



STATE OF NEW MEXICO
DRINKING WATER STATE REVOLVING FUND
STATE FISCAL YEAR 2021

July 1, 2020 – June 30, 2021

INTENDED USE PLAN

This plan documents how the State of New Mexico intends to use the funds provided by the Drinking Water State Revolving Fund Capitalization Grants in order to ensure that its citizens and guests are provided safe, clean drinking water.

SUBMITTED TO EPA REGION 6: JUNE 1, 2020
ACCEPTED BY EPA REGION 6: TBD



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EXECUTIVE SUMMARY

The state of New Mexico is required by Section 40 CFR 35.3555 to prepare an annual Intended Use Plan (IUP) describing to the public how it intends to use the federal grant funds to support the overall goals of the Safe Drinking Water Act (SDWA), including short and long-term goals for the Drinking Water State Revolving Loan Fund (DWSRLF) program funded by EPA Capitalization Grants. Federal guidelines require each state to seek meaningful public review and comment during the development of the IUP. Following public comment, the IUP is submitted to the Environmental Protection Agency (EPA) for approval. The State of New Mexico will apply for the FFY 2020 Capitalization Grant including the draft IUP. A revision will be submitted to the EPA for approval after the public comment period, prior to the award. New Mexico is requesting a July 1, 2020 award date for this application.

The New Mexico Environment Department Drinking Water Bureau (DWB) and the New Mexico Finance Authority (NMFA) work together to provide assistance and funding to communities throughout New Mexico, and plan to build on past accomplishments in order to achieve the goals outlined in this SFY 2021 IUP.

The State publishes an annual Fundable and Comprehensive Project Priority List in the IUP (Appendix A) and publishes fall and spring update to reflect additional projects. To become eligible for a DWSRLF loan, a system submits a project interest form (PIF) to the DWB, and must have managerial, financial and technical capacity in order to be put on the Fundable List. The DWB maintains a multi-year Comprehensive List which ranks each project using specific criteria and ensures that the projects with the greatest need will be offered DWSRLF assistance first.

In SFY 2021, the DWB will continue to focus on promoting the public health aspects of the SDWA, participate in the 2020 Drinking Water Infrastructure Needs Survey and Assessment and provide capacity assistance to those communities most in need. The NMFA will continue to ensure that loan funds move expeditiously and responsibly. Both agencies will continue to review and improve standard operating procedures in order to improve the processes of lending the DWSRF to the State of New Mexico.

I. INTRODUCTION

A. The New Mexico Drinking Water State Revolving Loan Fund

The Federal Safe Drinking Water Act (SDWA) Amendment of 1996 authorized the Drinking Water State Revolving Fund (DWSRF) in order to help states manage and protect their drinking water systems, and thereby protect public health. The DWSRF aids communities and non-profit non-community public water systems (PWSs) in financing the cost of repair, replacement, maintenance, and compliance of their drinking water infrastructure systems.

Pursuant to the 1996 SDWA Amendment, the State established the DWSRLF in 1997 with the passage of the Drinking Water State Revolving Loan Fund Act (the Act). Under the Act, the NMFA serves as the State's grantee for Capitalization Grants allotted to the State, and it administers the DWSRLF which consists of the annual Capitalization Grant from the EPA, and the 20% State Match required by the SDWA. The amount of annual the Capitalization Grant is determined by Congress and administered by the EPA. The SDWA allows each state the discretion to utilize up to 31% of each annual DWSRF Capitalization Grant to fund four different Set-Aside categories, with the remainder of the Capitalization Grant directed to the state's loan funds:

1. Administration and Technical Assistance (up to 4%);
2. Small System Technical Assistance (up to 2%);
3. State Program Management (up to 10%); and
4. Local Assistance and Other State Programs (up to 15%).

The NMFA, as grantee, is responsible for the administration of DWSRLF financing and related functions funded by the Administration and Technical Assistance Set-Aside of the Capitalization Grant. The DWB, as the State's primacy agency, is responsible for the oversight and implementation of the Small Systems Technical Assistance, State Program Management, and Local Assistance and Other State Programs Set-Asides.

Each state fiscal year New Mexico prepares an IUP to describe how it plans to use the DWSRF to meet the objectives of the SDWA and the New Mexico DWSRLF Act. This IUP is the central component of the State's FFY 2020 Capitalization Grant application to the EPA; it communicates the plans to stakeholders and covers the time period of July 1, 2020 through June 30, 2021¹. This document describes the short and long term goals of the program, the priority setting process used to rank projects on the Fundable Priority List, and describes how the state will use the set-asides to support the program.

¹ Capitalization Grants are issued with a goal of being fully spent within two years from the date of award; the Intended Use Plan is developed based on the State Fiscal year (July 1-June 30) and describes how DWSRF funds will be spent in the given SFY and address unspent funds from previous years' Capitalization Grants.

To date, the State has received approximately \$220. million in Capitalization Grants, including ARRA funds, and has provided the 20% State Match totaling approximately \$43.2 million (ARRA did not require a State Match). All State Matches plus an average 69% of each Federal Capitalization Grant, now totaling approximately \$193.9 million, have been directed to the DWSRLF. Additionally, the NMFA has entered into loan agreements for approximately \$216.2 million with approximately \$66.8 million (30.1%) loaned to small PWSs that serve a population of 10,000 or fewer and \$72.1 million (33.36%) to Disadvantaged PWSs as defined in Section IV, part E. Overall, the DWSRLF and associated Set-asides are vital to the goal of providing safe drinking water to all citizens of the State.

B. What’s New This State Fiscal Year?

New this state fiscal year is the participation in the water infrasturcure needs survey, the development of web based training moduals and the continued implementation of the new financial policies.

Participation in the 2020 Drinking Water Infrastructure Needs Survey and Assessment

The State of New Mexico will fully participate in the 2020 Drinking Water Infrastructure Needs Survey and Assessment (DWINSA). This survey is a 20 year forecast of capital cost for needed water system infrastructure construction, rehabilitation and replacement. The results of this important survey are compiled and presented to Congress to allocate as a percentage the DWSRF Capitalization Grants to states based on demonstrated need. New Mexico currently receives 1% of the available DWSRF dollars annually and by participating has the opportunity to increase this allocation.

This work has the potential to increase operational funding for the Public Water Systems Supervision and Sustainable Water Infrastructure Groups. The 2020 DWINSA will include Lead Service Line Replacement cost, Operator Workforce information and Supplemental question for American Iron and Steel.

Develop Web-Based Board and Operator Training Moduals

DWB will collaborate with our partners to develop and offer free on-line training courses for water and operators and board members.

New loan policies

The State of New Mexico implimented three changes to the structure of the Drinking Water State Revolving Loan Fund in June of 2019. The changes were to update the Disadvantaged Community Program and affordability criteria; to update the subsidy and terms based on changes contained in the American Water Infrastructure Act, and to utilize previously banked funds to support set aside activities in New Mexico.

Disadvantaged Community Program and American Water Infrastructure Act (AWIA)

The implemented changes include:

<u>Affordability</u>	<u>Previous</u>	<u>Implimented</u>
Disadvantaged Status	Two levels	Unchanged
Affordability Criteria	Avg Annual User Charge ÷ MHI	MHI only

MHI for Severely Disadvantaged Status	No more than 90%	Less than 80%
MHI for Disadvantaged Status	No more than 90%	Between 80% and 100%

Disadvantaged Community Assistance Program	Previous	Implimented
Principal Forgiveness: Disadvantaged	50%	50%
Principal Forgiveness: Severely Disadvantaged	75%	75%
Disadvantaged Entity Interest Rate	0%	0%
Amount of Loan at Disadvantaged Interest Rate	Up to \$600,000	Up to \$1 million
Public, Non-Disadvantaged Interest Rate	2%	1%
Loan Terms, Severely Disadvantaged	Up to 30 years	Up to 30 years
Loan Terms for all other applicants	Up to 20 years	Up to 30 years

Please see disadvantaged entities and subsidy sections for more details (Section IV. B and C).

II. STRUCTURE OF NEW MEXICO’S DWSRLF

New Mexico’s DWSRLF consists of two components that are used to accomplish its goals; the DWSRLF loan program and the Set-asides.

A. Funding of Capital Planning, Design and Construction Projects

The NMFA has established low interest rates for the DWSRLF program to promote a low-cost viable source of funding to address drinking water projects in the State. In February 2020, NMFA fully spent down the FFY 2018 (FS21) grant, and began spending the FFY 2019 (FS22) grant. For SFY 2021, the source of funds include the FFY 2019 and 2020 (FS23) capitalization grants, any transfers from the set-asides to the loan fund, and repaid principal and interest payments, known as Tier II revolving funds.

The NMFA will provide loans with interest rates ranging from 0% to 4%, depending on a PWS’s ownership and Median Household Income. If a PWS is publicly owned, then it is eligible to receive a DWSRLF loan at 0% or 1% (lowered from 2%). The NMFA uses available subsidy from the Capitalization Grant to assist entities that are Disadvantaged or Severely Disadvantaged (see Section IV, Part E) that could not otherwise afford DWSRLF loans, and to provide incentive to undertake projects that meet other EPA priority goals.

B. Set-Asides

Set-asides will be used to provide additional support for New Mexico’s core drinking water programs that include PWS Supervision, Community Services, Technical Services, Engineering Services, Utility Operator Certification, Source Water Protection, and to assist PWSs in developing sustainable practices for the future. The set-asides help PWSs plan for future development by building capacity, achieving and maintaining compliance with the SDWA and state regulations, and building better water-systems management tools. Here is a summary of how New Mexico intends to use each set-aside:

- **Administration** set-aside will be used to support the operation and management of the DWSRLF and is used solely by NMFA.

- **Small Systems Technical Assistance** set-aside will be used to assist small systems serving fewer than 10,000 people, primarily those that require assistance in returning to compliance with regulations.
- **State Program Management** set-aside will be used to support the Public Water System Supervision (PWSS) program, administrative requirements, participation in the 2020 Drinking Water Infrastructure Needs Survey and Assessment, and the administration of the Certified Utility Operators Program in NM.
- **Local Assistance and Other State Programs** set-aside will be used to provide assistance and training directly to PWSs for technical, managerial and financial capacity development, surface water treatment plant optimization, water loss program development, engineering reviews, operator and board member training, and source water protection activities.

The DWSRF program allows for the reservation or banking of set-asides except for the Local Assistance and Other State Programs category. New Mexico will not bank any funds from the FFY 2020 Capitalization Grant.

III. GOALS OF NEW MEXICO'S DWSRLF PROGRAM

The State of New Mexico is committed to providing safe, clean drinking water to all of its citizens and visitors. New Mexico's DWSRLF program was developed in order to meet the needs of the local PWSs, by implementing long and short terms goals. This framework guides the decision-making in NM's DWSRLF program and is presented below.

New Mexico's DWSRLF and set-aside work plan contribute to achieving EPA's Strategic Goal 2, sub-objective 2.1 – Protect Public Health. EPA's strategic measure for this goal is for ninety-two (92) percent of community water systems to provide drinking water that meets all applicable health-based drinking water standards through approaches which include effective drinking water treatment, and source water protection. New Mexico's DWSRLF program provides funding to help achieve this federal performance standard.

A. DWB Long Term Goals:

1. DWB will regulate and assist PWSs in New Mexico to provide safe, clean, affordable drinking water to the citizens and visitors of New Mexico. The DWB will support PWSs using the set-aside funds to maximize SDWA compliance, promote public health protection, affordable drinking water, PWSs' sustainability, and PWSs' capacity with a focus on PWSs serving populations of 10,000 or fewer and particular emphasis on those serving 3,300 or fewer.
2. DWB provides classroom training and individual assistance to PWS board members and operators through internal staff and contractors and would like to expand to web-based training options for water systems in remote areas of the state. This training serves to increase the technical, managerial, and financial (TMF) capacity of the PWS, preparing them to handle the demands of operating a new and more efficient water system, as well as planning to protect quantity and quality of source water, and assistance to meet funding requirements for capital improvements.

3. DWB and its partners work with community PWSs throughout the State to encourage and assist systems to have a rate structure in place which supports normal operation, maintenance, emergency replacements, and planned infrastructure replacement costs. DWB will collaborate with other agencies and assist PWSs in need of funding for infrastructure improvements with funding requirements, building the capacity to manage the new infrastructure project, becoming ready to proceed to construction, and gaining the debt capacity to be fundable for a project.
4. DWB will collaborate with organizations, agencies, and individuals to develop sustainable supplies of healthy drinking water for the PWSs of the State through Source Water Protection Program (SWPP) planning activities.
5. DWB will continue working with the Department of Health to maintain a long-term project to provide ongoing education and assistance on lead contamination in drinking water for schools and daycare facilities.

B. DWB Short Term Goals

1. DWB will provide targeted assistance through the Capacity Development Program to systems that are on the DWSRLF Comprehensive Priority List but are unable to qualify for the Fundable Priority List because of capacity deficiencies. DWB will always target systems that are out of compliance for assistance and training.
2. DWB will propose a new timeline for routine reimbursement invoices that can be met by DWB and the NMED financial team. The current procedure of submitting within 30 calendar days following the end of each quarter, has not been accomplished by DWB in a number of years and procedures that can be accomplished will be developed for review.
3. DWB will continue work in SFY21 to improve the overall board and operator training programs by developing and implementing training curriculum, supporting web-based training opportunities, standardizing the approval processes for educational credits and training classes and provide Board Training Credit Reports to water systems.
4. DWB will work in SFY21 to review the Priority Ranking Criteria to give additional points for systems that engage in emergency planning for drought resiliency, mitigation, and adaptation strategies.

C. DWB/NMFA Collaborative Long Term Goals

1. In accordance with EPA timelines, NMFA and DWB will strive to complete 100% of all reports accurately and timely, maintain efficient administrative functions, and find innovative ways to utilize the DWSRLF to its full potential.
2. NMFA and DWB will submit the Intended Use Plan, Capitalization Grant application, Fundable Priority Lists, and Annual Report to EPA within the established deadlines
3. DWB and NMFA will review and update the Memorandum of Understanding (MOU) and clarify roles and responsibilities to ensure efficient program implementation and collaboration

D. DWB/NMFA Collaborative Short Term Goals

1. NMFA and DWB will work to identify ways to process quarterly invoices using FIFO, or *first in first out* billing methods.
2. DWB and NMFA will provide an opportunity for public participation by posting this IUP for public comment on the NMFA and DWB websites from May 29, 2020 through June 29, 2020 and will accept comments throughout this period.
3. DWB and NMFA will complete and submit the SFY 2021 Annual Report by September 30, 2020.
4. DWB and NMFA will ensure supplemental conditions are up to date with the annual appropriation guidance.
5. DWB and NMFA will engage in strategic planning to collaboratively develop goals and priorities for DWSRLF that meet the environmental needs of the State of New Mexico.

E. NMFA Long Term Goals

1. NMFA will monitor its loans to mitigate any loan defaults.
2. NMFA will work with loan recipient to complete construction within two years of closing the loan.
3. NMFA will ensure the DWSRLF will be a perpetual funding source with fiscal integrity to support PWSs in the State as shown by the cash flow model.

F. NMFA Short Term Goals

1. NMFA will provide at least 20% of all loans (contingent on Fundable Priority List) in SFY 2021 from the FFY 2019 Capitalization Grant as low-cost loans to PWSs in Disadvantaged Communities and 20% to small PWSs for eligible projects, as allowed by the SDWA.
2. NMFA will execute a minimum of four binding commitments during SFY 2021, contingent on the Fundable Priority List.
3. NMFA will close loans on a minimum of four binding commitments during SFY 2021, contingent on the Fundable Priority List.
4. NMFA will approve drawdowns for a minimum of \$8.5 million on planning, design, and construction projects during SFY 2021.
5. NMFA will approve requisitions from loan entities within 10 calendar days of complete submission to both NMED Construction Programs Bureau and NMFA.
6. NMFA will allocate the loan portion of the 2020 Federal Capitalization Grant of \$7,597,590 and State Match of \$2,202,200 for a combined loan fund allocation of \$9,799,790 contingent on the Fundable Priority List.
7. NMFA will ensure that all appropriate federal requirements are addressed in each loan agreement (ex: Suspension and Debarment, American Iron and Steel, Davis Bacon, etc.).
8. NMFA will continue to keep the EPA current on the status of its audit findings, including during the SFY Annual Program Evaluation Review.

9. NMFA will review the Operating Agreement with the EPA, dependent on the MOU with NMED DWB.
10. NMFA will enter into binding commitments with entities equal to 120% of the Capitalization grant (equivalent of the federal and state funds in the Capitalization Grant) in SFY 2020, as contingent on the Fundable Priority List.
11. NMFA will report on the following: Federal Funding Accountability and Transparency Act (Sub award reporting system “FFATA”), Projects & Benefits Reporting (PBR), fund utilization rate (FUR), Single Audit Report, Federal Financial Reports, Drinking Water National Information Management System (DWNIMS) and Minority Business Enterprise/Women’s Business Enterprise (MBE/WBE).

IV. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The NMFA has been able to maximize the annual Capitalization Grant in order to support PWSs while ensuring the longevity and soundness of the revolving loan fund. In SFY 2021, New Mexico will utilize 31% of the Federal Capitalization Grant award available from the set-asides (see section VI. Set-aside Activities). The remaining 69% for SFY 2021, and the full 20% State Match will equal \$9.8 million.

The State will provide 14% of mandatory capitalization grant subsidy, plus up to an additional 35% for disadvantaged systems of the 2020 Capitalization Grant as subsidy (see Section C. Subsidy). NMFA receives over \$7 million each fiscal year in loan and interest repayments, and we anticipate the balance in Tier II funds will be roughly \$65 million in SFY 2021.

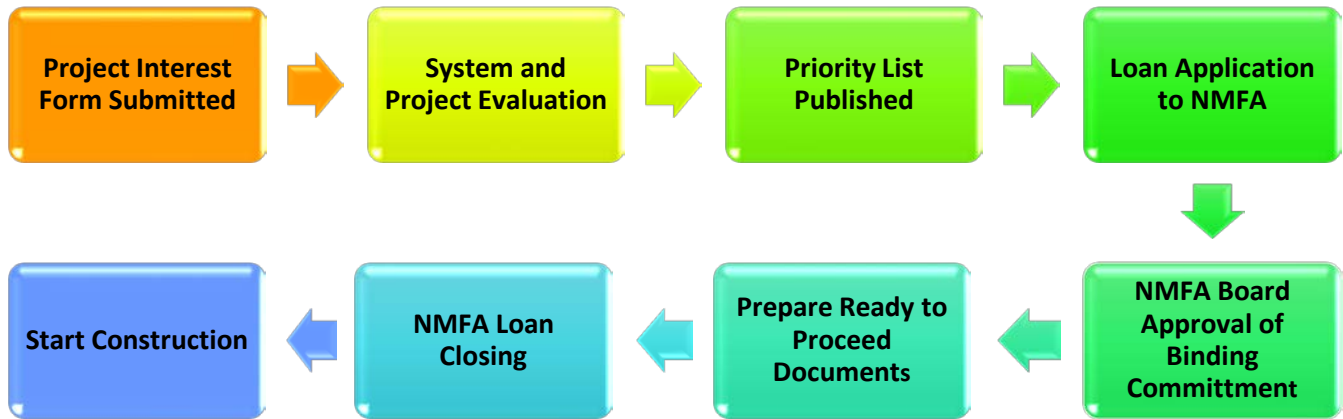
A. Distribution of Funds Analysis

The NMFA will fund the DWSRLF projects using the priority system established by the DWB. The State prefers to fund projects on the Fundable Priority List, as updated throughout the year, in rank order, but reserves the right to bypass certain projects using a bypass procedure, as described below in Section IV. I. In such an instance, a lower ranked project may be funded over a higher ranked project if the lower ranked project meets the bypass screening criteria. The NMFA will limit DWSRLF awards so that total loans to any one borrower does not comprise more than 20% of the cumulative value of the loan fund.

Eligibility

A PWS is eligible for DWSRLF project assistance if it is a privately or publicly owned community water system, or a non-profit non-community PWS (40 CFR 35.3520). Tribal systems are included as public community water systems and subject to the same requirements, even though they are not regulated by DWB. Priority ranking on the Fundable Priority List does not guarantee that a project will meet all financial and project eligibility requirements. Questions regarding the ranking process or the development of the Fundable Priority List should be directed to the DWB at (505) 476-8620. Questions on financial eligibility or the loan application process should be directed to the NMFA at: (505) 984-1454 or toll free at (877) 275-6632.

The following narrative is an overview of the DWSRLF project screening process. It is important to understand that the screening processes will occur in a phased approach. The State’s project screening process is initiated and implemented in the following manner:



1. The DWSRLF Project Interest Form (PIF) is **available online and open all year**. NMED will notify entities of the availability of funds on an annual basis. By submitting a PIF online, interested PWSs identify the proposed project and are evaluated for inclusion on the DWSRLF Comprehensive or Fundable Priority List. PWSs can contact the Community Services Team for assistance, or may fill out a PIF at the website <https://swim.water.web.env.nm.gov/>.
2. The PWS must submit **supplemental documentation** so that DWB can perform a capacity assessment, review project readiness, and the system’s fundability for the loan amount being requested for PWSs that have submitted a PIF. A list of supplemental documents can be found online at: <https://www.env.nm.gov/wp-content/uploads/2018/09/SFY19-PIF-Supp-Doc-Checklist.pdf>.
3. All PWSs that submit a PIF and all the required supplemental documentation will have their projects prioritized through DWB’s established ranking criteria (Appendix B) and will be included on the multi-year Comprehensive Priority List which is updated as scheduled below. PWSs can stay on the Comprehensive list for **up to three years** and receive capacity assistance from DWB to satisfy Fundable List requirements. When systems and projects meet all DWSRF requirements, they can move to the Fundable list and stay on for **up to 12 months**. Systems must make a request in writing to keep the same project on the fundable list beyond 12 months, including an explanation of why the project did not move forward the previous year.

If the PWS is determined to have adequate managerial and technical capacity, and the project is determined ready-to-proceed within six months, the DWB will screen PWSs financial documents to validate fundability for the loan amount requested, and recommend that NMFA perform a preliminary financial analysis of the

PWS’s ability to repay the loan, in order to be added to the Fundable Priority List. Once it is determined that the water system can afford the loan and has financial capacity, the project will be moved from the Comprehensive Priority List to the Fundable Priority List (Appendix A) which will be published on the NMFA’s and NMED’s websites. DWB accepts PIFs all year long and reviews projects according to the deadlines provided in the table below.

Deadline	SFY 21 Annual Priority List	Fall List Update	Spring List Update	SFY 22 Annual Priority List
Project Interest Forms submitted by	February 3, 2020	July 1, 2020	October 1, 2020	February 8, 2021
Required supplemental documents submitted by	March 4, 2020	September 1, 2020	December 1, 2020	March 8, 2021
Draft Priority List Posted for Public Comment	May 29, 2020			May 28, 2021
Final Priority Lists Published	July 1, 2020	October 1, 2020	February 1, 2021	July 1, 2021

If the dollar amount of PIFs submitted by the submission date does not equal project costs equivalent to the Capitalization grant amount, the NMED and NMFA may extend the deadlines, at the discretion of the two agencies.

1. The NMFA will work with PWSs for maximum of **45 days** from the publishing of the updated Fundable Priority List to submission of a loan application. For the SFY 2020 Annual List, applications will be due on August 15, 2020. After receiving the application, NMFA staff will perform a detailed financial analysis of the PWSs’ ability to take on the loan. If the entity is deemed to meet coverage requirements, then NMFA staff takes the loan in the following month to the NMFA Board for approval. After NMFA Board approval, NMFA staff will mail a **binding commitment letter** to the entity. The binding commitment letter is an EPA requirement to provide the entity with the loan terms, and the ready-to-proceed items needed to close the loan.
2. Once approved by the NMFA Board, the applicant will **have six months to provide necessary documents**, as determined by NMFA and noted in the binding commitment letter, to close the loan. If a PWS does not submit the required documentation within the six-month timeframe, then NMFA’s commitment to fund the project may be withdrawn or extended, at the sole discretion of the NMFA. The commitment to fund a project is not **expected to exceed eight months** from the date of NMFA Board approval. Once the loan is closed, unless agreed upon before Board approval, the borrower has two years to complete construction.
3. To be eligible for a loan from the DWSRLF, PWS projects must:
 - a. be on the Fundable Priority List;
 - b. submit a loan application to the NMFA;

- c. submit a letter of approval for DWSRLF debt parity (if applicable) (for example, if the water system has a loan with USDA/NMED, etc. a letter of consent to take on new debt is required); and
- d. be found by the NMFA to be credit-worthy (40 CFR 35.3555(c)(2)(i))

Applicants which don't meet the timeframe or the eligibility criteria will be removed from the Fundable Priority List and placed back on the Comprehensive Priority List. Once the PWS completes the necessary documents, the PWS may be eligible, based on an analysis by NMED and NMFA, to be placed on the updated triannual Fundable Priority List.

Each PWS currently unable to meet the criteria for inclusion on the Annual Fundable Priority List, or on the two updates of this list in spring and fall, will receive follow up from the DWB capacity program staff explaining any deficiencies that prevented its inclusion, including recommended steps for addressing such deficiencies. The DWB expects to use the resources of the Set-Asides to assist such PWSs in increasing their capacity should they accept the offer for assistance. Thus, these PWSs potentially will be able to meet all eligibility requirements for the DWSRLF in the future.

The DWB and NMFA will supplement this IUP in the spring or fall to add/subtract projects on the Fundable Priority List based on the criteria described above or by the request of the applicant.

The State of New Mexico will publish the Fundable Priority List for the duration of the active period. The Fundable Priority List will be published on both the NMFA and NMED websites at: <https://www.nmfa.net> and https://www.env.nm.gov/drinking_water/wifunding/.

Listed below are the dates for posting SFY 2021:

Annual List	July 1 to September 30, 2020
Fall List Update	October 1 to February 28, 2021
Spring List Update	March 1 to June 30, 2021

If a PWS has submitted its application but does not want to go to the board to receive a binding commitment letter in the period it submitted the application, the PWS will stay on the Fundable Priority List but will be automatically by-passed if no new information or action is taken by the applicant. In such instances, **the PWS may stay on the Fundable Priority List for twelve months before being taken off the Fundable Priority List following the spring update and placed back on the Comprehensive List.** Once the PWS is ready to go to the board and receive a binding commitment letter, the PWS will be evaluated by the DWB and NMFA for the updated Fundable Priority List in the spring or fall.

B. Disadvantaged Community Program

NMFA and DWB are directed by the DWSRLF Act (Laws of 1997, Chapter 144) to establish procedures to identify affordability criteria for disadvantaged communities and to extend a program to assist those communities. The programs offered to New Mexico PWSs are designed to maximize the eligibility of disadvantaged communities. By policy, NMFA provides two levels of disadvantaged status; Disadvantaged and Severely Disadvantaged and the below information describes the benefits offered to each community:

- **Disadvantaged Communities** benefit from 0% interest rate on the first \$1,000,000 of their loans, and subsidy in the form of principal forgiveness up to 50% of the loan when provided for in Capitalization Grants (see C. Subsidy below) for construction projects.
- **Severely Disadvantaged Communities** benefit from 0% interest rate on the first \$1,000,000 of their loans, and subsidy in the form of principal forgiveness up to 75% of the loan when provided for in Capitalization Grants (see C. Subsidy below) for construction projects. Severely Disadvantaged Communities also benefit from the NMFA waiving the 1% Cost of Issuance fee.

In order to determine the level of disadvantaged status of a community, NMFA utilizes the percentage of the state's Median Household Income (MHI).

- **Disadvantaged Median Household Income (MHI)** - Communities with an MHI of the water service area between 100% - 80% of the State's MHI fall under this level. MHI is based on the most recent 5-year average of Median Household Income from U.S Census Data or through a household income survey acceptable to NMFA.
- **Severely Disadvantaged Median Household Income (MHI)** - Communities with an MHI below 80% of the State's MHI MHI is based on the most recent 5-year average of Median Household Income from U.S Census Data or through a household income survey acceptable to NMFA.

C. Subsidy

The NMFA provides subsidies to DWSRLF borrowers as part of the EPA's Capitalization Grant, and as provided for under SWDA (section 1452 (d)). The FFY 2020 Capitalization Grant requires 14% of the funds available as additional subsidy assistance for projects on the fundable list, and at the state's discretion, for green infrastructure projects.

The SDWA (Section 1452(d)) requires not less than 6% and up to 35% of the Capitalization Grant to be used to subsidize Severely Disadvantaged Projects as described in section b. New Mexico opts to allocate the maximum of both pools of subsidy, totaling 49% of the FFY 2020 Capitalization Grant. The total amount of available subsidy is \$5,395,390 from the FFY 2020 Capitalization Grant. Available subsidy will be distributed in the ranking order on the Fundable Priority List, subject to the bypass procedure.

Subsidy that is not awarded, will roll over to the next Fundable Priority List. Subsidy is based on available amounts, and applicants are not guaranteed subsidy as part of the loan package. An applicant ranked below the available subsidy amounts, or not identified as Disadvantaged or Severely Disadvantaged, may not receive subsidy. Subsidy will be available to new entities on the current Fundable List if an applicant returns unutilized subsidy at the end of the construction period, or fails to close on the loan.

Current DWSRLF Loan Management Policies can be viewed online at <https://www.nmfa.net/wp-content/uploads/2019/07/DWSRLF-Loan-Management-Policies-Amended-6.27.19.pdf> and define additional subsidy as principal forgiveness which is as the amount of principal that does not require repayment. using the following guidelines when funds are available. No changes are being proposed to these guidelines at this time.

1. NMFA will provide the capitalization grant and the disadvantage subsidy following the same policies. The subsidy will go by the Priority ranking on the Fundable List, and by eligible Disadvantaged status. Applicants will receive subsidy, when available, through the following policies:
 - a. Compliance with federal statute and capitalization grant requirements (see L. Compliance with Special Grant Conditions for more details) will be offered a 25% subsidy.
 - b. Disadvantaged PWSs undertaking construction are provided an additional 25% principal forgiveness (e.g., 25% federal requirements principal forgiveness plus 25% disadvantaged principal forgiveness, for a total of 50% principal forgiveness).
 - c. Severely Disadvantaged PWSs are provided an additional 50% principal forgiveness (e.g., (25% federal requirements principal forgiveness, plus 25% Disadvantaged principal forgiveness plus 25% severely disadvantaged principal forgiveness, for a total of 75% principal forgiveness).
 - d. “Green projects” include green infrastructure, water conservation, energy efficiency improvements, or other environmentally innovative activities. Green projects that are 100% green will be provided with an additional 25% principal forgiveness. Projects not considered “categorically green” (projects that clearly support the intent of the GPR, such as water meters, rain gardens, green roofs, and alternative energies such as solar panels and other water and energy efficiency infrastructure for new facilities) will require a Business Case Explanation to support the need for the project and to describe how it meets the GPR requirement for water and/or energy efficiency. GPR projects and their Business Cases, where required, are submitted to the NMED and posted on the DWB’s and NMFA’s websites at: https://www.env.nm.gov/drinking_water/wifunding/ and <http://nmfa.net>, respectively.
2. No project will receive more than 75% in total principal forgiveness.
3. To the extent possible, the NMFA will use subsidy through the Capitalization Grant to help entities that could not otherwise afford a DWSRLF loan, and to help provide incentive to projects that meet other priority EPA goals. NMFA may blend or offer one subsidy type to allow for the highest amount of projects to receive subsidy. PWSs that are severely disadvantaged are considered communities that could not otherwise take on a loan. PWS considered Severely Disadvantaged will be given priority in the allocation of disadvantaged subsidy.

No single applicant may receive more than 50% of the total additional subsidy available for disadvantaged communities in any given year. Any additional funds required to complete the proposed project will be financed at the terms offered to non-disadvantaged communities. This limitation may be waived if there is not sufficient demand among disadvantaged communities.

D. Low Interest Loans

The NMFA’s low interest rates is an additional benefit of the DWSRLF program that lower the financing costs for drinking water projects in the State. Depending on a PWS’s ownership and MHI, a PWS may obtain a loan from NMFA with interest rates ranging from 0% to 4%. These rates are set by the NMFA Board of Directors and may be reviewed periodically. depending on a PWS’s ownership and MHI;

- Public systems, including those incorporated under the Sanitary Projects Act, will be offered an interest rate of 1%, which is inclusive of a 0.25% administrative fee paid to NMFA for loan servicing.
- Public water systems that meet Disadvantaged Entity or Severely Disadvantaged Entity criteria may be offered up to \$1,000,000 at an interest rate of 0%, plus an administrative fee of 0.25% paid to NMFA for loan servicing.
- Private, non-profit systems will be offered an interest rate of 3%, which is inclusive of a 0.25% administrative fee paid to NMFA for loan servicing.
- Private, for-profit systems that meet the federal definition of “Public Water Supply System” will be offered an interest rate of 4%, which is inclusive of a 0.25% administrative fee paid to NMFA for loan servicing.

E. Small System Support

The DWSRF rules state, *“of the total amount available for assistance from the Fund each year, a State must make at least 15% available solely for providing loan assistance to small systems to the extent such funds can be obligated for eligible projects.”* The State will provide a minimum of 15% of the available loan funds for small PWSs (defined as water systems serving populations of 10,000 or fewer). Historically, the NMFA has provided 33.36% of the total value of its loans to PWSs with populations of 10,000 or fewer.

The NMED and NMFA initiate contact with small system communities to present funding and assistance opportunities by attending several statewide conferences, such as NM Municipal League, NM Association of Counties, NM Rural Water Association, and the NM Infrastructure Finance Conference. In SFY 2021, NMFA goal is to provide 20% of all loans to small system PWSs, based on the Fundable Priority list.

F. Capacity Assessments and Project Reviews

The SDWA requires that a PWS applying for a DWSRF loan must demonstrate that it has the technical, managerial, and financial capacity to undertake the project. If a system does not have adequate capacity, assistance will be provided to help the system achieve capacity. Assistance is used to support viable systems with long-term sustainability and should not be directed toward non-viable systems.

DWB reviews project documents to assess if regulatory requirements have been met and if construction is possible in approximately 6 months. DWB reviews the project documents to assist NMFA’s preliminary debt capacity determination by screening financial documents to estimate if the system can afford the requested project loan amount.

The capacity assessments are completed for all PWSs that submit a Project Interest Form and supplemental documentation to be evaluated for the following:

- **Technical Capacity** – PWSs must demonstrate that drinking water sources are adequate, that the system’s source, treatment, distribution and storage infrastructure are adequate and that personnel have the technical knowledge and documentation to efficiently operate and maintain the system and have the technical capacity to operate and maintain all system improvements

planned with project funding requests. The system must be in compliance with SDWA or the project must return it to meeting compliance requirements in order to be eligible for funding.

- **Financial Capacity** – PWSs must demonstrate that they have sufficient revenues to cover necessary costs, adequate fiscal controls, and engage in financial planning and asset monitoring to include savings for emergencies, routine maintenance and long term capital improvements. DWB will also screen project cost documents and loan amounts to include in the debt capacity review as described above and if the system can repay the loan on the proposed PIF.
- **Managerial Capacity** – PWSs must show that management has written policies and procedures in place that outline water system management structure and function as well as their responsibilities in overseeing operations, meeting compliance requirements with all applicable state agencies such as New Mexico Office of the Attorney General, Office of the State Auditor, Department of Finance and Administration, and the Taxation and Revenue Department, response for emergencies, transparency and accountability to customers, and plans for future needs of the water system.

G. Project Prioritization

The DWSRF rules state that an IUP must include a priority system for ranking individual projects for funding and that the prioritization should (i) address the most serious risk to human health; (ii) ensure compliance with the requirements of the SDWA; and (iii) assist PWSs most in need, on a per-household basis, according to State affordability criteria. The State’s project ranking system is found in Appendix B and is utilized for both the Comprehensive and Fundable Lists.

A Comprehensive Priority List of ranked projects is required in an IUP and is, according to the DWSRF, a “list of projects that are expected to receive assistance in the future.” All PWSs that submit a PIF for a DWSRF eligible project and all required supplemental information are placed on the Comprehensive Priority List. Projects will remain on the Comprehensive List until making the Fundable Priority List or three (3) years, whichever is sooner. Systems on the Comprehensive List are allowed the flexibility to adjust project scopes, although additional documentation may need to be submitted to complete the change. The DWB will provide capacity development assistance to those on the Comprehensive List in order to help them become eligible for the Fundable Priority List.

A Fundable Priority List is also required in an IUP which, according to the DWSRF, is a “list of projects that are expected to receive assistance from available funds designated for use in the current IUP.” PWSs on the Comprehensive Priority List that meet the following three criteria are placed on the Fundable Priority List:

- 1) PWS has the technical, managerial, and financial capacity to operate and maintain the new infrastructure in compliance with drinking water and other applicable State regulations;
- 2) The project is ready to proceed, such that completion of project planning, design, regulatory approvals and environmental review will be complete and ready for construction within 6 months of placement on the Fundable List, and;

3) The community's financial ability to repay a loan (pre-screened by DWB and initially analyzed by NMFA). After placement on the Fundable List and the system has submitted its loan application, the NMFAs will review the system's financial ability to repay the loan.

PWSs whose projects do not qualify for the Fundable Priority List will be notified by DWB with an explanation of deficiencies and an offer for direct capacity assistance. If a project meets the Fundable Priority List criteria and DWSRLF has funds available, the project will be added to the next Fundable Priority List, which is amended and posted in the spring and fall as projects are received, evaluated, and funded. This process is described in Section IV of this document (Distribution of Funds Analysis).

H. Tie Breaking Procedure

When two or more projects score equally under the project priority ranking system, a tie breaking procedure will be used. The project with the smallest number of existing customers served will receive the higher ranking.

I. Bypass Procedure

The DWB and the NMFA expect to fund the projects on the Fundable Priority List in order of rank, but reserve the right to bypass certain projects using the by-pass procedure. The State reserves the right to fund lower priority projects over higher priority projects, if in the opinion of the DWB or the NMFA, the higher priority project does not meet the application requirements described in Section IV, specifically if the PWS did not submit its application in the allowed 45 days to NMFA. The State further reserves the right to by-pass certain projects if during the period there is no financial impact to the by-passed PWS, i.e., the available subsidy is fully allocated and there are adequate reserves to fund all projects on the Fundable List.

J. Emergency Condition

Unforeseen or unanticipated conditions that impact the source treatment, storage, or distribution of an eligible PWS that will have a direct impact on public health, may constitute an emergency condition. The emergency must be declared by the Governor of New Mexico, a Cabinet Secretary, or the County. A proposed project must specify any such emergency conditions in its application. Such emergency projects will be identified in the Annual Report.

J. Refinancing Existing Loans

Loan Refinancing is an allowable use of the DWSRLF since certain high cost debt can hinder essential new water improvement projects and limit the long-term financial health and capacity of the water system. Under limited circumstances, and by law, the DWSRLF loans are eligible for refinancing. Private entities are not eligible for loan refinancing.

The NMFA is able to refinance existing loans if:

- The refinancing occurs in connection with a "new money" project;
- The loan proposed for refinancing must have been originated no earlier than 1993;

- The project financed by the original loan must have undergone a public review process consistent with the SERP, including concurrence by all requisite state and federal consulting agencies;
- The environmental effects of the project must have been analyzed and studied in a manner consistent with the SERP; and
- The project financed by the original loan must have followed federal and state regulations.

K. DWSRLF Project Funding Summary

Using the criteria set forth in this IUP, the NMFA will survey the Fundable Priority List to identify projects that equal the amount of the Capitalization Grant. Loans will be executed when the environmental review, financial requirements, and all other obligations of the applicant have been met. Any amendments to the NMED Priority System will not be utilized prior to publishing for public comment in the IUP.

L. Compliance with Special Grant Conditions

The State of New Mexico strives to comply with all grant conditions set forth in the Capitalization Grant agreement including: Davis Bacon Wage Act, Federal Crosscutters, Signage, and American Iron and Steel. All financial agreements entered into between the PWSs and NMFA contain language found in Appendix G, which satisfies the grant condition's compliance.

Davis Bacon Wage Act

Recipients of SRF funding are required to comply with 40 CFR Part 31 and the full language of the Federal appropriation contained in the Annual Capitalization Grant, the Davis Bacon Act, and the U.S. Department of Labor's (DOL) implementing regulations. The DOL provides all pertinent information related to compliance with labor standards, including prevailing wage rates and instructions for reporting. Requirements in section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) apply to any construction project, carried out in whole or in part, with assistance made available as authorized by section 1452 of that Act (42 U.S.C. 300j-12).

Federal Crosscutters

A number of federal laws, executive orders, and federal policies apply to projects receiving federal financial assistance, regardless of whether the federal laws authorizing the assistance make them applicable. These federal authorities are referred to as crosscutting authorities or crosscutters. **Federal Crosscutters apply to projects whose cumulative funding equals the amount of the SRF Capitalization Grants.** Projects receiving federal assistance funds must comply with the crosscutter requirements in an amount equivalent to the Capitalization Grant.

Crosscutters are divided into three groups: environmental, social policies, and economic and miscellaneous authorities.

- Environmental crosscutters include federal laws and executive orders that relate to preservation of historical and archaeological sites, endangered species, wetlands, and agricultural land,

etc. This crosscutter requirement includes a National Environmental Policy Act compliant environmental review.

- Social policy crosscutters include requirements such as minority and women’s business enterprise participation goals, equal opportunity employment goals, and nondiscrimination laws. This crosscutter requirement includes compliance with the Disadvantaged Business Enterprise program, as stated in the loan agreement.
- Economic crosscutters directly regulate the expenditure of federal funds such as the prohibition against entering into contracts with debarred or suspended firms, and the American Iron and Steel provision.

A complete list of crosscutting authorities can be found at the EPA website:

<https://www.epa.gov/sites/production/files/2015-08/documents/crosscutterhandbook.pdf>

American Iron and Steel

Borrowers shall comply with federal requirements applicable to the loan, including the 2014 Appropriations Act and related SRF Policy Guidelines. All iron and steel products used in the Project will be produced in the United States (“American Iron and Steel Requirement”) unless (i) the borrower has requested and obtained a waiver from the Finance Authority or (ii) if the Finance Authority, or its contractor, has otherwise advised the borrower in writing that the American Iron and Steel Requirement is not applicable to the Project. See memo, “AIS final guidance 3-20-14” for more information.

Signage

The recipient agrees to comply with the SRF Signage Guidelines in order to enhance public awareness of EPA assistance agreements. See memo, “Guidelines for Enhancing Public Awareness of SRF Assistance Agreements,” June 3, 2015 for more information.

V. FINANCIAL MANAGEMENT

A. Sources and Uses of Funds

State Match Source

The SDWA requires states to provide a 20% match to Capitalization Grants received from the federal government. The required State match is \$2,200,200 for SFY 2021. NMFA will provide the 20% state match either through an appropriation from the Public Project Revolving Fund to the Drinking Water State Revolving Loan Fund, or by issuing state match bonds as allowed under the Safe Drinking Water Act. Appendix D summarizes the sources and uses of funds.

Fee Income

The NMFA charges borrowers a cost-of-issuance fee to cover legal fees and closing costs of each DWSRLF loan when required by the capitalization grant. This 1% fee is included in the loan as principal and is held in an account outside of the DWSRLF. Communities designated as Severly Disadvantaged are except the 1% Cost of Issuance fee. NMFA builds into its DWSRLF loan interest rates a 0.25% administrative fee that is assessed on the outstanding principal balance of each loan. For disadvantaged borrowers whose loans carry a 0% interest rate, the NMFA charges a 0.25% administrative fee, making the effective interest rate of a 0% loan 0.25%. The administrative fees are held outside of the DWSRLF and are used to pay the NMFA's overhead costs and other program administration costs not funded by the 4% Administration Set-Aside. Administration Set-Aside fees are used for eligible purposes under 40 CFR §35.3530(b)(2), and cost-of-issuance fees included as principal in loans are assessed and used in accordance with the limitations set forth in 40 CFR §35.3530(b)(3)(i)–(iii).

Transfers from Set-Asides to the Loan Fund

At the time of this publishing, there is no plan to transfer set-asides to the loan fund.

Leveraging

The State of New Mexico does not currently leverage the DWSRLF.

Use of All Funds Available

The source and uses of the DWSRLF is presented in Appendix D. New Mexico anticipates the loan fund to be capitalized from the federal 2020 Capitalization Grant to be \$11,011,000 with 69% going to the loan fund and 31% being used for set-asides. The loan fund will also be capitalized with the 20% match state funds of \$2,200,200. The Federal and State Match portion of the loan fund from the 2020 Capitalization Grant is equal to \$9,799,790. Additionally, in SFY 2020, an estimated loan and interest repayments of \$7,000,000 will be available for a total of \$16,799,790 of new money available to lend in SFY 2020.

Annually, Congress has the right to require additional subsidy to help fund federal priorities. NMFA anticipates up to 49%, or \$5,395,390 of the 2020 Capitalization Grant, from DWSRF funding legislation to be additional subsidy in the form of principal forgiveness. This subsidy will allow for the pace of recent lending to continue, and maintain the financial perpetuity of the revolving loan fund (see Section IV. regarding the use of subsidy).

B. Financial Terms of Loans

Section IV details the financial terms of loans as proposed in the policy changes. All loans are provided to entities at below-market interest rates. The table below provides the interest and terms associated with each type of PWS. New this year, the State of New Mexico is lowering the public non-disadvantaged from 2% to 1%.

<u>Community Economic Status</u>	<u>Interest Rate</u>	<u>Terms</u>
<u>Regular*</u>	<u>1%, 3%, 4%</u>	<u>up to 30 years</u>
<u>Disadvantaged</u>	<u>0% on first \$1,000,000, regular rate for remainder</u>	<u>up to 30 years</u>
<u>Severely Disadvantaged</u>	<u>0% on first \$1,000,000, regular rate for remainder; No COI fee charged.</u>	<u>up to 30 years</u>
<u>* Public systems receive 1%, private non-profit systems receive 3%, and for-profit systems receive 4%.</u>		

From the date of closing, entities have up to two years to draw the awarded DWSRLF funds on a reimbursement basis. During this time, the entity will pay interest and administration fees only on amounts drawn for incurred costs. Once an amortization schedule is finalized, after the project is certified complete by the engineer and owner, the system will make monthly principal and interest payments on the loan.

C. Loan Disbursements

As of June 30, 2020, the State of New Mexico has closed on 149 loans totaling over \$222.6 million. Loans are made in accordance with policies and are prorated between federal and state funds.

D. DWSRF-CWSRF Fund Transfers

The State of New Mexico reserves the authority to transfer up to 33 percent of the DWSRF Capitalization Grant to the CWSRF, or an equivalent amount from the CWSRF to the DWSRF. New Mexico does not anticipate utilizing this right in SFY 2021.

E. Financial Planning

NMFA uses a cash flow model as its financial plan, and updates it with triannual reviews as new projects are placed on the Fundable List. The goal of financial planning is to ensure fund perpetuity, and NMFA can confirm the fund’s perpetuity. The perpetuity model is included in the Annual Report to the EPA, using historical averages of loan origination.

F. Cash Draw Proportionality

New Mexico uses the proportionality ratio of 77.53% federal funds per draw to 22.47% State’s Match. In SFY 201, New Mexico will take 31% of the set-asides to fund State programs and administration functions. The proportionality ratio formula is as follows:

$$\text{State Match Cash Draw Ratio} = 100* \left(\frac{\text{FCG (20\%)}}{\text{Total loan fund}} \right)$$

For FFY 20 Capitalization Grant $11,011,000 * 20\% / 9,799,790 = .2247 * 100 = 22.47$
Federal Cash Draw Ratio = 100 - State Match Cash Draw ratio

*FCG= Federal Capitalization Grant Loan Allocation

See Appendix H: Cash Draw Ratio and Grant Payment section for more information.

VI. SET-ASIDE ACTIVITIES

A summary of the financial status and Set-Aside Expenditures is provided in Appendix E.

A. DWSRLF Administration (4%)

The SDWA authorizes the states to issue funding for DWSRF administration as a set-aside. Administration of the DWSRLF program is delegated by state statute to the NMFA. The NMFA will reserve and specify 4% of the FFY 2020 Capitalization Grant for the Administration set-aside in an amount totaling \$440,440.

The administration set-aside will be used to pay for salaries for staff working on the DWSRLF, and administering the loan funds. Loan administration includes reporting, payment processing, pre-application activities; application review; engineering, construction and environmental review; portfolio, audit, and cash management; and financial management. DWSRLF programmatic administration costs also include contractual technical services for engineering and construction oversight, environmental reviews, and legal fees associated with closing DWSRLF loans.

B. Small Systems Technical Assistance (2%)

The SDWA authorizes states to use this Set-Aside to support a state technical team to provide technical assistance to return systems to compliance with the SDWA. Staff will target small water systems for assistance when a Technical Assistance Request (TAR) is submitted by the enforcement coordinator and/or the compliance officer. The Technical Services Team (TST) will provide technical assistance that helps the small water systems return their outstanding violations to compliance. The Engineering Services Team will also assist small systems with engineering project applications.

C. State Program Management (10%)

The SDWA authorizes states to use this Set-Aside to address additional program requirements of the Public Water Supply Supervision Program.

Public Water System Supervision Program

The State Program Management Set-Aside will be used, in part, to support the Public Water System Supervision (PWSS) program. The activities planned to support the PWSS program include providing administrative support for the DWB staff, conducting sanitary surveys to assess the needs and deficiencies of PWSs, implementing new and enforcing existing rules and regulations, providing an immediate response to confirmed acute contamination events and PWS problems that may impact public health.

Operator Certification Program

The State Program Management Set-Aside will be used, in part, to fund administration activities and support certification of operators through the Utility Operator Certification program (UOC). The NMED has authority to administer the UOC program pursuant to the SDWA and began to directly manage this program in July 2016, increasing the administrative responsibility.

Set-Aside Administrative Support

The State Program Management Set-Aside will support the administrative requirements of the DWB such as developing the grant application, priority lists, planning documents, required quarterly and annual reports, and any other documentation required to support the grant process.

2020 Drinking Water Infrastructure Needs Survey and Assessment

DWB will fully participate in the 2020 Drinking Water Infrastructure Needs Survey and Assessment and will work with 48 large and medium sized community public water systems to produce an accurate assessment of New Mexico's water system capital improvement needs. The results of this survey will be presented to Congress and will be the basis for the allotment of DWSRF dollars to New Mexico.

D. Local Assistance and Other State Programs (15%)

The Local Assistance and Other State Programs Set-Aside is used to support multiple DWB programs: the Technical Services Program, Engineering Services Program, Utility Operator Certification Program, and the Source Water Protection Program.

Capacity Development (10%)

Community Services Program

The Community Services Team (CST) will assist water systems to develop and increase managerial and financial capacity as well as provide direct funding assistance. The team will assess managerial and financial capacity by reviewing all PIFs, managerial and financial DWSRLF supplemental documents, current rate structure, financial information, debt service, ownership accountability, board functionality, planning documents and managerial policies. Through the development of an assistance work plan financial and managerial assistance will be provided to bring capacity to a level where sufficient resources and practices allow the system to maintain compliance with the SDWA and other state regulations, maintain revenues that support savings for emergencies and replacement costs, and to become fundable through the DWSRLF for infrastructure development.

Managerial assistance varies from board trainings on complying with state regulations and various capacity topics to individual assistance to develop asset management plans, perform rate analysis, apply for funding, achieve compliance with other state agencies and facilitate review of governing documents and bylaws.

Engineering Program

The engineering program utilizes both staff engineers and contract engineering services to review applications for construction or modification of water systems for all drinking water infrastructure projects

in the state. This team assists water systems with questions about construction or modification applications. This program will review proposed project descriptions and provide input on type of application required and if application has already been submitted and approved. All project construction or modification applications are reviewed to be in conformance with NMAC regulations and applicable standards.

Technical Services Program

The Technical Services Team (TST) under the Local Assistance Set-Aside will assess technical capacity of water systems. TST will assist water systems' certified operators with technical knowledge on system operations, maintenance, monitoring and reporting requirements. This team will also assist water systems in identifying and prioritizing any limiting technical issues the water systems may be struggling with to strengthen the sustainability of the PWS. The Technical Services Team is training to have an active Area-Wide Optimization Program (AWOP) for New Mexico to target higher risk systems for assistance and to improve the overall performance of surface water treatment plants and distribution systems. This program will also assess the technical capacity of systems to handle proposed projects.

Utility Operator Certification Program

The Utility Operator Certification Program oversees the training, testing and formal certification of all water and wastewater operators in New Mexico. This team is responsible for maintenance and management of all operator training credits, testing applications, testing sessions, reporting grades, and approving operator training classes offered for credits throughout the state. This team is responsible for enforcement on individual operators statewide. Only the costs for water operators will be supported with DWSRF Set-aside funds, other state funding sources will be utilized to support the wastewater operator expenses.

Source Water & Wellhead Protection Program (5%)

Source Water Protection Program

The Source Water Protection Program (SWPP) involves a multi-pronged approach to protecting drinking water sources in New Mexico. One strategy is providing assistance to water systems in developing voluntary source water assessments and planning documents. The SWPP encourage regions facing similar sources of contamination to collaborate on their source water planning wherever possible. Another strategy is developing special studies for particular contaminants of concern. Currently, the Team has developed a PFAS Technical Working Group to map existing and potential sources and develop a sampling program for PFAS in both targeted and state-wide locations. The SWPP will continue to partner with the NM Department of Health on the Lead Assistance Project targeting lead in schools and daycare centers, though DOH is taking over the lead of this project from NMED. Other SWPP activities include reviewing sampling waivers; reviewing NEPA and Subdivision and Environmental Impact Assessments; participating in various collaborative working groups; providing outreach and trainings on source water protection; and developing a Ground Water Under Direct Influence (GWUDI) protocol and guidance for the Drinking Water Bureau.

Assistance Projects for the Fiscal Year

This fiscal year DWB is continuing to utilize EPA contracts for Area Wide Optimization Program training and additional engineering review services. Contract services will also allow Cadmus to assist DWB with the engineering reviews as the program's two P.E. staff need additional resources during high volume times of year.

DWB will collaborate with our partners to develop and offer free on-line training courses for water and operators and board members.

DWB will continue partnering with New Mexico Department of Health to assist schools and daycare centers with free lead testing. This includes assisting to coordinate water system operators with public school superintendents to ensure proper sample collection and follow up assistance with any health concerns where problems may be identified.

VII. PUBLIC PARTICIPATION

To ensure the public has an opportunity to review and provide input on the IUP, the draft IUP will be made available to the public through notifications in at least three major newspapers and posting to both the DWB website at https://www.env.nm.gov/drinking_water/wifunding/ and NMFA's website at <http://www.nmfa.net>. The public comment period will be open for a minimum of 30 days. A summary of the comments received will be included as part of Appendix F in the final version of this IUP. NMFA and NMED will post the updated IUP posted on their respective websites for 30 days and is asking the public to submit written comments by June 29, 2020.

VIII. AUDITS AND REPORTING

To ensure transparency and accountability, the state agrees to submit an Annual Report and Annual Audit to the EPA Region VI pertaining to the actual uses of funds, and how the State has met the goals and objectives for the previous fiscal year, as identified in the previous year's IUP. The scope of the Annual Report covers the DWSRLF and all approved Set-aside activities funded by the DWSRLF program. The Annual Audit covers the financial transactions for the DWSRLF and Set-aside drawdowns.

The NMFA will have an annual independent financial compliance audit conducted, including a single audit, as required of its DWSRLF program in accordance with Generally Accepted Government Accounting Standards (GAGAs) issued by the Comptroller General of the United States. The audit report will contain an opinion on the financial statement of the DWSRLF; a report on internal controls; and a report on compliance with the SDWA. The audit report will be completed within one year of the end of the SFY and will be submitted to EPA's Office of Inspector General (OIG) within 30 days of completion.

The NMFA requires DWSRLF recipients to maintain project accounts in accordance with Generally Accepted Accounting Principles (GAAPs). This requirement will be implemented through a condition in the financial assistance agreement, signed by both the NMFA and the DWSRLF assistance recipient.

The state agrees to enter data into EPA’s Project and Benefits Reporting Database (PBR) in accordance with EPA Order 5700.7 Environmental Results Under Assistance Agreement. The State agrees to follow the Federal Funding Accountability and Transparency Act requirements. The State will report annually to the Drinking Water National Information Management System (DWNIMS). The State agrees to comply with the reporting requirements included in the FFY 2020 Appropriation.

IX. AMENDMENTS TO THE PLAN

Revisions to this plan determined to be insignificant and/or minor revisions required for administrative purposes, shall be made by the NMED and NMFA without notification to the public, and will be reported to EPA in the Annual Report. Any material changes in the IUP shall be made in accordance with procedures provided in the NMFA DWSRLF Regulations.

APPENDIX A

**New Mexico's
SFY 2021 DWSRLF
Comprehensive and Fundable List**



DRAFT DWSRLF SFY21 Annual Comprehensive Priority List

Project Ranking	PWS Name and Number	Score	Population	Designation	County	Disadvantaged?	Project Description	Requested Funding	Sustainability Policy
1	Ancones MDWWA- NM3504121	62	45	Small System	Rio Arriba	Severely Disadvantaged	This portion of a larger regional project will provide Los Ancones and El Llanito with a safe drinking water source, sufficient storage and a reliable distribution system to existing and new users.	\$100,000	Fix It First
2	Santa Cruz Water Association - NM3572926	53	420	Small System	Santa Fe	Severely Disadvantaged	Easements, Water main, retaining wall, water main loop	\$350,000	Fix It First
3	Elida Water System - NM3528322	33	270	Small System	Roosevelt	Severely Disadvantaged	Replacing approximately 7,000 liner feet of aging existing piping and replacing both the service connections and fire hydrants.	\$39,000	NA
4	Eldorado WSD - NM3537326	32	7,350	Small System	Santa Fe	Not Disadvantaged	Well 20 Design and Construction	\$1,000,000	NA
5	Chippeway Park Water Association - NM3565419	29	173	Small System	Otero	Severely Disadvantaged	Replace Water Tanks and Pump House	\$330,000	Fix It First



DRAFT DWSRLF SFY21 Annual Comprehensive Priority List

Project Ranking	PWS Name and Number	Score	Population	Designation	County	Disadvantaged?	Project Description	Requested Funding	Sustainability Policy
6	Agua Pura MDWCA - NM3545618	27	123	Small System	Mora	Severely Disadvantaged	Plan and design of water Improvements, lines hydrants, meters and valves	\$283,000	Fix It First
7	Questa Water System - NM3506829	26	1,820	Small System	Taos	Severely Disadvantaged	Installation of water lines and replace meters, leak detection, rehabilitation of Water Tanks and pressure testing on existing zones.	\$1,100,000	Fix It First
8	Lordsburg Water Supply System - NM3522812	24	3,028	Small System	Hidalgo	Severely Disadvantaged	Water System Improvements	\$1,000,000	NA
9	Chapelle MDWCA- NM3501825	23	60	Small System	San Miguel	Severely Disadvantaged	Planning and design of transmission lines. Meters and related system improvements	\$50,000	Fix It First
10	Mosquero Water System - NM3526811	13	125	Small System	Harding	Severely Disadvantaged	Tank Rehabilitation.	\$100,000	NA
11	Ponderosa MDWCA - NM3533223	9	350	Small System	Sandoval	Disadvantaged	Engineering for storage tank	\$30,000	NA



DRAFT SFY21 DWSRLF Annual Fundable Priority List²

Rank	PWS Name and Number	Score	Pop	Size	County	Disadvantaged	Project Description	Requested Funding	Subsidy Amount Eligible to Project	Mandatory Cap Grant Subsidy ³	Elected Disadvantaged Assistance Subsidy ³	Projected Repayable Amount	Interest Rate ⁴	Sustainability Policy	Projected Commitment Date
										\$1,541,540	\$3,853,850				
1	Las Vegas Water System, NM3518025	47	18,044	Large System	San Miguel	Severely Disadvantaged	Hot Springs Water Line Replacement	\$800,000	\$600,000	\$0	\$600,000	\$200,000	0%	Fix it First	9/24/20
2 (Tie)	Las Vegas Water System, NM3518025	33	18,044	Large System	San Miguel	Severely Disadvantaged	SCADA for existing water treatment facility	\$500,000	\$375,000	\$0	\$375,000	\$125,000	0%	Fix it First	9/24/20
2 (Tie)	Las Vegas Water System, NM3518025	33	18,044	Large System	San Miguel	Severely Disadvantaged	Replace facility clarifier sedimentation basin vacuum system	\$300,000	\$225,000	\$0	\$225,000	\$75,000	0%	Fix it First	9/24/20
2 (Tie)	Alamogordo Domestic Water System - NM3513319	33	35,629	Large System	Otero	Disadvantaged	Bonita Lake Surface Water Reservoir Improvements	\$2,130,000	\$1,065,000	\$1,065,000	\$0	\$1,065,000	0%	Fix it First	9/24/20
5	Las Vegas Water System, NM3518025	31	18,044	Large System	San Miguel	Severely Disadvantaged	Hanna Park Effluent Re-Use System Expansion.	\$500,000	\$375,000	\$0	\$375,000	\$125,000	0%	NA	9/24/20
6	Eldorado WSD - NM3537326	24	7,350	Small System	Santa Fe	Not Disadvantaged	Verano and Conchas Loop Distribution Line Replacement Engineering and Construction Services. ⁵	\$500,000	\$0			\$500,000	1%	TBD	9/24/20

² All projects may be utilized to fulfill federal equivalency requirements and FFAATA requirements for the FY21 Capitalization Grant

³ Subsidy total dollar amounts subject to EPA approval; Not Disadvantaged = 25% subsidy; Disadvantaged = 50% subsidy; severely disadvantaged = 75% subsidy

⁴ 0% interest rate applies to the first \$1,000,000 of the loan for disadvantaged systems; 1% interest rate for not disadvantaged systems.

⁵ Project does not qualify for subsidy.



DRAFT SFY21 DWSRLF Annual Fundable Priority List²

Rank	PWS Name and Number	Score	Pop	Size	County	Disadvantaged	Project Description	Requested Funding	Subsidy Amount Eligible to Project	Mandatory Cap Grant Subsidy ³	Elected Disadvantaged Assistance Subsidy ³	Projected Repayable Amount	Interest Rate ⁴	Sustainability Policy	Projected Commitment Date
										\$1,541,540	\$3,853,850				
7	Hatch Water Supply System - NM3511607	18	2,358	Small System	Dona Ana	Severely Disadvantaged	Placitas Water System Improvements	\$1,007,000	\$755,250	\$0	\$755,250	\$251,750	0%	Fix it First	9/24/20
8	Pecos Water System - NM3518325	14	726	Small System	San Miguel	Severely Disadvantaged	Water Line Replacement	\$3,341,880	\$1,926,925	\$0	\$1,373,600	\$1,968,280	0%	Fix it First	9/24/20
9	Ponderosa MDWCA - NM3533223	11	350	Small System	Sandoval	Disadvantaged	Radio Read Smart Water Meters and Installation ⁶	\$60,000	\$45,000	\$45,000	\$0	\$15,000	0%	Fix it First	9/24/20
10	Ponderosa MDWCA - NM3533223	8	350	Small System	Sandoval	Disadvantaged	Water Line Extension	\$100,000	\$50,000	\$50,000	\$0	\$50,000	0%	Fix it First	9/24/20
							Total Amounts	\$9,438,880	\$5,567,175	\$1,160,000	\$3,853,850	\$4,425,030			
							Remaining Subsidy	-	-	\$381,540	\$0				

² All projects may be utilized to fulfill federal equivalency requirements and FFAATA requirements for the FY20 Capitalization Grant

³ Subsidy total dollar amounts subject to EPA approval; Not Disadvantaged = 25% subsidy; Disadvantaged = 50% subsidy; severely disadvantaged = 75% subsidy

⁴ 0% interest rate applies to the first \$1,000,000 of the loan for disadvantaged systems; 1% interest rate for not disadvantaged systems.

⁶ Project qualifies for an additional 25% Green Subsidy



APPENDIX B

**RANKING SYSTEM FOR SFY 20
DWSRLF PROJECTS**

NEW MEXICO'S SFY 21 DWSRLF PROJECT PRIORITY RANKING SYSTEM

All eligible projects will be rated with respect to six categories to determine their ranking and selection for funding under NM's DWSRLF. The categories are as follows:

- Source Water Vulnerability
- Safe Drinking Water Act Compliance
- Affordability
- Regionalization
- Water Efficiency
- Sustainability

The total project score is the sum of the scores for each category.

Source Water Vulnerability	
<u>Inconsistent Water Supply</u> : Project is for rehabilitation or a new source of raw water for drinking water systems that experience water outages or deficiencies in water production as demonstrated by peak demand needs.	12 Points
<u>Improve water quality in areas not currently served</u> : Project extends water service to existing residences that are not currently served by a centralized water system and the local groundwater is contaminated.	8 Points
<u>Backup source</u> : Project includes development of a second potable source of water, such as a backup well or surface water intake.	6 Points
<u>Inadequate or decreasing water supply</u> : Project supplies future water production needs.	5 Points
<u>Finished Water storage</u> : Project is for additional finished water storage capacity to ensure adequate supply during emergency situations and planned outages (excluding storage requirements for fire flow). It is recommended that finished water storage should supply the system's demand with water for 2 days of no production. Excess storage capacity where water quality may be impacted should be avoided.	5 Points
<u>Source Water Protection Plan</u> : Water system maintains an active Source Water Protection Plan that has been updated in the last five years.	4 points
<u>Water reuse project</u> : The project increases water efficiency, to increase potable water supply by replacing potable uses with non-potable sources, such as grey water systems and wastewater effluent reuse systems.	3 points

<u>Water Use Management</u> : Water system utilizes drought contingency or water conservation policies to manage customer demand seasonally or as needed in water shortages.	2 points
Safe Drinking Water Act Compliance	
<u>Acute violations</u> : System is in violation of acute treatment technique requirements or an MCL of an acute contaminant, and the proposed project will return the system to compliance.	20 Points
<u>Ground Water Under the Direct Influence of Surface Water (GWUDI) Sources</u> : System has received a formal GWUDI determination requiring the installation of surface water treatment, and the proposed project will meet compliance requirements.	15 Points
<u>Non-acute violations</u> : System is in violation of non-acute treatment technique requirements or MCL exceedances of non-acute contaminants, and the proposed project will return the system to compliance.	12 Points
<u>Maintains Compliance</u> : System is in compliance with state and federal drinking water regulations.	1 point
Affordability (Community Water Systems Only)	
System has an MHI ¹ less than 90% of the State MHI and an Affordability ratio ⁷ greater than 0.01 but less than or equal to 0.015.	6 Points
System has an MHI ¹ less than 90% of the State MHI and an Affordability ratio ² greater than 0.015.	10 Points
Regionalization	
<u>Regionalization Activities</u> : Project is a regionalization effort among two or more public water systems that results in the consolidation or physical connection of the public water systems that will begin to operate as one system, full time.	5 Points

¹ MHI is the median household income of the public water system's service area based on the most current US Census Data

² The affordability ratio is calculated by dividing average annual cost for water service by the Median Household Income of the public water system's service area.

<u>Provide regulated water service to areas not currently served</u> : Project extends water service to existing homes not currently served by a centralized water system.	5 Points
<u>Emergency Interconnection</u> : Project addresses the need for an emergency or back up source through an interconnection with another public water system.	3 Points
<u>Regional Resource Coordination</u> : System participates in a regional sharing of resources with other water system(s).	1 point
Water Efficiency	
<u>Metering</u> : Project includes metering an unmetered system.	8 Points
<u>Real Water Loss Reduction</u> : Project replaces or rehabilitates failing or inadequate distributions lines and real water loss has been identified to be reduced.	5 points
<u>Water Pressure</u> : Project addresses a water pressure problem.	4 Points
<u>Infrastructure Rehabilitation</u> : Project replaces or rehabilitates failing or inadequate infrastructure or equipment, other than a water source.	4 Points
<u>Water Conservation</u> : The system maintains a water conservation plan with the Office of the State Engineer or utilizes the AWWA M36 method to control water loss, including a level one validated audit from within the last three years.	1 Points
<u>Water Loss Program</u> : The system implements water loss control strategies with the AWWA M36 method by completing annual audits.	1 points
Sustainability	
<u>Asset Management</u> : Systems that have developed or are in the process of developing an asset management plan will receive one point for each core component completed. The core components are: asset inventory, level of service, critical asset assessment, life cycle costing, and long-term funding strategy.	5 Points Maximum
<u>Operation Improvements</u> : Project streamlines, automates, or improves operations of the system (e.g. radio read meters, looping, SCADA, additional valves).	3 Points
<u>Asset Management</u> : Project is part of a current asset management long term funding strategy.	2 points

<u>Energy Efficiency</u> ³ : Project implements renewable energy or energy conservation to reduce the amount of energy consumed from the grid to produce, treat and deliver water.	2 Points
<u>Green Stormwater Infrastructure</u> ³ : Project preserves or restores natural landscape features and establishes policies such as infill and watershed redevelopment to reduce imperviousness. Local green infrastructure practices include bioretention, green roofs, rainwater harvesting, or grey water use.	2 Points
<u>Environmentally Innovative Projects</u> ³ : Project uses environmentally innovative concepts to produce, treat and/or deliver water.	2 Points
<u>Final Design Complete</u> : Project final design is 100% complete and approved by NMED Drinking Water Bureau.	8 points

³ Reference for these criteria is the *EPA 2011 Clean Water and Drinking Water State Revolving Loan Fund 20% Green Project Reserve: Guidance for Determining Project Eligibility*.

APPENDIX C

DWSRLF Sources and Uses

Table 2 DWSRLF SOURCES AND USES SFY 2021			
<u>SOURCES</u>	Cumulative Total through 6/30/2020	7/1/2020 - 6/30/2021(This SFY)	Cumulative Total through 6/30/21
Federal Capitalization Grants	\$219,919,500	\$11,011,000	\$230,930,500
20% Capitalization Grant Match	\$43,196,100	\$2,202,200	\$45,398,300
Investment Interest	\$6,234,534	\$1,500,000	\$7,734,534
Loan Repayments – Principal	\$52,206,164	\$5,483,040	\$57,689,204
Loan Repayments - Interest	\$15,747,527	\$2,090,339	\$17,837,866
Total Sources	\$337,303,825	\$22,286,579	\$359,590,404
Uses of Funds			
<u>Assistance Activity</u>			
Large System Commitments	\$152,957,234	\$25,331,659	\$178,288,893
Small System Commitments	\$69,047,041	\$11,133,269	\$80,180,310
Total Assistance	\$222,004,275	\$36,464,928	\$258,469,203
<u>Set-Aside Activity</u>			
Administration	\$8,759,731	\$440,440	\$9,200,171
Small System Technical Assistance	\$3,874,109	\$220,220	\$4,094,329
State Programs Management	\$1,979,100	\$1,101,100	\$3,080,200
Local Assistance	\$1,504,291	\$1,651,650	\$3,155,941
Total Set-Asides	\$16,117,231	\$3,413,410	\$19,530,641
Total Uses	\$238,121,506	\$39,878,338	\$277,999,844
Carryover	\$99,182,319	(\$17,591,759)	\$81,590,560



APPENDIX D

DWSRF Set-Asides

ADMINISTRATION SET ASIDE (4%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2020 Cap Grants	Specified Amount	Unspecified Amount	Amount Transferred to Loan Fund	Specified Expenditures through SFY 2020	Estimated Expenditures through SFY 2021	Estimated Ending Balance
FFY97	\$510,392		\$510,392	\$0	\$0	\$510,392		\$0
FFY98-99	\$583,404		\$583,404	\$0	\$0	\$583,404		\$0
FFY00	\$310,280		\$310,280	\$0	\$0	\$310,280		\$0
FFY01	\$311,564		\$311,564	\$0	\$0	\$311,564		\$0
FFY02	\$322,100		\$322,100	\$0	\$0	\$322,100		\$0
FFY03	\$320,164		\$320,164	\$0	\$0	\$320,164		\$0
FFY 04	\$332,124		\$332,124	\$0	\$0	\$332,124		\$0
FFY 05	\$331,420		\$331,420	\$0	\$0	\$331,420		\$0
FFY 06	\$329,172		\$329,172	\$0	\$0	\$329,172		\$0
FFY 07	\$329,160		\$329,160	\$0	\$0	\$329,160		\$0
FFY 08	\$325,840		\$325,840	\$0	\$0	\$325,840		\$0
FFY 09	\$325,840		\$325,840	\$0	\$0	\$325,840		\$0
FFY 09 (ARRA)	\$780,000		\$780,000	\$0	\$219,049	\$560,951		\$0
FFY 10	\$542,920		\$542,920	\$0	\$0	\$542,920		\$0
FFY 11	\$376,720		\$376,720	\$0	\$0	\$376,720		\$0
FFY 12	\$359,000		\$359,000	\$0	\$0	\$359,000		\$0
FFY 13	\$336,840		\$336,840	\$0	\$0	\$336,840		\$0
FFY 14	\$353,800		\$353,800	\$0	\$0	\$353,800		\$0
FFY 15	\$351,480		\$351,480	\$0	\$0	\$351,480		\$0
FFY 16	\$332,480		\$332,480	\$0	\$0	\$332,480		\$0
FFY 17	\$329,640		\$329,640	\$0	\$0	\$329,640		\$0
FFY 18	\$444,280		\$444,280	\$0	\$0	\$444,280		\$0
FFY19	\$440,160		\$440,160	\$0	\$0	\$300,000	\$86,564	\$0
FFY 20	\$440,440	\$440,440	\$0	\$0	\$0		\$424,403	\$16,037
TOTALS	\$9,419,220	\$440,440	\$8,978,780	\$0	\$219,049	\$8,619,571	\$510,967	\$16,037



Small Systems Technical Assistance Element (2%)							
Total Expenditures by FFY Capitalization Grant							
Federal Awards Allocated to Set-Aside	Total Set-Aside Allocated	Set-Aside anticipated for FFY 20 Cap Grant	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures through 06/30/20	Estimated Ending Balance as of 06/30/20
FFY 1997	\$255,196		\$255,196	\$0	\$0	\$255,196	\$0
FFY 1998-1999	\$291,702		\$291,702	\$0	\$0	\$291,702	\$0
FFY 2000	\$155,140		\$155,140	\$0	\$0	\$155,140	\$0
FFY 2001	\$155,782		\$155,782	\$0	\$0	\$155,782	\$0
FFY 2002	\$161,050		\$161,050	\$0	\$0	\$161,050	\$0
FFY 2003	\$160,082		\$160,082	\$0	\$0	\$160,082	\$0
FFY 2004	\$166,062		\$166,062	\$0	\$0	\$166,062	\$0
FFY 2005	\$165,710		\$165,710	\$0	\$0	\$165,710	\$0
FFY 2006	\$164,586		\$164,586	\$0	\$0	\$164,586	\$0
FFY 2007	\$164,580		\$164,580	\$0	\$0	\$164,580	\$0
FFY 2008	\$162,920		\$162,920	\$0	\$0	\$162,920	\$0
FFY 2009	\$162,920		\$162,920	\$0	\$0	\$162,920	\$0
FFY 2009 (ARRA)	\$390,000		\$390,000	\$0	\$0	\$390,000	\$0
FFY 2010	\$271,460		\$271,460	\$0	\$0	\$271,460	\$0
FFY 2011	\$188,360		\$188,360	\$0	\$50,981	\$137,379	\$0
FFY 2012	\$179,500		\$179,500	\$0	\$0	\$179,500	\$0
FFY 2013	\$168,420		\$168,420	\$0	\$168,420	\$0	\$0
FFY 2014	\$176,900		\$176,900	\$0	\$0	\$176,900	\$0
FFY 2015	\$175,740		\$175,740	\$0	\$175,740	\$0	\$0
FFY 2016	\$166,240		\$166,240	\$0	\$0	\$166,240	\$0
FFY 2017	\$164,820		\$164,820	\$0	\$0	\$164,820	\$0
FFY 2018	\$222,140		\$222,140	\$0	\$0	\$153,466	\$68,674
FFY 2019	\$220,080		\$220,080	\$0	\$0	\$0	\$220,080
FFY 2020		\$220,220					
TOTALS	\$4,489,390	\$220,220	\$4,489,390	\$ 0	\$395,141	\$3,805,495	\$288,754



State Programs Management Element (10%)							
Total Expenditures by FFY Capitalization Grant							
Awards Allocated to Set-Aside	Total Set-Aside Allocated	Set-Aside Anticipated for FFY 20 Cap Grant	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures through 06/30/2020	Estimated Ending Balance as of 06/30/2020
FFY 1997	\$1,275,980		\$1,275,980	\$0	\$0	\$1,275,980	\$0
FFY 1998-1999	\$1,458,510		\$1,458,510	\$0	\$0	\$1,458,510	\$0
FFY 2000	\$775,700		\$775,700	\$0	\$0	\$775,700	\$0
FFY 2001	\$778,910		\$778,910	\$0	\$0	\$778,910	\$0
FFY 2002	\$805,250		\$805,250	\$0	\$0	\$805,250	\$0
FFY 2003	\$800,410		\$800,410	\$0	\$0	\$800,410	\$0
FFY 2004	\$830,310		\$830,310	\$0	\$0	\$830,310	\$0
FFY 2005	\$828,550		\$828,550	\$0	\$0	\$828,550	\$0
FFY 2006	\$822,930		\$822,930	\$0	\$0	\$822,930	\$0
FFY 2007	\$822,900		\$822,900	\$0	\$0	\$822,900	\$0
FFY 2008	\$814,600		\$814,600	\$0	\$0	\$814,600	\$0
FFY 2009	\$814,600		\$814,600	\$0	\$0	\$814,600	\$0
FFY 2009 (ARRA)	\$1,950,000		\$1,950,000	\$0	\$0	\$1,950,000	\$0
FFY 2010	\$1,357,300		\$1,357,300	\$0	\$28,098	\$1,329,202	\$0
FFY 2011	\$941,800		\$941,800	\$0	\$13,201	\$928,599	\$0
FFY 2012	\$897,500		\$897,500	\$0	\$0	\$897,500	\$0
FFY 2013	\$842,100		\$842,100	\$0	\$0	\$842,100	\$0
FFY 2014	\$884,500		\$884,500	\$0	\$0	\$884,500	\$0
FFY 2015	\$878,700		\$0	\$0	\$0	\$0	\$0
FFY 2016	\$831,200		\$831,200	\$0	\$0	\$831,200	\$0
FFY 2017	\$824,100		\$824,100	\$0	\$0	\$824,100	\$0
FFY 2018	\$1,110,700		\$1,110,700	\$0	\$0	\$1,069,899	\$40,801
FFY 2019	\$1,979,200		\$1,979,200			\$1,061,695	\$917,505
FFY 2020		\$1,101,100					
TOTALS	\$23,325,750	\$1,101,100	\$22,447,050	\$0	\$41,299	\$21,447,445	\$958,306



Source Water and Wellhead Protection Sub Element (5%)							
Total Expenditures FFY Capitalization Grant							
Federal Awards Allocated to Set-Aside	Total Set-Aside Allocated	Set-Aside Anticipated for FFY 20 Cap Grant	Specified Amount	Unspecified Amount	Amount Transferred to Loan Fund	Specified Expenditures thru 06/30/20	Estimated Ending Balance as of 06/30/2020
FFY 1997	\$1,375,980		\$1,375,980	\$0	\$0	\$1,375,980	\$0
FFY 1998-1999	\$875,106		\$875,106	\$0	\$0	\$875,106	\$0
FFY 2000	\$465,420		\$465,420	\$0	\$0	\$465,420	\$0
FFY 2001	\$389,455		\$389,455	\$0	\$0	\$389,455	\$0
FFY 2002	\$402,670		\$402,670	\$0	\$0	\$402,670	\$0
FFY 2003	\$400,205		\$400,205	\$0	\$0	\$400,205	\$0
FFY 2004	\$415,155		\$415,155	\$0	\$0	\$415,155	\$0
FFY 2005	\$414,275		\$414,275	\$0	\$0	\$414,275	\$0
FFY 2006	\$411,465		\$411,465	\$0	\$0	\$411,465	\$0
FFY 2007	\$411,450		\$411,450	\$0	\$0	\$411,450	\$0
FFY 2008	\$407,300		\$407,300	\$0	\$164,428	\$242,872	\$0
FFY 2009	\$407,300		\$407,300	\$0	\$0	\$407,300	\$0
FFY 2009 (ARRA)	\$0		\$0	\$0	\$0	\$0	\$0
FFY 2010	\$678,650		\$678,650	\$0	\$325,081	\$353,569	\$0
FFY 2011	\$470,900		\$470,900	\$0	\$462,542	\$8,358	\$0
FFY 2012	\$448,750		\$448,750	\$0	\$0	\$448,750	\$0
FFY 2013	\$421,050		\$421,050	\$0	\$0	\$421,050	\$0
FFY 2014	\$442,250		\$442,250	\$0	\$0	\$442,250	\$0
FFY 2015	\$439,350		\$439,350	\$0	\$146,308	\$293,042	\$0
FFY 2016	\$415,600		\$415,600	\$0	\$415,600	\$0	\$0
FFY 2017	\$412,050		\$412,050	\$0	\$0	\$297,521	\$114,529
FFY 2018	\$555,350		\$555,350	\$0	\$0	\$295,198	\$260,152
FFY 2019	\$550,200		\$550,200			\$0	\$550,200
FFY 2020		\$550,550					
TOTALS	\$11,209,931	\$550,550	\$11,209,931	\$0	\$1,513,959	\$8,771,091	\$924,881



Capacity Development Sub-Element (10%)							
Total Expenditures by FFY Capitalization Grant							
Federal Awards Allocated to Set Aside	Total Set-Aside Allocated	Set-Aside Anticipated for FFY 20 Cap Grant	Specified Amount	Unspecified Amount	Amount Transferred to Loan Fund or EPA In-kind services	Specified Expenditures through 06/30/2020	Estimated Ending Balance as of 06/30/2020
FFY 1997	\$537,990		\$537,990	\$0	\$0	\$537,990	\$0
FFY 1998-1999	\$1,312,659		\$1,312,659	\$0	\$0	\$1,312,659	\$0
FFY 2000	\$698,130		\$698,130	\$0	\$0	\$698,130	\$0
FFY 2001	\$778,910		\$778,910	\$0	\$0	\$778,910	\$0
FFY 2002	\$805,205		\$805,205	\$0	\$0	\$805,205	\$0
FFY 2003	\$800,410		\$800,410	\$0	\$0	\$800,410	\$0
FFY 2004	\$830,310		\$830,310	\$0	\$0	\$830,310	\$0
FFY 2005	\$828,550		\$828,550	\$0	\$0	\$828,550	\$0
FFY 2006	\$822,930		\$822,930	\$0	\$0	\$822,930	\$0
FFY 2007	\$822,900		\$822,900	\$0	\$0	\$822,900	\$0
FFY 2008	\$814,600		\$814,600	\$0	\$37,753	\$776,847	\$0
FFY 2009	\$814,600		\$814,600	\$0	\$0	\$814,600	\$0
FFY 2009 (ARRA)	\$0		\$0	\$0	\$0	\$0	\$0
FFY 2010	\$1,357,300		\$1,357,300	\$0	\$0	\$1,357,300	\$0
FFY 2011	\$941,800		\$941,800	\$0	\$276,513	\$665,287	\$0
FFY 2012	\$897,500		\$897,500	\$0	\$0	\$897,500	\$0
FFY 2013	\$842,100		\$842,100	\$0	\$0	\$842,100	\$0
FFY 2014	\$884,500		\$884,500	\$0	\$0	\$884,500	\$0
FFY 2015	\$878,700		\$878,700	\$0	\$0	\$878,700	\$0
FFY 2016	\$831,200		\$831,200	\$0	\$400,000 ⁸	\$831,000	\$0
FFY 2017	\$824,100		\$824,100	\$0	\$500,000	\$824,100	\$0
FFY 2018	\$1,110,700		\$1,110,700	\$0	\$0	\$1,051,100	\$50,207
FFY 2019	\$1,100,400		\$1,100,400	\$0	\$145,000 ⁸	\$611,558	\$343,842
FFY 2020		\$1,101,000			\$50,000 ⁸		
TOTALS	\$19,535,494	\$1,101,000	\$19,535,494	\$0	\$1,359,266	\$18,672,586	\$394,049

⁸ EPA In-kind Service for CADMUS and PAI for AWOP and Engineering Programs



APPENDIX E

PUBLIC OUTREACH

The public notice process is described in Section VII of this document (Public Participation). The following comments were received during the public comment period of May 29, 2020 to June 29, 2020

Sample notice published in at least three newspapers statewide:

The New Mexico Finance Authority (NMFA) and the New Mexico Environment Department (NMED) Drinking Water Bureau (DWB) invite public review and comment on the ***State Fiscal Year 2021 Drinking Water State Revolving Fund Draft Intended Use Plan***. The Safe Drinking Water Act (SDWA) amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) program to assist eligible public water systems to finance the cost of the infrastructure needed to achieve or maintain compliance with the SDWA requirements and protect public health. This Intended Use Plan (IUP) details the intended use for the State Fiscal Year 2020. The draft IUP is available at <http://www.nmfa.net> and https://www.env.nm.gov/drinking_water/wifunding/ or a copy can be obtained by calling Karen Torres at (505) 827-0027 or by e-mail at karenm.torres@state.nm.us. Comments will be accepted until June 29, 2020 and should be addressed to:

New Mexico Environment Department - Drinking Water Bureau
P. O. Box 5469
Santa Fe, NM 87502-5469
Attn: Jill Turner
Via email at jill.turner@state.nm.us

NMED does not discriminate on the basis of race, color, national origin, disability, age or sex in the administration of its programs or activities, as required by applicable laws and regulations. NMED is responsible for coordination of compliance efforts and receipt of inquiries concerning non-discrimination requirements implemented by 40 C.F.R. Part 7, including Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973; the Age Discrimination Act of 1975, Title IX of the Education Amendments of 1972, and Section 13 of the Federal Water Pollution Control Act Amendments of 1972. If you have any questions about this notice or any of NMED's non-discrimination programs, policies or procedures, you may contact:



Attn: Non-Discrimination Coordinator
New Mexico Environment Department
1190 St. Francis Dr., Suite N4050
P.O. Box 5469
Santa Fe, NM 87502
(505) 827-2855
nd.coordinator@state.nm.us

If you believe that you have been discriminated against with respect to a NMED program or activity, you may contact the Non-Discrimination Coordinator identified above or visit our website at <https://www.env.nm.gov/non-employee-discrimination-complaint-page/> to learn how and where to file a complaint of discrimination.



Appendix F:

Compliance with Grant Conditions

1. Davis-Bacon Act

It is a requirement that recipients of SRF funding comply with 40 CFR Part 31, the Davis- Bacon Act wage determinations and the U.S. Department of Labor's implementing regulations. The Department of Labor provides all pertinent information related to compliance with labor standards, including prevailing wage rates and instructions for reporting. The requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project carried out in whole or in part with assistance made available as authorized by section 1452 of that Act (42 U.S.C. 300j-12).

2. Compliance with Crosscutting Authorities

There are a number of federal laws, executive orders, and federal policies that apply to projects and activities receiving federal financial assistance, regardless of whether the federal laws authorizing the assistance make them applicable. These federal authorities are referred to as crosscutting authorities or crosscutters. The crosscutters apply to projects and activities whose cumulative funding equals the amount of the SRF capitalization grants. All projects assisted with funds equivalent to the amount of capitalization grants must comply with the crosscutter requirements. The crosscutters can be divided into three groups: environmental; social policies; and, economic and miscellaneous authorities.

- Environmental crosscutters include federal laws and executive orders that relate to preservation of historical and archaeological sites, endangered species, wetlands, agricultural land, etc. This crosscutter requirement includes a National Environmental Policy Act-compliant environmental review.
- Social policy crosscutters include requirements such as minority and women's business enterprise participation goals, equal opportunity employment goals, and nondiscrimination laws. This crosscutter requirement includes compliance with the Disadvantaged Business Enterprise program.
- Economic crosscutters directly regulate the expenditure of federal funds such as the prohibition against entering into contracts with debarred or suspended firms.

A complete list of crosscutting authorities can be found at the EPA web site <https://www.epa.gov/sites/production/files/2015-08/documents/crosscutterhandbook.pdf>

The following language is included in Drinking Water State Revolving Loan Fund Loans.



Section 7.4 Compliance with Applicable State and Federal Laws. During the Loan Agreement Term, the Governmental Unit shall comply with all applicable State and federal laws, including, without limitation, the following:

(a) For all contracts, the Governmental Unit shall comply with the New Mexico Procurement Code, NMSA 1978, §§ 13-1-28 through 13-1-199, as amended, or its local procurement ordinances and regulations, as applicable.

(b) For all construction contracts awarded in excess of \$10,000, the Governmental Unit shall comply with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 12, 1967, and as supplemented in Department of Labor regulations (41 C.F.R. chapters 40 and 60). In addition, for all contracts, the Governmental Unit shall comply with all State laws and regulations and all executive orders of the Governor of the State pertaining to equal employment opportunity.

(c) For all contracts awarded for construction or repair, the Governmental Unit shall comply with the Copeland "Anti-Kickback" Act (18 U.S.C. § 874) as supplemented in Department of Labor regulations (29 C.F.R. part 3).

(d) For all construction subcontracts, and sub grants of amounts in excess of \$100,000, the Governmental Unit shall comply with all applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. § 7606), Section 508 of the Clean Water Act (33 U.S.C. § 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 C.F.R. Part 15). In addition, for all contracts, the Contractor shall comply with all applicable State laws and regulations and with all executive orders of the Governor of the State pertaining to protection of the environment.

(e) For all contracts the Governmental Unit shall comply with the mandatory standards and policies relating to energy efficiency which are contained in the State energy conservation plan issued in compliance with section 362 of the Energy Policy and Conservation Act (42 U.S.C. § 6322).

(f) For all contracts in excess of \$2,000 the Governmental Unit shall comply with applicable standards of the Davis-Bacon Wage Act (40 U.S.C. § 3141 et seq.), as amended and supplemented, relating to wages paid to laborers and mechanics employed by contractors and sub-contractors on a Project funded directly by or assisted in whole or in part by and through the Governmental Unit.

(g) For all contracts, the Governmental Unit shall comply with the requirements of Environmental Protection Agency's Program for Utilization of Minority and Women's Business Enterprises set out in Title 40, Chapter I, Subchapter B, and Part 33 of the Code of Federal Regulations.



(h) For all contracts, the Governmental Unit shall comply with the requirements of Executive Order 13502 on Use of Project Agreements for Federal Construction Projects.

(i) For all contracts, the Governmental Unit shall comply with the requirements of Executive Order dated September 25, 2012 on Strengthening Protections Against Trafficking in Persons in Federal Contracts.

(j) For all contracts, the Governmental Unit shall comply with all federal requirements applicable to the Loan (including those imposed by the 2014 Appropriations Act and related SRF Policy Guidelines) which the Governmental Unit understands includes, among other, requirements that all of the iron and steel products used in the Project are to be produced in the United States (“American Iron and Steel Requirement”) unless (i) the Governmental Unit has requested and obtained a waiver from the Finance Authority pertaining to the Project or (ii) the Finance Authority has otherwise advised the Governmental Unit in writing that the American Iron and Steel Requirement is not applicable to the Project.

(k) For all contracts, the Governmental Unit shall comply with all record keeping and reporting requirements under the Clean Water Act/Safe Drinking Water Act, including any reports required by a Federal agency or the Finance Authority such as performance indicators of program deliverables, information on costs and project progress. The Governmental Unit understands that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities and (ii) failure to comply with the Clean Water Act/Safe Drinking Water Act and this Agreement may be a default under this Agreement.

(l) For all contracts, the Governmental Unit shall comply with Executive Order 12549 – Debarment and Suspension and all rules, regulations and guidelines issued pursuant to Executive Order 12549, including compliance with the requirement that each prospective participant in transactions related to the Loan execute a written certification that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in transactions related to the Loan.

The Finance Authority or its designee shall have the right to review all contracts, work orders and other documentation related to the Project that it deems necessary to assure compliance with applicable laws, rules and regulations, and may conduct such review as it deems appropriate prior to disbursing funds for payment of an Approved Requisition.

American Iron and Steel

For all contracts, the Governmental Unit shall comply with all federal requirements applicable to the Loan (including those imposed by the 2014 Appropriations Act and related SRF Policy Guidelines) which the Governmental Unit understands includes, among other, requirements that all of the iron and steel products used in the Project are to be produced in the United States (“American Iron and Steel Requirement”) unless (i) the Governmental Unit has requested and obtained a waiver from the Finance Authority pertaining to the Project or (ii) the Finance



Authority has otherwise advised the Governmental Unit in writing that the American Iron and Steel Requirement is not applicable to the Project.

Signage- The recipient agrees to comply with the SRF Signage Guidelines in order to enhance public awareness of EPA assistance agreements nationwide. See Memo, "Guidelines for Enhancing Public Awareness of SRF Assistance Agreements," June 3, 2015.



Appendix G:

Cash Draw Ratio and Grant Payment Schedule



New Mexico Finance Authority -- FY 2020 Grant Application Draw Projections
 Appropriation \$11,011,000 (Federal)
 Appropriation \$2,200,200 (State)

Date	FFY -- QTR	Administrative Set-Aside	Small System Technical Assistance Set Aside	State Program Management Set-Aside	Local Assistance and other State Program Set Aside*	Total Set Aside	Loan Fund Federal	Loan Fund State Match	Total
July - Sept 2020	2020 - 4th	\$440,440	\$220,220	\$1,101,100	\$1,601,650	\$3,363,410	\$7,647,590	\$2,202,200	\$13,213,200
Oct - Dec 2020	2021 - 1st								\$0
Jan - Mar 2021	2021 - 2nd								
Apr - June 2021	2021 - 3rd								
July - Sept 2021	2021 - 4th								
Oct - Dec 2021	2022 - 1st								
Jan - Mar 2022	2022 - 2nd								
Apr - June 2022	2022 - 3rd								
July - Sept 2022	2022 - 4th								

For Reference						Max set-aside equals	Max loan fund equals	Cash Draw Ratio
Max % - total award		4%	2%	10%	15%	31%	69%	
Max \$ -total federal award		\$440,440	\$220,220	\$1,101,100	\$ 1,601,650.00	\$3,363,410	\$7,647,590	77.53%
Max \$ -total state award							\$2,202,200	22.47%
Combined total						\$3,363,410	\$9,849,790	100.00%

*the 15% removes the \$50,000 in-kind EPA Service (Cadmus Engineering)



