

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

October 5-6, 2010
Room 307, State Capitol
Santa Fe

An executive session of the members of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Mary Kay Papen, chair, on October 5, 2010 at 9:01 a.m. in Room 307 of the State Capitol in Santa Fe. The executive session was followed by the fourth meeting of the NMFA Oversight Committee, which was called to order by Senator Papen at 10:05 a.m.

Present

Sen. Mary Kay Papen, Chair
Rep. Patricia A. Lundstrom, Vice Chair
Rep. Anna M. Crook
Rep. Brian F. Egolf, Jr. (October 5)
Sen. Stephen H. Fischmann
Rep. Roberto "Bobby" J. Gonzales
Sen. Clinton D. Harden, Jr.
Rep. Dona G. Irwin
Sen. George K. Munoz (October 5)
Rep. Jane E. Powdrell-Culbert
Rep. Benjamin H. Rodefer
Sen. Nancy Rodriguez (October 6)
Rep. Henry Kiki Saavedra
Rep. James R.J. Strickler (October 5)
Rep. Richard D. Vigil (October 6)
Rep. James P. White

Absent

Sen. Sue Wilson Beffort
Sen. Kent L. Cravens
Sen. Tim Eichenberg
Sen. David Ulibarri

Advisory Members

Rep. Janice E. Arnold-Jones
Rep. Ernest H. Chavez
Rep. Candy Spence Ezzell
Rep. Mary Helen Garcia
Rep. Thomas A. Garcia
Rep. Ben Lujan
Rep. W. Ken Martinez
Rep. Andy Nuñez
Rep. Edward C. Sandoval
Rep. Sheryl Williams Stapleton

Rep. Elias Barela
Rep. Jose A. Campos
Sen. Dianna J. Duran
Sen. Mary Jane M. Garcia
Sen. Stuart Ingle
Sen. Timothy M. Keller
Sen. Richard C. Martinez
Sen. John M. Sapien

Rep. Thomas C. Taylor (October 5)
Rep. Luciano "Lucky" Varela

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

Staff

Doris Faust, Legislative Council Service (LCS)
Tom Pollard, LCS
Claudia Armijo, 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.

Tuesday, October 5

Senator Papen welcomed the members and reminded them that the executive session had been scheduled as a result of a motion passed at the previous committee meeting. She asked Senator Fischmann to chair the executive session, and he agreed.

The topic of the discussion was focused on the NMFA's Public Project Revolving Fund (PPRF) and information requested by members regarding the credit-worthiness of borrowers participating in this and other NMFA loan programs. The overarching question the members discussed was whether the NMFA is providing loans to entities that might not otherwise be successful in securing traditional financing.

The discussion turned to whether the direction of the NMFA has changed over time, specifically since its creation in statute by the legislature. Tied to that discussion were comments by members regarding whether the oversight committee should provide specific policy directives to the NMFA, and, if so, what those directives might be.

The committee reviewed a memorandum compiled from data provided by the NMFA staff, specifically, a table that includes details regarding the various types of loans that have been provided by the NMFA from 1995 to the present. The memorandum details the four categories of loans identified in NMFA bond documents. The rating agency Moody's categorizes the loans as follows:

1) Category 1 denotes a loan with a rating equivalent to A or better. These loans receive no discount, and 100% of the pledged revenues are counted;

2) Category 2 denotes a loan with a rating equivalent to Baa. These loans receive a 20% discount, and 80% of the pledged revenues are counted;

3) Category 3 denotes a loan with a rating equivalent to <Baa, but not a Category 4 rating. These loans receive a 50% discount, and 50% of the pledged revenues are counted; and

4) Category 4 denotes a non-performing or otherwise designated Category 4 loan by the NMFA. These loans receive a 100% discount, and none of the pledged revenues are counted.

The topic among the members centered on whether the NMFA is making enough loans to Category 2, Category 3 and Category 4 entities. According to the information received from the NMFA, the trend over time appears to be that the NMFA is making a larger percentage of loans to entities in Category 1. Category 1 loans have very low risk. It was noted that holding Category 1 loans within the NMFA portfolio helps to keep the NMFA's bond rating high, and that having high-quality loans in its portfolio diversifies the pool. Consequently, all NMFA borrowers have benefited from low interest rates, particularly during the recent financial market meltdown.

Members discussed the status of Category 4 loans and were reminded that such loans are not categorized because of a risk for default. Rather, those loans are categorized as higher risk because they require a larger pledge of the governmental gross receipts tax (GGRT) funds. It was noted that the loans that require a higher percentage of pledged GGRT funds "soak up" the GGRT pledging capacity and result in less money available for the NMFA to lend. However, members questioned whether the NMFA has been pledging the GGRT to capacity.

The members voiced concerns regarding whether there are entities in need of funding that do not have access to loans through the NMFA and have had loan applications rejected by the NMFA, or perhaps they do not even know or understand the types of programs that the NMFA offers. Members also expressed concern that the NMFA might be funding loans for entities that could secure loans from private financial institutions. If so, members questioned whether that is a good idea and whether such lending is in line with the intentions the legislature had when it created the NMFA.

Some members expressed a desire to have more information regarding how many and which specific projects have been rejected by the NMFA. In general, the members talked about the committee's need to determine whether it should set specific policies or a mission for the NMFA to follow when determining which loans to provide.

The executive session was adjourned at 10:00 a.m, and the NMFA Oversight Committee meeting was called to order at 10:06 a.m.

Local Transportation Infrastructure Fund (LTIF) Overview and Project List

Gary Giron, secretary for the New Mexico Department of Transportation (NMDOT), addressed the members regarding the LTIF. He reminded them that the LTIF had been

legislatively created within the NMFA in 2005 to provide funding for local transportation projects. He said that loans and grants can be made to local projects that are placed on a prioritized list submitted annually to the NMFA from the NMDOT. Grants cannot exceed an amount more than 25% of the total cost of the project and cannot exceed more than \$500,000. The fund is capitalized with the transfer of one-half of the NMDOT fee paid to the NMFA to manage the bond program; the bonds can be sold for the LTIF in an amount outstanding of no more than \$20 million.

The LTIF has been used exclusively to provide grants to entities for the match required for Governor Richardson's Investment Partnership (GRIP) II projects. Since 2007, \$4.2 million in grants have been made. Although loans may be authorized pursuant to the program, there has not been an interest in LTIF loans, and the authority to issue bonds for the LTIF has not been exercised.

Secretary Giron referred the members to the handout he provided that lists LTIF projects referred to the NMFA by the NMDOT and approved by the NMFA board. The list includes projects from 2007 to the present and also includes the uncommitted LTIF funds, which total \$2.1 million.

Secretary Giron said that the pace of activity associated with the program has slowed due in part to the shortfall in available funding from GRIP II, capital outlay and the Local Governments Road Fund (LGRF). Lastly, Secretary Giron told the members that the NMDOT plans to broaden its focus of the program from the GRIP II match to assisting local governments with the match required for the LGRF. He noted that the current LGRF statutory provisions allow a preference to local entities that can provide a 25% match. He said that the LTIF could be used to supplement the current LGRF set aside of up to \$1 million to assist with the match in cases of financial hardship.

There was a general discussion regarding the GRIP funds and the status of the allocations and commitment for both GRIP I and GRIP II projects. Members inquired as to whether there are enough state contractors to perform the work associated with the GRIP projects, and Secretary Giron said that contractors are aware of the projects and are available to perform the necessary work.

Prior to the next agenda item discussion, there was a motion to approve the minutes with a correction to the definition of "colonia" to reflect that a colonia cannot have a population exceeding 25,000 people. The motion was seconded and unanimously passed.

NMFA Strategic Plan

William Sisneros, chief executive officer for the NMFA, began by introducing William Fulginiti, executive director for the New Mexico Municipal League and vice chair of the NMFA board, and Paul Gutierrez, executive director for the New Mexico Association of Counties and

NMFA board member. Mr. Sisneros explained that he asked the board members to attend and speak to committee members in an effort to provide insight into the work of the NMFA and to answer questions the members might have.

Mr. Fulginiti started by describing for the members the inception of the NMFA. He said that when the NMFA began operating in the early 1990s, it had no money and no board members. He said there was a need for loans in municipalities because grant money was simply not available. He noted that since that time, the NMFA has lent money to entities throughout the state, and the NMFA has probably financed more fire trucks than any other financing entity in New Mexico. He stated that he knows of no community in New Mexico that has not, at some point in time, approached the NMFA for funding assistance. He opined that the NMFA is a hugely successful and highly rated entity. He said that the job of the NMFA is to determine if a locality can, in fact, afford the costs associated with the projects it hopes to fund.

On the issue of whether the NMFA is meeting the needs of the New Mexico entities it was designed to service, Mr. Fulginiti said he is not aware of an entity that has complained about not being assisted by the NMFA. Mr. Fulginiti expressed his complete support for the work the NMFA does in its capacity as a lending agency for the state.

Next, Mr. Gutierrez spoke to the members, echoing the remarks of Mr. Fulginiti. He noted that he serves on a number of boards and has been an NMFA board member for three years. He cited the work of the NMFA board as superior, and he added that the board meets regularly and takes its duties and responsibility quite seriously. He noted that, with respect to his votes to approve loans, he often asks himself, "Would I be comfortable with the terms of this contract being published on the front page of the *Albuquerque Journal*?"

Mr. Gutierrez continued by praising the NMFA staff for its outreach programs. He said that staff travels throughout the state and interacts with local governments. He added that staff attends meetings and events designed to further educate local governments regarding the programs available through the NMFA.

Mr. Sisneros advised the members that the outreach of the NMFA is a continual process. He said that if the NMFA is not reaching all communities, it is a rare oversight. He expressed a desire to be informed of any communities that contact legislators or others to complain regarding the services of the NMFA because NMFA staff wants to meet the needs of all communities in New Mexico.

There was a discussion among the members regarding the history of the NMFA and how it was intentionally designed to function as a quasi-governmental entity in order to avoid some of the issues related to operating as a typical state agency. A number of members praised the work of the NMFA and expressed support for the manner in which the entity provides services. Some members asked if there is anything that could be done specifically to further the outreach programs of the NMFA. In response, Mr. Gutierrez expressed his view that the NMFA is accomplishing a lot with regard to outreach.

Mr. Sisneros spoke about the NMFA strategic plan. He advised the members that a handout in the form of a booklet had been provided for their review. When asked about the costs involved in producing the color-copied and bound booklet, Mr. Sisneros told the members that the NMFA has actually saved money producing the booklet because it combines two reports into one document. Additionally, the booklet is used for a multitude of purposes, and it is provided to investment groups as a marketing tool.

Mr. Sisneros explained that the strategic plan information provided in the booklet reflects a five-year projection. He said NMFA staff put the plan together by looking at projected funding expectations along with projected capital outlay needs for the five-year period.

After introducing some NMFA staff who were seated in the audience, Mr. Sisneros provided the members with an overview of the structure of the NMFA. He recalled that the NMFA board, as it is currently structured, is the result of a compromise between the governor and the legislature. The board consists of 12 members. He said the primary objective of the NMFA is economic development in the state, and the NMFA operates under an internal philosophy of "we provide solutions".

Next, Mr. Sisneros highlighted some of the NMFA's objectives for the next five years. They include:

- 1) continued communication with the NMFA's working partners: those relationships that are statutorily mandated and other outreach relationships;
- 2) developing a continued relationship with the executive and legislative branches of government;
- 3) providing detailed information as requested by the legislature and others;
- 4) implementing the new market tax credit funds; and
- 5) implementing the colonias infrastructure program.

Mr. Sisneros discussed a variety of other programs and goals for the NMFA, including a request by Governor Richardson for the NMFA to collaborate with the state's tribes to explore possible mechanisms and procedures to allow greater tribal access to the NMFA loans, financial solutions and programs.

Mr. Sisneros advised the members that the NMFA plans to strengthen and develop direct relationships with investment firms. Strong relationships and communication strategies will further the marketability of the NMFA's bond sales. He added that he hopes to enter into a contract with a public relations person to help the NMFA get positive news about its programs out to potential investors. Mr. Sisneros stressed his opinion of the importance of the NMFA retaining the highest possible bond ratings. He said that upgrades in its credit rating give the

NMFA access to low-cost capital and relieve the NMFA of any requirements to purchase insurance for its products. This will continue to make the NMFA's bonds attractive to investors.

Mr. Sisneros talked about the Build America Bonds (BABs), which is a new product providing tax credits to issuers. The product has great potential for bond issuers and will become a part of the NMFA's portfolio to assist its qualified entities.

When the discussion turned to the NMFA's policies and practices regarding loans to small entities, Mr. Sisneros said the NMFA does not turn down any loan if the entity applying for the funds can pay for the costs of the loan.

NMFA Strategic Plan

After recessing for lunch, the members were again addressed by Mr. Sisneros, who spoke about the NMFA budget. He began by telling them that the NMFA saved \$600,000 in FY 2010. He also said the NMFA projects budgetary growth over the next five years of between 6% and 6.5%. He noted that the NMFA's assets have grown to \$1.9 billion, and he added that if the GRIP funds are included, the assets equal \$3 billion.

Mr. Sisneros noted that grant revenues are projected downward from \$5.2 million to \$4.1 million, and he attributed the decline to the reduction in the federal American Recovery and Reinvestment Act of 2009 (ARRA) funds in the future. He said that New Mexico was allocated \$19.5 million in ARRA funds. He noted that the NMFA is evaluating the new and revised standards associated with the ARRA funds that will be allocated in the second round of federal stimulus funding.

There ensued a discussion regarding the PPRF and its balance sheet information contained on page 35 of the booklet. Members inquired as to why there was no entry reflecting the \$60 million cash balance estimated in the fund. Mr. Sisneros responded to the inquiry by explaining that the cash balance should be shown on the balance sheet, and its absence from the balance sheet was an oversight. Members then asked to be provided a corrected version of the balance sheet, and Mr. Sisneros agreed to provide the information as soon as possible. That information was provided to the members on the second day of the oversight committee's meeting, and copies of the corrected balance sheet are located in the meeting file.

Mr. Sisneros discussed the possibility of transferring approximately \$15 million from the cash balance of the PPRF to the state's general fund and that the NMFA is working with the Legislative Finance Committee in this regard. Members asked if such a transfer of cash assets would harm the NMFA's rating. Mr. Sisneros told the members that a one-time transfer of NMFA funds to the state, done at a time when the state is experiencing financial difficulties, and done by NMFA board action rather than legislative action, would not negatively affect the NMFA's bond rating. Some members questioned the logic of the explanation provided by Mr. Sisneros and reminded him that the legislature had considered creating a new fund using PPRF funds in an effort to assist disadvantaged localities with projects. When that legislation was being considered, the legislators were advised that such action could harm the NMFA's bond

rating. Mr. Sisneros again opined that a one-time transfer of cash balances approved by the NMFA board would be considered reasonable by the rating agencies. However, he said the rating agencies would not view legislative actions to secure those same funds in the same light, and for that reason, such actions would negatively affect the NMFA's bond rating.

The discussion returned to the question of whether smaller projects for smaller localities within the state are indeed served by the lending policies of the NMFA. Members expressed the need for more information regarding projects rejected by the NMFA. As the discussion continued, Mr. Sisneros stressed that the NMFA does not supply grants, and some localities may, in actuality, only be seeking grants. He suggested that perhaps one way to address the legislators' concerns over projects that may not get funding would be to amend the statutory provisions allowing the NMFA to come before the legislature at various times throughout the year to seek approval for specific projects.

Colonias Infrastructure Trust Fund Update

Matthew Jaramillo, director of government affairs for the NMFA, and Rick Martinez, director, Local Government Division, Department of Finance and Administration (DFA), spoke to the members regarding the soon-to-be-implemented colonias infrastructure program. The program will go into effect on July 1, 2011, and it is intended to assist New Mexico's colonias by ensuring that financial resources are available to those communities for infrastructure development.

Mr. Martinez told the members that of primary concern for the success of the program will be New Mexico's ability to leverage all available federal dollars. He stressed that the state has not been taking every opportunity to leverage federal funds, and he noted that there is an existing federal colonias program operating through the United States Department of Agriculture. He said that when dealing with federal dollars, attention to the details makes all the difference because the federal programs always involve excessive amounts of paperwork and require that certain procedures are followed.

Mr. Martinez also suggested that, prior to the first official meeting of the statutorily appointed board for the Colonias Infrastructure Trust Fund, drafts of policies and procedures should be ready for the board members to review and accept or modify. He suggested the need for a technical team to assist in the duties and responsibilities that will be faced by the new board members. Planning ahead and completing work in advance, before the board begins acting in its official capacity, will help ensure that the program starts off in the right direction.

It was estimated that the Colonias Infrastructure Trust Fund will have about \$8.4 million for FY 2011. Members questioned Mr. Martinez regarding the leveraging of federal dollars and asked if he and the DFA could review strategies for the state to ensure that all possible federal dollars are properly leveraged. There was a discussion about the need to develop a mechanism for state agencies to utilize federal matching dollars better, specifically before state money is expended. Some members expressed their frustration that federal dollars are not being leveraged with respect to all water projects within the state. Mr. Martinez noted that the staff at the DFA is

reviewing the various aspects of determining when federal matching dollars are available and the avenues to ensure the use of the federal assistance. He said that any information developed by the DFA would be shared with the legislature and other state agencies.

With no further business for the afternoon, the committee recessed for the day at 4:20 p.m.

Wednesday, October 6

New Mexico Renewable Energy Transmission Authority (RETA) Update and Proposed Legislation

Jeremy Turner, chief executive officer for RETA, addressed the members. Mr. Turner began by providing an update on the High Lonesome Mesa (HLM) project. He explained that the project consists of a 100-megawatt wind farm in Torrance County. The wind farm has created approximately 200 construction-related jobs and 10 permanent operations and maintenance jobs. He told the members that the total revenues projected over the life of the HLM project are \$580 million. He added that the RETA will be financing transmission upgrades for the project totaling approximately \$65 million.

Mr. Turner reminded the members that the HLM project began in December 2009 when the RETA board approved an authorizing resolution for the sale of bonds for the project. The work related to the sale of those bonds began in January 2010. Before the bonds were issued, in April 2010 a complaint was filed against Public Service Company of New Mexico with the Federal Energy Regulatory Commission (FERC). The complaint included a request to invalidate the transmission rights for the HLM project. In July 2010, the FERC ruled against the complaint filed by Cargill and did not invalidate the HLM project transmission rights. In August 2010, discussions with potential investors began, and marketing efforts are now underway. The RETA hopes to have the bonds closed by the end of 2010.

Next, Mr. Turner reminded the members of the passage of Senate Memorial 44, which added responsibilities to the RETA to include:

- 1) developing a map and supporting documents identifying existing generation and transmission lines and renewable energy resource zones to support development;
- 2) coordinating with other agencies to prioritize regions with low or minimal land development conflicts; and
- 3) identifying and prioritizing the best options for potential transmission corridors.

Mr. Turner noted that the RETA completed its report and presented it to the oversight committee in November 2009. He said the RETA does not have statutory authority to obligate a developer to build a transmission line within an identified corridor. However, he added that with the identification of the corridors, the RETA is trying to mitigate any potential environmental,

wildlife and cultural damage. He said specific rights of way within an identified corridor will require an environmental review prior to construction. He added that the RETA needs to identify funding to complete any environmental work on each corridor to expedite the siting and building of transmission lines.

Mr. Turner directed the members' attention to a draft corridor map located in the handout. He said the RETA is in the process of taking public comment based on the map, and as a consequence, the map will likely change substantially. He also noted that included in the handout is a projected time line for the duties outlined in Senate Memorial 44.

Next, Mr. Turner told the members about the 26-member Governor's Task Force on Statewide Electricity Transmission Planning. He said the task force will be preparing recommendations for the governor and the RETA board regarding opportunities to enhance the statewide electricity transmission grid, including information regarding collector systems, financing options and cost-recovery options. He noted that the recommendations will be provided on November 1, 2010.

Mr. Turner also told the members about the Los Alamos National Laboratory Study (LANL Study). He explained that it is an independent study to evaluate statewide transmission concepts, economic benefits and cost-allocation methodology. The LANL Study began on June 24, 2010 and is expected to be complete by October 2010. The study will analyze two potential systems, looped versus radial line upgrades that are necessary to export 5,200 megawatts of generation. Key to the LANL Study will be the analysis regarding cost-recovery options. Some of the members requested copies of the LANL Study, and Mr. Turner agreed to provide them.

Mr. Turner next turned to the 2011 legislative session and initiatives proposed by the RETA board. He said the proposed legislation would be similar to House Bill 98 proposed in the 2010 legislative session. The initiative seeks to provide that the RETA bonds may be issued at, above or below par value. Currently, the governing statute provides that bonds may only be issued at par value. He noted that this will be the third year that the RETA has sought this statutory change. Next, he told the members that the RETA is seeking to have confidentiality provisions added to its governing statute. He mentioned that most other states have confidentiality provisions, and such provisions are critical to protect proprietary information, including power purchase agreements, costs of production, costs of transmission, transmission service agreements, credit reviews, detailed power models and financing statements.

Members inquired about the composition of the Governor's Task Force on Statewide Electricity Transmission Planning. Additionally, they asked who appointed the members. Mr. Turner explained that the governor created the task force and appointed its members. Committee members asked for the names of those appointed, and Mr. Turner agreed to provide that information.

Members also spoke to Mr. Turner regarding the public comment the RETA was soliciting regarding the transmission corridors. The members suggested that the meetings for public input

be held throughout the state, not just in Santa Fe. Mr. Turner explained that there are plans to travel and also to meet with tribal communities as well.

Members asked questions regarding the transmission of energy and the issue related to getting the energy to rural areas. There was discussion about the difficulties in energy transmission, including the costs associated with transporting the energy. There was discussion regarding the profitability of transporting the energy out of state. Many members expressed frustration with the fact that New Mexico has communities in need of power, but they are unable to obtain it.

Border Authority Proposed Legislation

Andrew Morales, executive director for the Border Authority, and Jerry Pacheco, vice president for the Border Industrial Association, spoke to the committee regarding proposed legislation sought by the Border Authority. Mr. Pacheco presented the members with copies of a discussion draft. The proposed legislation would provide for the issuance of permits to operate overweight vehicles with reducible loads within six miles of a port-of-entry facility on the New Mexico/Mexico border. Mr. Pacheco explained that the legislation would create a six-mile commercial overweight zone. The reason behind the statutory change is to attract more commercial business through New Mexico's ports of entry. He said creating the zone would bring commercial drivers through New Mexico's ports because their loads would not need to be broken down in order to cross the border. Currently, loads that are overweight must be broken down upon reaching the border. Due to the state's current weight restrictions, a truck that consists of two loads in Mexico becomes three loads when it enters New Mexico. This costs the companies operating the carriers extra time and money. Mr. Pacheco noted that Border Industrial Association officials have met with the NMDOT regarding the proposed legislation.

Members seemed to look favorably at the proposed legislation. However, there was general concern regarding the potential negative impacts from the increase in traffic to the areas within the six-mile zone. Additionally, members were concerned regarding the impact the extra weight might have on the roads. Jeff Vigil from the NMDOT was present in the audience, but he was unable to fully address to what extent, if any, the increased weight and traffic would affect the roads. He said the increase in the loads would be approximately 20%, and that the NMDOT might need to increase the density of the roads.

The major concern by the members was that a maintenance fund and program be in place prior to allowing an increase in weights for the commercial loads. Members asked if the Border Industrial Association would be creating a fund specifically for the necessary maintenance or repair of the roads. Mr. Pacheco seemed to agree that such a fund would be a good idea and should be considered. The discussion turned to safety issues. Mr. Morales explained that there will be a new safety inspection system in place and that there will be a built-in scale.

A number of interested individuals were present in the audience and spoke positively on behalf of the proposed legislation. It was mentioned that increasing the commercial activity at the ports of entry could also generate jobs and entice companies to move their businesses, particularly

plants currently located in China, to New Mexico. Getting products to the United States is a primary objective of many companies, and having easier and cheaper access to ports of entry could make New Mexico attractive to such businesses.

There was a motion to ask Secretary Giron to intervene on behalf of the southern part of the state regarding metropolitan planning organizations (MPOs) and to investigate whether the border area around Santa Teresa could become a part of the Las Cruces MPO instead of or in addition to the El Paso MPO. The motion was seconded and passed unanimously.

Water Trust Fund Projects

Jane Amacher, senior program administrator for the NMFA, addressed the members regarding the Water Trust Fund projects. She reminded the members that the Water Trust Board was created legislatively in 2001. The board consists of 16 members and is charged with prioritizing projects for recommendation to the legislature to receive funding from the Water Project Fund. Additionally, the board adopts rules and regulations governing the terms and conditions of grants or loans made from the fund. Ms. Amacher noted that the names of the current members are located in the handout she provided for the members' review.

Ms. Amacher told the committee that the Water Trust Board provides funding for statewide water projects from funds received from three funds, the Water Trust Fund, the Water Project Fund and the Acequia Project Fund. Additionally, Ms. Amacher noted that 10% of the state's severance tax bond proceeds go to the Water Project Fund. She continued by explaining the process involved in managing the Water Trust Fund, noting that \$4 million is distributed annually from the Water Trust Fund to the Water Project Fund.

Ms. Amacher explained that the Water Project Fund was created under the authority of the NMFA. In 2010, \$31,488 million in the form of grants and loans was awarded to approved water projects. She said that in 2010, there were 62 applications for funding of projects, and 26 of those were approved.

Ms. Amacher told the members that the Acequia Project Fund was created in 2005 and provides grant funding to legislatively authorized acequia projects. The fund was endowed with \$200,000 through a private donation. Prospective projects for funding are reviewed by an interagency team of staff from the NMFA and the Interstate Stream Commission. The Acequia Project Fund projects are prioritized by the Water Trust Board for recommendation to the legislature and funding by the NMFA.

Ms. Amacher advised the members that 10% of the funds in the Water Project Fund are appropriated to the Office of the State Engineer and the Administrative Office of the Courts for water rights adjudication. To date, the adjudication funding totals about \$20 million.

Referring to the handout, Ms. Amacher told the members that there is an application process that occurs on an annual cycle. She said that the Project Management Team evaluates applications and makes recommendation to the Water Trust Board Standing Committee. The

applications are then ranked using criteria developed and approved by the Water Trust Board. Next, the projects are recommended to the legislature for authorization. Projects that are authorized by the legislature are then financed by the NMFA with terms and conditions established by the NMFA and the Water Trust Board.

According to Ms. Amacher, by statute, there are five types of projects that may be funded by the Water Trust Board. They are:

- 1) storage, conveyance and delivery of water;
- 2) implementation of the federal Endangered Species Act of 1973 collaborative programs;
- 3) restoration and management of watersheds;
- 4) flood prevention; and
- 5) conservation, recycling and treatment or reuse of water.

Ms. Amacher noted that the Water Management Team is composed of staff from the following seven state agencies:

- 1) the Department of Environment;
- 2) the Department of Game and Fish;
- 3) the New Mexico Department of Agriculture;
- 4) the NMFA;
- 5) the DFA;
- 6) the Office of the State Engineer; and
- 7) the Energy, Minerals and Natural Resources Department.

In the application review process, priority is given to projects that are "shovel ready", with all water rights, funding and design requirements in place. Other minimum criteria requirements are listed in the handout.

Ms. Amacher closed by telling the members that since 2002, 90 entities within the state have received Water Trust Board funding for projects. The projects are located throughout the state and in virtually every county.

Members asked for a list of the most recently recommended projects, and Ms. Amacher responded to the request by noting that the Water Trust Board would be making its recommendations after October 15, 2010, the date the applications are due. When the board makes its recommendations, Ms. Amacher will provide the requested information. The members inquired as to whether New Mexico's smaller communities are being served. Members asked if information regarding the process is available to the general public, and Ms. Amacher said the information is available and, once provided, that staff follow up with the requestor to ensure whether the information is sufficient and clear. Members asked for more information regarding how many grants have been provided. Additionally, after noting that some smaller communities do not qualify for funds because they do not have updated audit reports, members asked for a list of communities without updated audit reports. Ms. Amacher said she would get the information and provide it as requested.

Representative Lundstrom announced to the members that the Government Restructuring Task Force (GRTF) asked to be placed on the committee's agenda to provide an update of its work. Additionally, the oversight committee will be asked to make recommendations to the GRTF regarding potential cost-savings measures that have been identified. Ms. Faust advised the members that they should email her with any ideas they have for cost-savings measures. There was a related discussion involving the executive branch's intervention regarding state employees' abilities to provide survey responses to the GRTF, and Representative Lundstrom said she would speak to the members of the GRTF to consider drafting a letter to the governor concerning the issue.

With no further business, the meeting was adjourned at 12:15 p.m.