

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

**September 12-13, 2007  
New Mexico State University, Pan American Center  
Las Cruces**

The fourth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Daniel P. Silva, chair, at 9:10 a.m. on Wednesday, September 12, 2007, in the Barbara Hubbard Room of the Pan American Center at New Mexico State University (NMSU) in Las Cruces.

**Present**

Rep. Daniel P. Silva, Chair  
Sen. Mary Kay Papen, Vice Chair  
Rep. Janice E. Arnold-Jones  
Rep. Elias Barela  
Sen. Clinton D. Harden, Jr.  
Rep. Jane E. Powdrell-Culbert  
Sen. Lidio G. Rainaldi  
Rep. Henry Kiki Saavedra  
Sen. H. Diane Snyder (9/12)  
Rep. Richard D. Vigil (9/12)

**Advisory Members**

Rep. Ernest H. Chavez  
Rep. Anna M. Crook  
Sen. Richard C. Martinez  
Sen. Leonard Lee Rawson (9/13)  
Rep. Edward C. Sandoval  
Rep. James R.J. Strickler

**Absent**

Rep. Richard J. Berry  
Sen. Joseph J. Carraro  
Rep. Dona G. Irwin  
Rep. Patricia A. Lundstrom  
Sen. Nancy Rodriguez  
Rep. Don L. Tripp  
Sen. David Ulibarri

Sen. Ben D. Altamirano  
Sen. Vernon D. Asbill  
Rep. Jose A. Campos  
Sen. Pete Campos  
Sen. Kent L. Cravens  
Sen. Dianna J. Duran  
Rep. Candy Spence Ezzell  
Rep. Daniel R. Foley  
Sen. Mary Jane M. Garcia  
Rep. Thomas A. Garcia  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. Ben Lujan  
Rep. W. Ken Martinez  
Sen. Steven P. Neville  
Rep. Sheryl Williams Stapleton

Sen. James G. Taylor  
Rep. Thomas C. Taylor  
Rep. Luciano "Lucky" Varela

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

**Also in Attendance:**

Rep. Andy Nuñez

**Staff**

Cleo Griffith, Legislative Council Services (LCS)

Doris Faust, LCS

**Guests**

The guest list is in the original meeting file.

**Wednesday, September 12**

**Call to Order and Welcome**

Dr. Mike V. Martin, president of NMSU, welcomed the committee to NMSU and provided a brief history of the university. He also reported that attendance is up for the second year in a row for all five campuses, which focus on delivering education that is both affordable and accessible.

**Review and Update of Local Capital Projects That Are Funded or Potentially Funded Through the NMFA**

William Mattiace, mayor of Las Cruces, welcomed the committee and reported that Las Cruces has experienced steady growth since 1995. With that growth comes a need for increased infrastructure, and Mayor Mattiace thanked the legislature and the NMFA for assisting his city with water issues, wastewater treatment, a well pump station, streets, arroyo crossings, solid waste recycling and a water reclamation plant. One of Las Cruces' priority capital needs is an upgrade to the Jackrabbit Interchange between Interstate 10 and U.S. Highway 70. Projects that Las Cruces has successfully financed through the NMFA include a telecommunications project, a computer system upgrade for the Mesilla Valley Regional Dispatch Authority and a well pump station.

Michael Cadena, mayor of Mesilla, presented an overview of Mesilla's capital needs and infrastructure plan. Mesilla's priority needs include storm drains, road reconstruction, sewer lift station improvements, a new well and sewer line rehabilitation.

Brian Haines, Dona Ana County manager, discussed county infrastructure needs, including Berino town site drainage and flood control; paving roads in the town of Organ; Vado drainage and flood control; Chaparral drainage and flood control; and Montana Vista

wastewater, drainage and road infrastructure improvements. Mr. Haines noted that most of the county's priority needs are in colonias areas. There is not a revenue stream for these projects, so the NMFA loan programs would not be effective for these projects. However, in the past five years, Dona Ana County has made significant progress in being able to make use of money that has been appropriated and is available to the county.

The committee discussed infrastructure needs in Hatch; growth in the area and the number of new subdivisions coming on line; the colonias initiative; colonias needs and how the term colonias is defined; the effectiveness of the Las Cruces Convention Center surcharge; and modular wastewater treatment facilities.

### **Spaceport Authority Update**

Kelly O'Donnell, deputy secretary, Economic Development Department, informed the committee that she is currently also the acting executive director of the New Mexico Spaceport. Deputy Secretary O'Donnell provided a progress report on the spaceport and discussed the large budget expansion that the Spaceport Authority will be asking for.

The spaceport mission is to develop and operate the world's first purpose-built commercial spaceport. A spaceport was first proposed in the early 1990s by the Southwest Space Task Force. Significant steps in New Mexico's space history include the selection of New Mexico as home of the annual X-Prize Cup, Virgin Galactic world headquarters and UP Aerospace's successful suborbital space launch.

The spaceport is expected to create significant economic opportunities for the region in the areas of tourism, lodging, restaurants, retail, recreation, research and development, operations and manufacturing. NMSU and Futron have predicted approximately 5,000 new jobs and up to \$1 billion in new state revenues by 2020 related to the spaceport.

Deputy Secretary O'Donnell listed the reasons that make New Mexico better than any other state for spaceport development and reviewed the preliminary site plan. The construction estimate for the spaceport is \$198 million, with major costs being a runway, facilities and infrastructure. The project will be funded with \$140 million of state money and \$58 million in local money.

The Spaceport Authority still needs to finalize several key agreements before work on the spaceport can proceed much further, including agreements with Virgin Galactic, White Sands Missile Range, local ranchers, the State Land Office, the Bureau of Land Management and El Camino Real de Tierra Adentro Trail Association.

Spaceport design, development and construction is on an aggressive schedule, which calls for the facility to be operational in late 2009 or early 2010. The Spaceport Authority currently only has three staff persons and has relied heavily on outside contractors. Additional staff is needed, and the authority is aggressively recruiting an executive director and a technical director. The management team should also include a staff attorney, administrative assistant,

marketing director, operations manager and administrative services director. The Spaceport Authority budget is currently \$365,000, but it will be asking for \$1.5 million for fiscal year 2009.

Spaceport Authority legislative requests may include bills for confidentiality of proprietary business information, the Space Industry Liability Act, amending sale, trade or lease of public property requirements and changing the name to Spaceport America.

Mike Holston, the project coordinator for the spaceport, described the spaceport location and provided directions to committee members interested in touring the site.

The committee discussed issues relating to the spaceport, including:

- the logistics of road construction to the spaceport;
- the importance of a cost/benefit analysis for the spaceport;
- the environmental impact report;
- adequacy of available water and water rights; and
- Virgin Galactic's commitment to the project.

#### **Committee Business**

The minutes of the August 2-3, 2007 meeting were unanimously approved.

#### **Statewide Economic Development Finance Act Legislative Authorization and Confidentiality Issues**

Ms. O'Donnell and William Sisneros, CEO of the NMFA, began their presentation with a brief overview of the Statewide Economic Development Finance Act (SWEDFA). SWEDFA creates a partnership between the NMFA and the Economic Development Department, and gives the department and the NMFA several economic development tools, including SmartMoney loan participation, conduit bonds, direct loans and loan guarantees. The four "products" authorized by SWEDFA are each priced commensurate with market-driven returns and risk to the Economic Development Revolving Fund. Of the loan options, loan guarantees have the highest perceived risk, and loan participation has the lowest risk. Conduit bonds have no financial risk or return to the fund, but provide borrowers with access to tax-exempt or taxable bond markets.

The most significant distinction to be made among the various SWEDFA programs is between loan participation and loan guarantees. SmartMoney loan participations have minimal risk and are over-regulated, whereas SWEDFA-authorized loan guarantees have greater and more complex risk and are underregulated. Reforms proposed to address these distinctions include streamlining and expediting the loan participation process and increasing oversight and tightening eligibility of loan guarantees.

Mr. Sisneros also reported that the SmartMoney Program is not an entitlement, in that loans must be secured and fully collateralized, interest rates are commensurate with risk, risk is shared with a local bank and borrowers must comply with reporting requirements. The program

is underutilized, in part due to confusion created by the conflicting statutory requirements for legislative authorization and for confidentiality and in part due to the lengthy loan process.

The committee will review proposed legislation on these issues at the next meeting.

### **Update on Tax Increment Financing Districts**

Norton Francis, chief economist for the Legislative Finance Committee, and Mark Valenzuela, director of intergovernmental relations for the NMFA, briefed the committee on tax increment financing, which allows for the capture of increments of the gross receipts tax and property tax within a district boundary.

Tax increment financing can be used to finance public improvements, including:

- wastewater systems;
- drainage and flood control;
- water systems, including private water systems;
- roads, bridges and parking;
- trails and parks;
- landscaping;
- public buildings;
- utilities;
- cable and telecommunications lines and equipment;
- traffic control and lighting;
- public schools, including charter schools;
- contract services related to the project;
- workforce housing; and
- any other improvement that the governing body determines to be for the use or benefit of the public.

The committee discussed the methods by which tax increment districts are formed and the tax increment process. Mesa del Sol, located in Albuquerque, is the first tax increment district created. SunCal is proceeding on a tax increment district in Bernalillo County and the Verde Group is working on a tax increment district in Dona Ana County.

The panel reported that the Taxation and Revenue Department (TRD) recommends technical changes to the tax increment financing legislation to address how tax increment revenue is collected and distributed. The TRD's recommendations include:

- redefining "base gross receipts" to include explicitly food and medical gross receipts;
- allowing staggered bond issues rather than requiring separate but related districts; and
- clarifying the use of excess incremental revenues.

Other ideas introduced by the panel include:

- designating an agency such as Department of Finance and Administration to monitor and report on tax increment districts;
- clarifying and defining the use of bond proceeds and excess incremental revenue;
- requiring presentation and documentation to an interim legislative committee;
- requiring the State Board of Finance to present findings after approving a district;
- establishing clear guidelines for economic and fiscal analysis; and
- requiring that substantive additions to a master plan be reviewed by representatives of the state.

### **Water Grant Fund Application Process, Funding and Use of the Fund**

Mr. Valenzuela and Marquita Russel of the NMFA briefed the committee on the history and status of the Water Grant Fund. The committee reviewed a typical project funding time line, the grant closing process, grant funding conditions and some hurdles to funding projects through this fund. Most water or wastewater projects take at least 18 months from the NMFA board's approval to grant closing and thereafter take about 12 months to complete construction, depending on the construction season and mobilization.

Ms. Russel detailed a number of case studies, identified current approved projects and informed the committee that there are no funds available for additional water or wastewater projects.

The committee recessed at 5:15 p.m.

### **Thursday, September 13**

The committee reconvened at 9:05 a.m.

### **Border Authority Activities Update and Budget**

Jaime Campos, executive director of the New Mexico Border Authority (NMBA), introduced Emma Johnson-Ortiz and Jim Creek, also with the NMBA. The panel reported that pressure on the border from increased commerce is tremendous. The Santa Teresa border crossing is at capacity, with waits up to three hours that are expected to increase with added mall traffic. Ten additional lanes could be added to the Santa Teresa crossing, which are likely to be needed in the near future. Santa Teresa is also the only border crossing that can be easily expanded.

Beginning in January 2008, every person entering the United States from Mexico will need a passport, which will need to be digitally verified by an inspector. This will increase wait times even more.

The committee and presenters discussed:

- Mexico's regulation of New Mexico trucks that cross the border into Mexico;
- paving the Antelope crossing road;

- Mexico's embargo on cattle importation;
- the "low-risk travelers" program;
- transportation of horses across the border; and
- federal and state inspection pass rates on Mexican drivers who bring trucks into New Mexico.

Mr. Campos updated the committee on existing and planned border development projects at Santa Teresa, such as the new port of entry at Anapra, the Santa Teresa commercial safety inspection station, a new NMBA office facility, a commercial dropyard and transfer facility, the Santa Teresa port-of-entry visitor parking and commercial exit lane and Strauss Road.

Columbus border development and security projects include a border patrol pedestrian barrier, port-of-entry expansion and renovation, street and drainage improvements and improvements to the existing wooden stockyards.

The committee reviewed the NMBA budget, noting that the authority derives income from radio frequency for trucks and that the authority would like to increase its income by leasing additional building space to other entities.

Mr. Campos described the Union Pacific Railroad rail facilities plan as an important border development project. Union Pacific's growing volume of business along the sunset route between Los Angeles and El Paso has created the need for a new terminal or railyard in the greater El Paso area. Union Pacific has identified Santa Teresa as a promising location for facilities that will eventually include fueling, crew change, switching yard and train-to-truck transfer station. The project cost is estimated at \$150 million and will bring high-wage jobs to New Mexico.

The committee noted that the NMBA is getting results and is well respected on both sides of the border.

Assistant Attorney General Alvin Garcia concluded the NMBA presentation with a description of two bills that the NMBA anticipates introducing in the upcoming session. The NMBA would like to be added to the list of agencies that are exempt under the Property Control Act, and also would like to remove the provision in the current law that prevents the NMBA from owning property.

## **Rail Runner Operation and Expansion Schedule**

Lawrence Rael, executive director of the Mid-Region Council of Governments, and Chris Blewett, project manager for the Rail Runner, described the Rail Runner project's scope and showed the committee a map of the planned route from Bernalillo to Santa Fe.

The key policy factors in the Rail Runner project development are:

- promoting access to more affordable housing, especially for those who work in Santa Fe, which generally has higher real estate prices;
- peak period issues;
- the high cost of auto travel;
- growth and population increases in the Rio Grande corridor;
- limited options for increasing roads and highways;
- highway congestion; and
- an aging population.

The Department of Transportation began work on the rail segment from Bernalillo to Santa Fe three years ago. Four routing options were considered for the portion of the track from La Bajada to Santa Fe. The steepest grade for the alternative selected is 3.3% and will have speed deterioration to approximately 69 miles per hour at the crest of the hill. The top running speed for the train is 79 miles per hour. The route includes 18 miles of new track in the median of Interstate 25. The travel time from downtown Albuquerque to Santa Fe is expected to be one hour and 15 minutes. Twin Mountain Construction was awarded the contract, and they have a 14-month construction schedule for the middle segment of the track.

The committee watched a video on the projected rail line and then discussed:

- the cost of the project compared to the cost of widening Interstate 25;
- the cost of track maintenance;
- the cost of operating the trains;
- current ridership for the existing rail line;
- anticipated ridership for the new rail segment to Santa Fe; and
- the point at which the Rail Runner might anticipate meeting 20% of its operations cost from the fare box.

## **Philippou Group Holdings Presentation**

Phillip Philippou presented a brief summary of Philippou Holdings' development plans for two large tracts of land outside of Las Cruces.

## **Adjournment**

There being no further business, the committee adjourned at 12:20 p.m.