

**NEW MEXICO STATE TRANSPORTATION COMMISSION
MEETING**

**New Mexico Department of Transportation
General Office, Cabinet Secretary's Conference Room
1120 Cerrillos Road
Santa Fe, New Mexico 87504
August 24, 2017**

The New Mexico State Transportation Commission (STC or Commission) held a special meeting on August 24, 2017, at the New Mexico Department of Transportation, General Office, Cabinet Secretary's Conference Room, Santa Fe, New Mexico. Chairman Schmeits called the meeting to order at 8:00 a.m.

Approval of the STC Special Meeting Agenda

Chairman Schmeits asked for a motion to approve the STC special meeting agenda; Commissioner Mathews made a motion to so approve; Commissioner Mortensen seconded; motion carried unanimously.

Approval of the STC Minutes

Chairman Schmeits asked for a motion to approve the minutes of the regular STC meeting of July 20, 2017; Commissioner Sepich made a motion to so approve; Commissioner Mathews seconded; motion carried unanimously.

State Transportation Commissioners Present:

Kenneth White, Secretary, District One (Via Teleconference)
David Sepich, Commissioner, District Two (Via Teleconference)
Keith Mortensen, Commissioner, District Three (Via Teleconference)
Ron Schmeits, Chairman, District Four (Via Teleconference)
Butch Mathews, Vice-Chairman, District Five (Via Teleconference)

NMDOT Staff Present:

Tom Church, Cabinet Secretary
Anthony Lujan, Deputy Secretary
NMDOT Staff

Opening Remarks

Secretary Church explained the STC special meeting was convened for the purpose of requesting the STC's approval of the NMDOT FY 2019 budget request in advance of the September 1, 2017 statutory submission deadline. The budget is based on NMDOT's revenue projections for the upcoming fiscal year.

Special Meeting Agenda

Staff Briefings

FY 2019 Revenue Forecast and Appropriation Request

Laura Bianchini., Chief Economist, NMDOT, presented the FY 2019 Revenue Forecast. This forecast is one of two annual forecasts of NMDOT revenues. This update increases FY 2018 Road Fund revenue expectations by \$3.6 million from \$402.4 million in January 2017 to \$406 million in July 2017, which represents a 0.9% increase. FY 2019 Road Fund revenues are estimated at \$411 million, which represents 2.1% increase, or \$8.6 million in growth, from the

FY 2018 budget. The increase in revenue is mainly due to slightly improved economic conditions and recovery in the State of New Mexico. Overall Road Fund growth is expected to be flat, around 1.6% in FY 2018, and approximately 1% in subsequent years. NMDOT state funds are forecast at \$456 million for FY 2019, which represents an increase of 2.2%, or \$10 million, from NMDOT's FY 2018 budget.

Mike Friel, Accounting Services Director/Chief Financial Officer, NMDOT, stated that it is important to note that the NMDOT Revenue Forecast does not show any increases for FY 2020 and FY 2021; accordingly, growth for those years is also projected to be flat.

Mallery Martinez, Budget Director, NMDOT, presented the FY 2019 appropriation ("budget") request. Ms. Martinez reported that NMDOT will be requesting a total of \$861.4 million, a \$15 million reduction from the approved FY 2018 operating budget. The request includes \$416 million from State Road Fund revenues, \$39.7 million from restricted fund revenues, \$1.5 million from other state agencies, \$3 million from State Road Fund balances, and \$401.3 million from federal sources. The request represents a \$9.1 million decrease to the Project Design and Construction Program; a \$6 million decrease to the Highway Operations Program (including Districts); no change to the Business Support Program; and a \$.1 million increase to the Modal Program, which includes Aviation, Transit and Rail, and Traffic Safety. Major differences between FY 2018 and FY 2019 budget include a reduction of \$25 million from State Road Fund balances; a \$10.2 million revenue increase in the State Road Fund; a decrease of \$0.2 million in federal revenue; and an increase of three full time employees (FTE), who will be transferred from the Department of Public Safety to NMDOT for the Ports of Entry initiative.

The total budget request for Project Design and Construction, which includes the federal program, is \$527 million, a \$9.1 million, or 2% decrease from the FY 2018 approved operating levels. The budget is comprised of \$129.2 million from State Road Fund revenues, \$31.9 million from restricted fund revenues, and \$366 million from federal sources. Key features include (1) an 11% vacancy rate (one FTE moved to Business Support); (2) \$310.2 million for Road Betterments, including \$62.2 million from State Road Fund and \$248 million from the Federal Highway Administration; (3) \$158.5 million for debt service, including \$109.8 million from federal participation, \$40.3 million from State Road Fund, and \$8.4 million from the Highway Infrastructure Fund; and (4) \$23.4 million for the Local Governments Road Fund, a \$790 thousand increase from last fiscal year.

The Commissioners and NMDOT Staff discussed current NMDOT program vacancy rates. Secretary Church reported regarding the human resources (HR) issues that have been occurring for approximately the last six months as a result of the state government plan to centralize or consolidate all HR functions. As an executive agency, NMDOT supports the initiative; however, it is creating some complications. For example, NMDOT currently has an approximately 55% vacancy rate in its HR office, and remaining HR employees have been instructed to report to the State Personnel Office (SPO) for work, beginning today. It will likely take another six months to get through the transition process and will be difficult for NMDOT to keep a HR work force in place. NMDOT is cooperating, but is subject to Highway Reorganization Act provisions; consequently, all Road Fund monies must be expended on road operations. Therefore, in order for NMDOT to pay for a work force of 50 - 60 employees at SPO, those employees must devote 100% of their time to NMDOT to ensure compliance with

State Road Fund requirements. NMDOT is currently working through these issues. Updates regarding developments will be provided to the STC as the process progresses.

The Commissioners and NMDOT Staff also discussed issues regarding competitive salaries for engineers and the comparative salary studies that are currently being done in effort to address the issue.

The total budget request for Highway Operations is \$227.8 million, a \$6 million decrease from FY 2018. The budget is comprised of \$224.8 million from State Road Fund revenues and \$3 million from federal sources. Key features include (1) a 9% vacancy rate; (2) \$81.5 million for Road Betterments, including \$43.7 million for Contract Maintenance and \$37.8 million for Field Supplies; and (3) \$0.3 million to the Department of Information Technology (DoIT) for radio communication charges, which amounts to a 15% increase from FY 2018 rates.

The total budget request for Business Support is \$42.2 million, no change from the FY 2018 approved operating budget. Key features include (1) a 10% vacancy rate (one FTE moved from Project Design and Construction to Business Support); and (2) payment of all NMDOT 'agency-wide' costs, including General Services Department (GSD) charges in the amount of \$6.9 million (a \$0.6 million increase from FY 2018), DoIT charges in the amount of \$3.3 million (excluding radio charges), audit services and financial statements in the amount of \$0.3 million. Agency-wide costs for GSD, DoIT and audit services total \$10.9 million, or 25.3% of all Business Support costs.

The total budget request for Modal is \$64.5 million, a \$0.1 million increase from FY 2018. The budget is comprised of \$19.9 million from State Road Fund revenue, \$7.8 million from restricted fund revenue, \$1.5 million in transfers from other state agencies, \$3 million from State Road Fund balance, and \$32.4 million from federal revenues. Key features include (1) a

10% vacancy rate (three FTE are to be transferred from the Department of Public Safety to NMDOT for the Ports of Entry initiative); (2) \$33.1 million for Transit and Rail; (3) \$5.6 million for Aviation; and (4) \$25.5 million for Traffic Safety, which includes \$15.7 million in federal funds from NHTSA, \$4.2 million for Ports of Entry, and \$5.8 million for other traffic safety programs.

The Ports of Entry budget consists of \$1 million for personal services and employee benefits for 20 FTEs, \$2.2 million for contractual services for temporary or contract employees and the “Promiles” software license, and \$1 million for building maintenance and repairs.

Chairman Schmeits inquired about additional revenues to cover Ports of Entry costs. Secretary Church explained that some funds come from truck related taxes and permit fees. Of the \$4.2 million Ports of Entry budget, \$1 million is contributed by the State Road Fund, and the approximately \$3.2 million balance comes from the Weight Distance Permit Fund administered by the Tax and Revenue Department. The total amount of that fund is approximately \$8 million. NMDOT has been trying to work toward collecting additional monies from that fund.

Action Items

Approval of FY 2019 NMDOT Appropriation Request

Chairman Schmeits asked for a motion to approve NMDOT’s FY 2019 Appropriation Request and to allow NMDOT to submit the request to the State Budget Division and the Legislative Finance Committee on September 1, 2017; Commissioner Sepich made a motion to so approve; Commissioner White seconded; motion carried unanimously.

Commissioner Comments

Chairman Schmeits thanked Commissioner Matthews and all NMDOT staff members who attended Commissioner Jackson Gibson’s funeral services. He commented that NMDOT was very well represented.

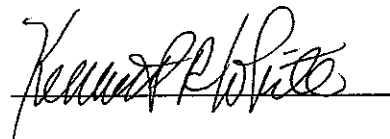
Commissioner Mathews stated that Commissioner Gibson was very well respected and his passing is a great loss for NMDOT and the STC. He also expressed his appreciation to all who took the time to attend the funeral services.

Adjournment

Chairman Schmeits asked for a motion to adjourn the special meeting at 8:50 a.m.; Commissioner Mortensen made a motion to so adjourn; Commissioner Mathews seconded; motion carried unanimously.



Chairman
Ronald Schmeits



Secretary
Kenneth R. White

