

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

**August 15, 2016  
St. Clair Winery Tasting Room, 1325 DeBaca Road  
Deming  
and  
Luna Rossa Winery, 3710 West Pine Street  
Deming**

**August 16, 2016  
Columbus Community Center Annex, 500 Taft Street  
Columbus  
and  
Columbus Port of Entry, State Highway 11, Mile Marker 0  
Columbus**

The third meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, chair, on August 15, 2016 at 9:42 a.m. in the St. Clair Winery Tasting Room in Deming, New Mexico.

**Present**

Sen. Joseph Cervantes, Chair  
Rep. Jane E. Powdrell-Culbert, Vice Chair  
Rep. David E. Adkins  
Rep. Sharon Clahchischillage  
Sen. Lee S. Cotter  
Rep. Bealquin Bill Gomez  
Sen. Ron Griggs (8/16)  
Rep. Dona G. Irwin  
Rep. Idalia Lechuga-Tena  
Rep. Patricia A. Lundstrom (8/15)  
Sen. Nancy Rodriguez  
Rep. Patricio Ruiloba  
Sen. William P. Soules

**Advisory Members**

Rep. Alonzo Baldonado (8/15)  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Mary Kay Papen (8/16)  
Sen. John Pinto

**Absent**

Rep. Candy Spence Ezzell  
Sen. Richard C. Martinez  
Rep. Andy Nunez  
Sen. Michael Padilla  
Rep. Patricia Roybal Caballero  
Sen. John C. Ryan  
Rep. Monica Youngblood

Sen. Jacob R. Candelaria  
Rep. George Dodge, Jr.  
Rep. Brian Egolf  
Rep. Kelly K. Fajardo

Rep. Debbie A. Rodella  
Rep. Tomás E. Salazar

Sen. Stuart Ingle  
Rep. Sarah Maestas Barnes  
Sen. Bill B. O'Neill  
Sen. William H. Payne  
Sen. Clemente Sanchez  
Rep. Sheryl Williams Stapleton  
Rep. Don L. Tripp

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

### **Staff**

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)  
Jeff Eaton, Research and Fiscal Policy Analyst, LCS  
Alexandria L. Tapia, Contractor, LCS

### **Guests**

The guest list is in the meeting file.

### **Handouts**

Handouts and other written testimony are in the meeting file and posted at [https://www.nmlegis.gov/Committee/Interim\\_Committee?CommitteeCode=NMFA](https://www.nmlegis.gov/Committee/Interim_Committee?CommitteeCode=NMFA).

## **Monday, August 15**

### **Call to Order**

Senator Cervantes welcomed everyone to Deming and asked members and staff to introduce themselves. Members shared memories of Representative Irwin, who is retiring this year. Dan Weaks, lobbyist, presented a gift to Representative Irwin on behalf of the New Mexico Wine Growers Association in appreciation for her dedication and service in the legislature.

### **Welcome**

The committee also was welcomed to Deming by local city and county officials. Benny L. Jasso, mayor, City of Deming, informed the committee about some of the upcoming local projects, including the Columbus Port of Entry (POE) expansion. He believes this expansion will bring many new opportunities for trade and commerce, but it needs the continued support of the NMFA Oversight Committee and the legislature to be successful. Mayor Jasso invited members to learn about Deming's award-winning wineries and enjoy the tours that had been arranged for the committee. Aaron Sera, city manager, City of Deming, briefly mentioned the infrastructure needs that most other areas in the state are also facing. Mr. Sera noted that Luna County, the City of Deming and the Village of Columbus are all working together to maximize the use of existing funds for infrastructure needs.

## **An Overview of the Colonias Infrastructure Project Fund Program**

Marquita D. Russel, chief of programs, NMFA, provided the committee with a brief overview of the Colonias Infrastructure Act and background on its governing board. The act defines a colonia as a rural community with a population of 25,000 or fewer located within 150 miles of the United States-Mexico border. These communities tend to lack potable water, adequate sewage systems and decent, safe and sanitary housing. There are 171 colonias within the 12 southern-most counties in the state. The act created the 12-member Colonias Infrastructure Board (CIB), which oversees the Colonias Infrastructure Project Fund.

Ms. Russel itemized the six types of projects that qualify for funding pursuant to the act and discussed how projects are prioritized based on selection criteria. To the greatest extent possible, the CIB leverages federal funds from multiple agencies to complete projects. To date, 301 project applications have been received, of which 155 awards totaling \$70,043,009 have been made.

Ms. Russel updated the committee on the CIB's fiscal year (FY) 2016 activities. A task force created by the CIB worked with staff to identify reasons behind the slow pace of expenditures and created policy recommendations to ensure an increased pace of spending. The CIB is considering some minor amendments to its project management policies and project selection criteria. The proposed amendments were posted for a 30-day public review, and final recommendations will be considered at the CIB's October 6, 2016 meeting.

Since the last committee meeting, the NMFA has increased its staff dedicated to colonias in efforts to provide greater outreach to communities, greater oversight of projects, timely project expenditures, accelerated closing processes and greater support to the CIB. Staff has been working to notify applicants about unspent funds and to remind them that those funds will be lost if not used within the designated time frame. The CIB has utilized the same staff from the Water Trust Board to help make the processes for both funding applications similar, providing client communities with greater predictability. For FY 2017, the application process will be done online; training on the new online application system will be provided in October. Ms. Russel shared with the committee the efforts being made to close out awards by focusing on expenditures. In FY 2016, 22 projects from the 2012 cycle were completed. The CIB and staff are committed to increasing the pace of spending for existing awards.

Sarah Silva, executive director, NM CAFé, shared her experience of working with communities along the border. She explained that colonias emerged out of unfilled promises of infrastructure and roads by developers who bought land and sold it to migrant families. Colonias present a lot of challenges but also a lot of opportunities. There are many social and economic impacts to communities when there is a lack of proper infrastructure.

Ms. Silva told the committee about the communities of Vado and Chaparral, which have been struggling to maintain and improve roads. The poor condition of the roads has become a problem for getting emergency services and school buses to homes. In 2015, community leaders

in Vado began raising money to grade one of the roads. The U.S. Environmental Protection Agency found a company that used recycled shingles to make millings for road resurfacing and donated some to the community. Vado was able to purchase the rest needed to pave a portion of one of the roads.

Ms. Silva informed the committee that many families in the colonias struggle with expenses of providing propane to heat homes because there is no access to gas lines. Of course, propane is much more expensive for heating than is natural gas. This contributes to community members' impoverishment. Withering communities will negatively affect the attractiveness and success of local business development. Ms. Silva urged the committee to continue its support of funding to colonias projects. She also suggested a cautious review of the Anti-Donation Clause of the Constitution of New Mexico, since portions of roads are frequently private, preventing county maintenance. Legislators can encourage local and county officials to help with some of the issues faced in colonias communities, she added.

Doug Moore, chair, CIB, echoed the great need for project funding in these communities. He noted that a lot of these communities are led by volunteers who do not know how to apply for available grants. The CIB has been working to train communities on grant applications. Mr. Moore discussed some of the challenges with grants from the U.S. Department of Agriculture and praised the colonias staff for its work with helping applicants meet requirements. The CIB is continuously evaluating its policies and adjusting them to meet the feedback from applicants. Under a new policy, applicants must be ready to actually build something; everything must be in place prior to funding. Instead of the CIB funding the entire project, it will fund the planning process. Once that is completed, applicants can reapply for funding to get the next step of the project done.

Robert P. Coalter, chief executive officer, NMFA, recognized the efforts of the CIB to focus on project needs. He noted that when working with multiple funding sources, one must comply with all of the individual requirements from each source, which frequently adds more burden to communities. The NMFA has attempted to centralize programs and create uniformity among definitions and requirements of the different programs. This makes it simpler for applicants and staff. Mr. Coalter thanked the CIB for taking the time to hear about every project. He said it helps communities feel that they are being heard and gets questions about their status answered. This has been very important in the process and the success of the program.

Several members of the CIB were present and provided their feedback to the committee. M. Keith Riddle, member, CIB, noted that many projects have been funded but are not progressing. Some delays have been caused by a lack of rights of way in the communities and other localized issues. The CIB has been working with the individual communities to transcend the impediments, and progress has resulted.

Debbie Romero, designee for member Duffy Rodriguez, CIB, agreed that the standardization of the processes has helped applicants and streamlined the process of training

staff. She added that the checklist created by the board has helped to ensure that projects are ready to go and that the money gets spent. Priscilla C. Lucero, member, CIB, underscored the importance of providing technical assistance to colonias communities that lack the capacity to do it on their own. Because she is familiar with the process and the different programs, Ms. Lucero can help colonias with their applications and make sure their audits and other necessary requirements are in order.

In response to the presentation, the committee addressed the following topics with the panel:

- inadequate access to roads and emergency services;
- usage and potential of recycled shingles for resurfacing roads;
- clarification on the criteria for colonia designation;
- concern over the lack of expenditures for existing projects;
- the impact of greater oversight and changes in processes on expenditures over the last several fiscal years;
- similarities of infrastructure needs in areas throughout the state beyond the 150-mile border mark;
- limitations under the Anti-Donation Clause;
- breakdown of federal funding from several agencies;
- the need to support infrastructure surrounding the various POEs; and
- concern over calls to eliminate the Colonias Infrastructure Project Fund and the CIB.

### **Border Authority Update; Report on POEs and Border Development Projects; Budget Presentation**

William Mattiace, executive director, Border Authority, provided the committee with background on the executive agency. Created in 1991, the agency is charged with overseeing and facilitating projects at the international POEs in the state. New Mexico has three POEs: Santa Teresa; Columbus; and Antelope Wells. He informed the committee that the southbound road has been completed and approved for dual customs clearance at Santa Teresa. Open daily for commercial, noncommercial and pedestrian traffic, Santa Teresa is the newest POE on the U.S./Mexico border. The state-of-the-art facilities were completed in 1997, replacing the original port, which opened in 1992. Providing unique services, Santa Teresa is the only port in the region that processes most types of exported used vehicles destined for resale in Mexico. The port is also host to the largest livestock import/export facility on the Mexican border. Mr. Mattiace explained how the Foxconn facility will operate. A first of its kind, Foxconn is a binational community that is the model of cross-border development incorporating the largest inland port to facilitate economic development by consolidating a new industrial, commercial and residential community at the San Jeronimo-Santa Teresa border crossing. Santa Teresa also has a unique pending hazmat designation. Improvements at the Columbus and Antelope Wells POEs are also in progress through state and federal matching grants. The committee was provided with a handout listing all of the ongoing and recently completed projects at the POEs.

David Espinoza, budget analyst, Border Authority, gave a brief overview of the authority's budget. Most of the current budget is the same as the previous year, with one change: an interagency transfer of funds from the Economic Development Department.

In response to questions from the committee, the following topics were addressed:

- prioritization of POE projects;
- the need to create more tourism around the POEs to encourage economic development for surrounding communities beyond just shipment of cargo;
- operational hours and types of cargo at each location;
- inquiries about the total budget and staffing for the Border Authority;
- a request for the amount of direct foreign investments;
- Mexico's recent moves from internationalization to regionalization for vehicle manufacturing;
- a master border plan to expand infrastructure to support traffic increases;
- staffing levels of various agencies to handle increases in cargo and shipments;
- advancements in technologies to make scanning cargo more efficient and accurate;
- a rail system feasibility study;
- interest from rail companies for partnerships;
- the upcoming binational border conference in September;
- logistics and rates for trucks; and
- the potential for the state collection of tolls.

### **Tour of the St. Clair Winery**

Members of the committee were taken on a tour of the winery. During the tour, members received information on the winery and viticulture in southern New Mexico and were shown the process of winemaking.

### **Luna Rossa Winery**

Members were transported to the Luna Rossa Winery for the afternoon portion of the meeting.

### **Legislative Finance Committee (LFC) Progress Report: New Mexico Water Projects**

Michelle Aubel, program evaluator, LFC, presented to the committee a progress report and an overview of the state's landscape on water projects as a whole, not just those through the NMFA (please see handout for additional details). Overall, water project dollars are slow to be spent, and while funding processes have improved, they still lack a coordinated approach. Since 2002, over \$1 billion has been allocated to improve water infrastructure, but needs are far exceeding that amount. Part of the issue is the lack of a clear estimate for investment needs and a comprehensive list for water needs in New Mexico. These water needs go beyond drinking water to include acequias and wastewater infrastructure. Using the 2017-2022 local infrastructure capital improvement plan (ICIP) as a proxy, the total water-related requests made by local entities, including tribal, county, acequia, town, village or city soil and water conservation

districts and mutual water associations, topped \$3 billion. Local entities are not required to submit an ICIP, so the final tally might be higher. Other considerations might lower the number, such as overestimating project costs due to the lack of a preliminary engineering report that would more accurately portray values.

Ms. Aubel noted that the Water Trust Fund (WTF) is projected to dry up in the next 20 years. The WTF was seeded with \$55 million in 2006, with the intention that it would be the main source for water projects in the state. But like the colonias and tribal infrastructure funds, the WTF is likely to see a decline in funds as severance tax bond revenue continues to face reductions. The LFC recommendation is for the legislature to clarify agency roles, with one agency charged with overseeing all projects. Despite the overwhelming challenge posed by meeting multiple water-related objectives in the face of uncertain funding, a long-term statewide capital outlay master plan to prioritize limited resources across these programs has not been developed, centrally coordinated or managed. The report includes a snapshot of the four different water programs and where they currently stand with projects and fund expenditures. Several projects in the programs are stalled in various stages, demonstrating a lack of planning and resulting in almost 80% of the funds unspent.

Ms. Aubel recognized efforts by the legislature to improve the capital outlay process. The LCS and LFC have been working to compile guidelines for funding local capital projects. At this time, those guidelines are just proposed and have not been adopted. Ms. Russel reiterated that several communities are constrained by limited technical assistance, and she reminded the committee that the NMFA does offer that type of help to communities.

Following the presentation, the committee approved a motion to send a letter to the secretary of environment directing him to notify communities, political subdivisions, county managers and city officials about available technical assistance from community outreach staff in the Department of Environment's Drinking Water Bureau. In addition, members of the committee discussed the findings of the LFC progress report. Some key points addressed were:

- the lack of communication about available programs and funding;
- the lack of debt capacity for communities to take on loans, furthering the length of time to get help with projects and making needs more critical;
- the need for asset management planning for communities around the state;
- an executive order for asset management plans that are required for some programs;
- specific requirements for the various funds and programs under the NMFA; and
- concerns about sweeping of funds to address the state budget deficit.

### **A Report on Viticulture and Economic Development**

Sylvia D'Andrea, co-owner, Luna Rossa Winery, provided the committee with some history of the vineyards in the area. The Luna Rossa Winery grows wine grapes and sells them to wineries in New Mexico, Arizona and Texas. Ms. D'Andrea talked about her family's background and involvement with the business. The winery employs 18 individuals, and its

sister restaurant in Las Cruces has 31 employees. Wines from Luna Rossa have competed in many state and international competitions and have consistently received high awards for all of its varietals. Ms. D'Andrea encouraged the members to support New Mexico winegrowers.

### **Recess**

The first day of the meeting recessed at 3:35 p.m.

### **Tuesday, August 16**

#### **Reconvene and Welcome**

The second day of the NMFA Oversight Committee meeting was reconvened at 10:32 a.m. by Senator Cervantes in the Columbus Community Center Annex in Columbus. Philip Skinner, mayor, Village of Columbus, welcomed the committee and provided some history on the area. The village is excited to have partnered with the federal government to expand the POE and bring more economic opportunity to the community. Mayor Skinner recognized the NMFA and the support from the Colonias Infrastructure Project Fund. Members of the committee and staff introduced themselves.

Senator John Arthur Smith spoke to the committee about some public school capital outlay funding that has helped to fund a new school in the area. Senator Smith explained the partnership with Mexico that allows for students to come across the border for school. He believes educating the youth creates better communities along the border.

#### **Reports on POE Development and Infrastructure Projects**

Silvia Hernandez, regional administrator, U.S. General Services Administration (GSA), whose family is from the area, has been working closely on the Columbus POE project. She lauded the partnership with the federal government, county officials and the City of Deming for moving forward on the project.

Daniel Partida, project manager, GSA, shared a presentation with the committee regarding the expansion of the Columbus POE. First constructed in 1989, the facility sits on a 4.5-acre site. Over the years, it has seen major growth in pedestrian and private vehicle traffic. According to Mr. Partida, more than 450 children walk back and forth over the border to attend school every day. Part of the incentive of the expansion is to move commercial traffic to increase overall safety for pedestrians and alleviate the bottleneck that travelers and border security staff deal with daily. The site has also had issues with flooding, and there are efforts to divert water to nearby ponds.

Mr. Partida explained the plans behind the Columbus POE expansion, using presentation slides illustrating where the crossing points will be built. Local private landowners have both sold and donated land surrounding the area to support the expansion. A permitting process has been completed, and construction on some component of the expansion has begun. The GSA worked with an Albuquerque design firm and is preparing to send out a request for proposals for

the construction phase of the project. Mr. Partida emphasized the importance of contracting with a company that has experience and expertise in dealing with the radiation machines and high-tech equipment necessary at POEs. Mr. Partida hopes the new facility will be in use by March 2019.

The Columbus POE expansion has required coordination with various partners, including Mexico. The GSA has worked closely with Palomas, Mexico, which will be starting a 70-mile port on the Mexican side that will mirror this project. Mr. Partida provided details about the physical plans for the facility and the landscaping around it. An environmentally sustainable plan for the landscape is in the works. Renderings of the project are included in the presentation.

Mario Juarez-Infante, vice president, Wilson & Company, talked to the committee about leveraging federal funds for the Columbus POE expansion. Wilson & Company is working toward the final design stages of the project. It has partnered with the NMFA for funding the water studies in the area. Mr. Juarez-Infante explained the NMFA's role in border infrastructure and an economic, land use and infrastructure (ELI) plan, which is a guided economic development plan for the border area. The ELI plan includes the creation of a tax increment development district (TIDD). TIDDs are special areas created to allow for additional revenue generated by economic activity in the area to be diverted to finance infrastructure.

Mark Valenzuela, vice president, George K. Baum & Company, explained the benefits of a TIDD to the committee. According to him, Columbus has a unique opportunity to expand trade and economic development in the community. Columbus is asking for up to 75% of the state gross receipts tax. Areas such as Las Cruces and the Taos Ski Valley have done this without a tax increase to the community.

Chris Muirhead, shareholder, Modrall Sperling, explained the process of working with Columbus and the outreach to state agencies. Plans for the creation of a TIDD would need to be approved by the legislature during the upcoming legislative session, but it requires full community buy-in to proceed. The next several months will be devoted to educating the local community on the issue.

Following the presentation, the committee had several comments and questions, including:

- clarifications about the property and who will be in charge of maintaining it;
- improving surrounding roads to handle increased traffic and heavy trucks;
- additional infrastructure needs to support the facility expansion;
- possible expansion of the Santa Teresa and Antelope Wells POEs and recent feasibility studies; and
- the potential for job creation and economic development for the area.

**Columbus POE and Tour of the Border Area**

Members of the committee were transported to the Columbus POE. On the way, members were shown the area where the port expansion will occur.

**Adjournment**

There being no further business before the NMFA Oversight Committee, the third meeting of the 2016 interim adjourned at 1:30 p.m.