Mr. Sisneros, presented the NMFA's platform for the future. The platform includes:

- a client focus strategy that analyzes and projects the capital needs of its clients and strengthens customer service;
- an operations management evolution that emphasizes management and leadership and assures that policies and systems are current and adequate;
- management of market volatility by more frequent cost-effective bond issues, monitoring the interest rate environment daily, evaluating competitive bond sales, selling bonds on a flexible schedule, determining the most cost-effective means of selling bonds and developing an investor relations program and strategy;
- a portfolio strategy for loans and investments that includes regular review and refinement of loan and investment policies, evaluating financing options, monitoring investments daily and evaluating consultant performance;
- safeguards that include regular meetings with the debt management committee, thorough reviews of the loan portfolio, strengthening internal controls, monitoring the leverage debt/equity ratio, ensuring proper risk mitigation for loan programs and developing collateral monitoring systems;
- executive/legislative interaction management that provides support to the governor, legislature and oversight committee, develops and maintains external relationships with offices and entities and implements legislative initiatives;
- policies and practices that maintain client focus and support and that critically assess program performance; and
- an office of the general counsel that reviews actions, policies, objectives and legislative initiatives.

Mr. Sisneros answered questions concerning the nature of derivative products and how the NMFA is positioned to handle the recent economic turmoil. He stated that the NMFA is positioned very well for the future and that the policies, rules and procedures of the NMFA give it strength in the marketplace. He also answered questions concerning the NMFA's policies with regard to charter schools. He said that they are still working on rules for when the NMFA can do business with charter schools.

### **NMFA Board of Directors: Board Membership and Subcommittees**

Stephen R. Flance, chair of the NMFA board of directors, discussed the membership and committees of the NMFA board. The committees include the executive committee, finance/loan committee, economic development committee, investment committee, contracts committee and audit committee. He said that the investment committee was extremely active last year due to the volatility in the market. Even though the NMFA was invested in derivative products, the committee was able to prevent the authority from suffering serious losses. Mr. Flance also commented about the federal investigation of CDR, a company that the NMFA paid to handle part of the state transportation bonds for Governor Richardson's Investment Partnership (GRIP) in 2004. He said the investigation is completed, and the NMFA will not be found to have engaged in any inappropriate activity in the investment of its funds. Mr. Flance concluded his presentation by stating that the NMFA board is the best organized, best structured and most highly qualified board on which he has ever served.

Mr. Flance was asked to comment about common membership between the NMFA board and the Water Trust Board and whether it is a good idea to have the same people who approve projects also approving financing. Mr. Flance replied that the overlap is a creation of the legislature but that, in his opinion, the two boards are not tripping over each other. Each has its own focus. The Water Trust Board is looking at community need. The NMFA is looking at feasibility. Senator Harden requested committee staff to prepare a list of other boards on which the NMFA board members serve.

In response to questioning, Mr. Flance provided more details on how the NMFA became involved with derivative products. He stated that fixed-rate bond issues would not have been sufficient to fund the GRIP transportation project. Financial advisors at J.P. Morgan suggested the use of alternative financing methods and brought CDR to the table.

### **Overview of NMFA Programs**

Mr. Sisneros and Marquita Russell, chief of programs for the NMFA, provided the committee with an overview of NMFA programs. The NMFA is a governmental entity created in 1992 to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects. NMFA funds and programs include the following:

- Infrastructure Programs
  - PPRF — the authority's "flagship" program;

- stand-alone bond programs;
- Energy Efficiency and Renewable Energy Bonding Act;
- GRIP;
- Local Transportation Infrastructure Fund; and
- Local Government Transportation Fund (GRIP II).
- Water Programs
  - Drinking Water State Revolving Loan Fund;
  - Water and Wastewater Grant Fund;
  - Water Project Fund; and
  - Local Government Planning Fund.
- Private Lending Programs
  - Primary Care Capital Fund;
  - Behavioral Health Capital Fund;
  - Child Care Facility Revolving Loan Fund;
  - Statewide Economic Development Finance Act;
  - smart money loan participation program; and
  - new markets tax credit program.

Mr. Sisneros and Ms. Russell addressed questions from the committee concerning programs for mom-and-pop operations and small towns, criteria for determining what programs to fund, eligibility for particular programs and methods for providing outreach on programs that are available.

#### **NMFA Role in Federal Stimulus Funding**

John Brooks, director of commercial lending for the NMFA, and Ms. Russell discussed the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA provides a special \$19.5 million capitalization grant to New Mexico's Drinking Water State Revolving Loan Fund and requires that at least 50 percent of the funds be delivered as additional subsidization. Under the ARRA, "shovel-ready" projects are considered a priority, green infrastructure projects must receive at least 20 percent of funds, and projects will be subject to the federal Davis-Bacon Act. Due to time constraints, the presenters were asked to come back another time to provide more information on stimulus funding and to answer questions from committee members.

#### **Review and Discussion of Work Plan, Meeting Dates and Locations for the 2009 Interim**

Ms. Faust reviewed the proposed work plan and meeting schedule with the committee. The proposed work plan, dates and locations are in the meeting file.

On a motion made, seconded and approved, the committee work plan was adopted.

There being no further business, the committee adjourned at 4:15 p.m.