PRIORITY RATING SYSTEM FOR POINT SOURCE AND NON-POINT SOURCE PROJECTS

INTENT OF THE INTEGRATED PROJECTS PRIORITY RATING SYSTEM

It is the intent of the Integrated Projects Priority Rating System for the Clean Water State Revolving Fund (CWSRF) to evaluate and rank projects that will mitigate point source discharges, such as discharges from wastewater treatment facilities ("WWTF"), and non-point source impacts to both surface and groundwater. In addition to evaluating project merits that will improve and protect water quality, the system will also evaluate each applicant's level of financial need, local commitment to promoting sustainable utilities, and readiness to proceed with design and construction once funds have been committed.

The priority system that was previously used to evaluate projects proposed to be funded by the CWSRF did not include metrics that identified the financial capability of CWSRF applicants and could not sufficiently target funds toward the communities demonstrating the greatest level of financial need. In order to better enable the CWSRF program to ensure that committed funds are expended in a timely and expeditious manner, new criteria were developed to measure how close projects are to moving forward with construction. While the revised system is still primarily driven by water quality improvement, it has been streamlined and simplified for greater ease of use. The revised priority rating system is now comprised of the following scoring categories:

WATER QUALITY IMPROVEMENT

This section is comprised of two factors to evaluate how well projects address water quality impairments and the protection of public health. Projects may receive up to 150 points under either the groundwater quality or surface water quality improvement factor, which are further detailed below. For those systems that have both an NPDES permit as well as a Groundwater Discharge permit, the NMED will award points to the project for either groundwater or surface water quality, but not for both. Points will be awarded to the category that will yield the highest ranking.

GROUNDWATER QUALITY IMPROVEMENT FACTOR **150 POINTS POSSIBLE**

The Groundwater Quality Improvement Factor assesses each project on how well it will protect or correct impairments to groundwater resources, threats to public health, and the protection of water supply sources to be used for domestic supply and irrigation purposes. Projects that correct sewage discharges polluting either surface or groundwater include: the replacement of individual residential septic tanks or leachfield systems, solids handling issues, and collection system improvements that address inflow and infiltration problems. This factor also evaluates water quality standards within specific aquifer areas, as well as assesses the impacts to groundwater quality from point source and non-point source discharges. NMED will assign points for groundwater quality improvement as follows:

Project addresses an exceedance of one or more Human Health based ground water quality standards in an aquifer area that is: • Currently being used as a public or domestic water supply • Currently being used as an irrigation water supply • Likely to be used as a public, domestic or irrigation water supply in the foreseeable future Project does not address a ground water quality problem	75 points 50 points 25 points 0 points
Project corrects Individual Sewage Disposal Systems or sewage discharge shown to be polluting either surface or groundwater and addresses a public health emergency and/or a confirmed repeated contamination of a supply source by E. coli, fecal coliform, or nitrate above established standards.	50 points
Project addresses both the protection of surface water and groundwater resources.	25 points

SURFACE WATER QUALITY IMPROVEMENT FACTOR 150 POINTS POSSIBLE

The Surface Water Quality Improvement Factor evaluates how well a project addresses impairments to surface waters from both point source and non-point source pollution. The NMED will assess whether the project addresses exceedances in water quality standards and protects the designated uses of lakes, rivers, streams and other impoundments. Because the integration of both traditional and green infrastructure applications to address water quality impairments from stormwater run-off has been shown to be the most effective, projects will also be evaluated on the use of traditional and non-structural stormwater applications. These stormwater best management practices encompass green infrastructure approaches, as well as those that address sediment or contaminant transport reduction, through both soft path and hard path solutions. Points for surface water quality improvement will be awarded as follows:

Project directly implements an approved or draft TMDL.	50 points
Project directly addresses a water quality impairment identified in the 303(d) list or an NPDES effluent limit for which the facility has been shown to have the potential to exceed water quality standards.	50 points
Project enhances protection of one or more of the following designated beneficial uses of NM surface waters • Aquatic Life • Water Supply • Recreation • Religious and/or Ceremonial Purposes	25 points for one or more

Project incorporates one or more of the following: • Structural and/or non-structural stormwater BMPs • Water quality monitoring protocols designed to improve stormwater management • Inclusion of a non-point source project sponsorship component and/or addresses both protection of surface water and groundwater resources	25 points for one or more

PERMIT COMPLIANCE

The Permit Compliance category of the priority rating system is comprised of two sections: groundwater or surface water compliance. Projects will be awarded points based on whether or not they will address permit violations, enforcement actions, or voluntary actions to maintain permit compliance or to meet new permit requirements for effluent limitations. It is a priority of the CWSRF program to ensure that all permitted wastewater facilities are in compliance. Therefore, the highest point awards will be given to those facilities that are under an enforcement action or compliance order. Projects may only receive points for permit compliance in one category. The NMED will award points to either groundwater or surface water permit compliance based on whichever will yield the highest award. Points for permit compliance will be awarded as follows:

GROUNDWATER PERMIT COMPLIANCE **50 POINTS POSSIBLE**

Project addresses on-going violations of a ground water Discharge Permit or the WQCC Regulations for which NMED has issued a: • Administrative Compliance Order • Notice of Violation • Notice of Non-compliance • Project is undertaken voluntarily by entity, but will result in greater ground water protection • Project does not address compliance issue	 50 points 30 points 20 points 15 points 0 points

SURFACE WATER PERMIT COMPLIANCE **50 POINTS POSSIBLE**

Project addresses an enforcement action by a regulatory agency and the facility is currently in significant non-compliance.	50 points
Project addresses a facility's voluntary efforts to resolve a possible violation and will mitigate the issuance of a Consent Order, Notice of Violation, or other enforcement action.	30 points
Project is designed to maintain permit compliance, meet new permit effluent limits, or provide a degree of treatment beyond permit requirements.	15 points
Project does not address compliance issue.	0 points

FINANCIAL/AFFORDABILITY

NMED is introducing these new criteria to better target CWSRF assistance to eligible applicants demonstrating the greatest financial need. This section is comprised of five separate criteria that include the Per Capita Income (PCI) of the service area as a percentage of the Statewide PCI. While affordability is traditionally measured by looking at Median Household Income, analysis of the economic data that is currently available for the incorporated cities, towns, and villages in New Mexico has shown that using PCI data yields a more reliable result. Only 9% of the incorporated places demonstrated a PCI with a margin of error greater than 33%, as opposed to 26% using Median Household Income data, which was largely unavailable for many New Mexico communities. NMED will use the County PCI data in cases where data for the service area is either not available or the margin of error exceeds 33%.

NMED will assess affordability for the project and the applicant's ability to undertake the loan by determining the existing household sewer utility rates as a percentage of the service area's PCI as well as what type of rate structure the applicant currently employs. The affordability benchmarks for allocating points are based on analysis of the New Mexico 2012 Utility Rate Survey and PCI data from the U.S. Census Bureau. Rate structures that encourage or promote water conservation efforts will yield the highest number of points. Points for the Financial/Affordability section will be awarded as follows:

FINANCIAL/AFFORDABILITY	**100 POINTS POSSIBLE**
Per Capita Income (PCI) of service area • <60% of State PCI • PCI <80% but >60% of State PCI • PCI >80% but <95% of State PCI • PCI>95% of State PCI	 30 points 15 points 5 points 0 points
User Fees (household sewer rates/area PCI) • Rates are more than 2.82% of the service area's PCI • Rates are between 1.82% and 2.82% of the service area's PCI • Rates are less than 1.82% of the service area's PCI	 25 points 15 points 5 points
Rate Structure • Block rates that increase over time by an ordinance currently in place • Block Rates • (FR) Flat Rate – Unlimited Use	 25 points 15 points 0 points
Population Served • <2,000 • Between 2,000 and 10,000 • Between 10,000 and 50,000 • Over 50,000	 20 points 10 points 5 points 0 points

SUSTAINABILITY

Sustainable wastewater infrastructure is critical to providing the public with clean and safe water. It is important to factor how projects may influence more sustainable communities and the cost-effectiveness of infrastructure investments as well as their efficient operation and management over time. Facilities should employ effective utility management practices to build and maintain the technical, financial, and managerial capacity necessary to ensure the long-term sustainability of wastewater infrastructure assets. The following criteria were developed to capture the merits of project planning methodologies that address best practices in utility management, development of sustainable communities, and protection of both point source and non-point source infrastructure investments.

Physical regionalization or consolidation does not include practices such as the sharing of employees or other services and points will only be awarded for those projects that are actually combining two or more existing systems into a single legal entity.

The use of full cost pricing will be determined through examination of the applicant's Operating Ratio. Applicants with an Operating Ratio that is greater than 100% will be considered to be utilizing a full-cost pricing model.

Points for sustainability will be awarded as follows:

SUSTAINABILITY	**75 POINTS POSSIBLE**
• Physical Regionalization & Consolidation	20 points
• Utility Management Plan that: (5 pts each) o Secures a replacement fund for the rehabilitation and replacement of aging and deteriorating infrastructure as needed o Provides sufficient revenue to meet O&M and capital needs o Demonstrates that the facility has maintained Licensed/Certified Operators and will continue to do so o Demonstrates adequate in-house staffing, long-term management contracts, or partnerships with third-party providers are in place to properly operate and maintain the facility	20 points (max)
• Promoting sustainable utilities and/or communities through: (5 pts each) o Fix-it-First o Capital Improvement Plan o Full-cost pricing structure that budgets for infrastructure repair and replacement costs o Establishment of a watershed service funding structure o Water efficiency, reuse and conservation	25 points (max)
• Mechanisms to protect infrastructure investments to ensure longevity and ongoing functionality of nonpoint source BMPs.	10 points

READINESS TO PROCEED

An important goal of the CWSRF program is to ensure the timely and expeditious use of funds. In order to achieve this goal, NMED has introduced a series of indicators that provide a reasonable measurement of how close an eligible applicant may be to starting the project. The more Readiness to Proceed indicators that have been completed, the more points will be awarded. Points for Readiness to Proceed will be awarded as follows:

READINESS TO PROCEED	**100 POINTS POSSIBLE**
A Preliminary Engineering Report, Feasibility Study, or Technical Design Memo has been submitted to CPB and the appropriate NMED regulatory Bureau. • Preliminary Engineering Report, Feasibility Study, or Technical Design Memo has been reviewed by the appropriate regulatory Bureau and approved by CPB.	20 points 45 points
AND Environmental Information document has been submitted to CPB or Categorical Exclusion paperwork has been submitted to CPB to support a Cat Ex eligible project.	65 points
AND Technical plans and specifications have been submitted to CPB and the appropriate NMED regulatory Bureau. • Technical plans and specifications have been reviewed by the appropriate regulatory Bureau and approved by CPB.	80 points 100 points

BONUS CATEGORY – GREEN PROJECT RESERVE

There will be 25 bonus points available to any project that incorporates one or more of the following components deemed eligible under the EPA's definition of Green Project Reserve (GPR):

- Green Infrastructure (GI): GI includes a wide array of practices that manage and treat stormwater and maintain and restore natural hydrologic regimes by infiltration, evapotranspiration, and the capture and use of stormwater. Eligible projects may include, but are not limited to, riparian restoration, constructed wetlands and floodplains, bioretention, water harvesting and reuse programs, and other practices that mimic natural hydrology and reduce impervious surfaces.

- Water Efficiency (WE): Use of improved technologies and practices to deliver equal or better services with less water. Projects eligible may include, but are not limited to, collection system leak detection equipment, installation of systems to recycle gray water, water reclamation, recycling and reuse, and efficient landscape or irrigation equipment.

- Environmentally Innovative (EI): Projects that demonstrate new and/or improved approaches to manage water resources, achieve pollution prevention or pollutant removal with reduced costs. Eligible projects may include, but are not limited to, decentralized wastewater treatment solutions to existing deficient or failing on-site systems, water reuse projects that reduce energy consumption, recharge aquifers, or reduce water withdrawals

and treatment costs, use of integrated water resources management approaches, and projects that use water budgets at the project, local, or state level that preserve site, local or regional hydrology.

- Energy Efficiency (EE): Use of improved technologies and practices to reduce the energy consumption of water quality projects, including projects to produce clean energy used by a treatment works. Eligible projects may include, but are not limited to, energy efficient retrofits and upgrades to pumps and treatment processes, leak detection equipment for treatment works, and producing clean power with wind, solar, microhydro, geothermal, or biogas combined heat and power.

Projects may be considered categorically eligible for the GPR with no business case required.