

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

**October 3-4, 2011  
Room 322, State Capitol  
Santa Fe**

The fourth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Patricia A. Lundstrom, chair, on October 3, 2011 at 9:12 a.m. at the State Capitol in Santa Fe.

**Present**

Rep. Patricia A. Lundstrom, Chair  
Sen. Mary Kay Papen, Vice Chair  
Rep. Alonzo Baldonado  
Sen. Sue Wilson Beffort (10/4)  
Rep. Candy Spence Ezzell  
Sen. Stephen H. Fischmann  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Rep. Jane E. Powdrell-Culbert  
Rep. Debbie A. Rodella  
Sen. Nancy Rodriguez (10/3)  
Rep. Henry Kiki Saavedra  
Rep. James R.J. Strickler  
Sen. David Ulibarri  
Rep. Richard D. Vigil (10/4)  
Rep. James P. White

**Absent**

Sen. Tim Eichenberg  
Rep. Yvette Herrell  
Sen. Howie C. Morales

**Advisory Members**

Rep. Ernest H. Chavez  
Rep. Anna M. Crook  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Thomas A. Garcia (10/3)  
Sen. Lynda M. Lovejoy (10/4)  
Rep. Ben Lujan (10/3)  
Sen. Richard C. Martinez  
Sen. Steven P. Neville  
Rep. Andy Nuñez  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton (10/4)

Sen. William F. Burt  
Rep. David L. Doyle  
Sen. Eric G. Griego  
Rep. Rick Little  
Rep. W. Ken Martinez  
Sen. George K. Munoz  
Sen. William H. Payne  
Rep. Thomas C. Taylor

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

**Staff**

Doris Faust, Staff Attorney, Legislative Council Service (LCS)

Lisa Sullivan, Staff Attorney, LCS

Claudia Armijo, Staff Attorney, LCS

Tom Pollard, Economist, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file and posted on the New Mexico Legislature web site.

**Monday, October 3**

Representative Lundstrom welcomed the members and guests. She asked committee members to introduce themselves, which they did. She then asked the panel of guest speakers to introduce themselves and begin their presentations.

**New Mexico Renewable Energy Transmission Authority (RETA) Budget and Proposed Rules**

Jeremy Turner, executive director of the RETA, presented the RETA's operating budget. In 2011, the RETA closed on its first bond issue, the proceeds of which will provide the next two years' worth of operating expenses without supplementation from the general fund. The current annual operating budget is \$462,000. Mr. Turner stated that RETA staff members work with no insurance or retirement benefits and have had no salary increases in two years.

Mr. Turner provided a handout containing the RETA's budget for fiscal year 2011 and projected budgets for fiscal years 2012 and 2013. The handout also included an August 26, 2011 draft of proposed rules governing RETA projects and condemnation procedures.

Next, Mr. Turner discussed the RETA's current development project. On March 30, 2011, the RETA entered into a memorandum of understanding whereby Goldman Sachs agreed to fully finance the \$380 million to \$400 million construction cost of energy transmission lines, which the RETA will own and Goldman Sachs will lease. The RETA and Goldman Sachs have sought agreements with wind and solar developers to create new companies in New Mexico that will harness renewable energy and use the RETA's transmission lines.

While there may be competition from other developers of transmission lines, Mr. Turner suggested that the RETA's power of eminent domain may encourage competitors to work with the RETA.

Committee members expressed concerns about above-ground transmission lines, including the unsightliness and the impact to animals, particularly those on the federal

endangered species list. Mr. Turner stated that underground transmission lines cost 10 times as much as above-ground lines, and he doubted that investors such as Goldman Sachs would commit to fund underground lines.

There was discussion about how it would be ideal for wind turbine manufacturers to locate in New Mexico, which would provide manufacturing jobs and reduce the time and cost of transporting turbines from another state. The 400 wind turbines located in Clovis were manufactured by a company in Amarillo, Texas.

### **Approval of Minutes**

The minutes from the committee's August 2011 meeting were approved.

### **Border Authority Budget**

James Creek, executive director of the Border Authority, informed the committee that he will request the same amount for the Border Authority's operational budget for fiscal year 2012 as was requested for fiscal year 2011. He also stated that approximately \$80,000, or 20%, of its operating budget comes from parking lot revenues and rental income.

Mr. Creek stated that Santa Teresa is currently the seventh largest port of entry along the U.S.-Mexico border and is projected to become the sixth largest port next year. He anticipates that the Union Pacific development will increase business and traffic in the border region. Moreover, Mr. Creek was informed that one international shipper will add 50 trucks to its Mexico-to-New Mexico route.

Jon Barela, secretary-designate of economic development, stated that the Border Authority must develop plans to accommodate and manage the increase in border traffic. It is anticipated that the Union Pacific development will create 3,000 construction jobs and 650 permanent jobs and will serve as an anchor business leading to further establishment of businesses such as distribution centers. He stated that his office has urged Union Pacific to hire local individuals and businesses to fill its positions. Union Pacific is working with Dona Ana Community College to train employees for the development. The political turmoil preventing the development of infrastructure and impeding the establishment of businesses in the Sunland Park area must be addressed, according to Secretary Barela. The committee members received a copy of a letter from the chair and vice chair to the governor describing the steps that must be taken to create a water and wastewater company in the Sunland Park area.

Mr. Creek was asked to return to the next interim committee meeting with a full report and handouts describing:

- (1) the Border Authority's base budget;
- (2) the Border Authority's two-year projected budget;
- (3) the development opportunities in the border region;
- (4) the potential job opportunities in the border region; and

(5) a map of the border region for purposes of discussing his presentation, including an overlay and location of the railroad line coming from Juarez, Mexico.

### **NMFA — Mission and Goals**

Denise Baker, chair, NMFA board of directors, informed the committee that she was just appointed by the governor. She informed the committee that the NMFA will focus on tax credit programs. She also stated that NMFA staff members have traveled throughout the state to inform businesses about the NMFA programs.

### **NMFA Budget**

Greg Campbell, controller, NMFA, presented a handout that included the NMFA's consolidated budgets for fiscal years 2012 and 2013; the projected five-year budget; a general program activity summary; budget detail by program for fiscal year 2012; a Water Project Fund program activity summary; and an analysis of Water Trust Fund loan repayments, whose details are listed in a handout that was distributed to the committee. Also included in the handout is a memorandum Mr. Campbell wrote to the Water Trust Board about NMFA proposals to recover its costs from administering projects funded from the Water Project Fund, as follows:

- (1) seeking approval for the NMFA to receive the full amount of severance tax bond proceeds when the bonds are sold;
- (2) amending the severance tax bond statute to allow for the NMFA's collection of indirect project costs;
- (3) obtaining the NMFA's administrative costs from the annual repayments on the loan portion of the water projects funded; or
- (4) recovering the NMFA's administrative costs from the annual distribution from the Water Trust Fund.

Richard May, chief executive officer, NMFA, was asked to prepare illustrations of how each option would work based on last year's costs.

Mr. May and Mr. Campbell reported that more loan applicants and more projects have increased the NMFA's overall administrative costs. Mr. May was asked to share with the committee his October 7, 2011 presentation to the Colonias Infrastructure Board and to provide an update to the budget report that includes the expenses that the NMFA incurs from administering the Colonias Infrastructure Project Fund.

Mr. Campbell stated that the NMFA is looking to add 10 to 15 basis points to each loan over the life of the loan to collect additional administrative costs.

In response to a committee member's request, Mr. Campbell said that he would provide the NMFA's current balance sheet.

Mr. Campbell stated that the NMFA would be adding seven staff members in anticipation of increased loan administration.

**Tuesday, October 4**

**Proposed Spaceport Authority Legislation**

Christine Anderson, executive director, Spaceport Authority, presented a handout and discussed the Space Flight Informed Consent Act (Laws 2010, Chapter 8), which relieves operators, but not manufacturers or suppliers, from liability for injury to passengers. Ms. Anderson, as well as Robert Desiderio of Sanchez Mowrer & Desiderio, P.C., and Tom Horan, a registered lobbyist for Virgin Galactic, discussed the need for an amendment to the act to include manufacturers and suppliers in the liability exclusion, as Texas, Florida and Virginia have done to their space flight laws. Under the proposed amendment to the act, a space flight participant would be required to sign an informed consent agreement that would limit the ability to recover damages against operators, manufacturers and suppliers for anything other than omissions that constitute: (1) gross negligence; and (2) intentional injuries. Also, under the proposed amendment to the act, the current sunset date of 2018 would be extended.

**Proposed Collateral Loan Program Rules**

Marquita D. Russel, chief of programs, NMFA, distributed a handout and described the NMFA's plan to implement a co-lending program to increase the availability of credit for small businesses. Under a co-lending program, half of the loan would be owed to a commercial bank and the other half would be owed to the NMFA. In contrast, under the alternative bank purchase model ("Collateral Support Loan Program") currently in place, the total amount of the loan is owed to a commercial bank, despite the NMFA's partial investment in the loan. While both lending programs would be available to borrowers, the co-lending program could expand the pool of small businesses that qualify for financing by lowering the amount of the commercial bank's portion of the loan and the concomitant risk to the bank.

**NMFA Proposed Legislation**

Matthew Jaramillo, director of government affairs, NMFA, discussed the NMFA's proposed legislation for the 2012 regular session, as follows:

(1) a bill authorizing the NMFA to make loans from the Public Project Revolving Fund to more than 60 qualified entities for public projects;

(2) a bill that would authorize the NMFA to make loans from the Water Project Fund and Acequia Project Fund to community water organizations, acequias, cities and counties for water system improvements;

(3) a bill that would appropriate \$2 million from the Public Project Revolving Fund to the Drinking Water State Revolving Loan Fund to carry out the purposes of the Drinking Water State Revolving Loan Fund Act;

(4) a bill that would appropriate \$1 million from the Public Project Revolving Fund to the Local Government Planning Fund for local governments to plan vital public projects;

(5) a bill that would allow the NMFA to transfer one-half of the annual administrative fee from the Local Transportation Infrastructure Fund to the Department of Transportation;

(6) a bill that would allow the NMFA to become a community development financial institution;

(7) a bill that would change the name of the Local Government Planning Fund to the "Rural Infrastructure Planning Fund" and would expand its purposes;

(8) a bill that would suspend for two years the requirement for specific legislative authorization of projects funded by the NMFA from the Public Project Revolving Fund; and

(9) a bill that would allow the NMFA to collect its indirect costs of administering those funds from severance tax bond proceeds.

The NMFA's proposed legislation is outlined in a handout that was distributed at the meeting.

### **Adjournment**

There being no further business before the committee, it adjourned at 11:58 a.m.