

DWSRF
INTENDED USE PLAN
FOR NEW MEXICO

State Fiscal Year 2007
(SFY 07)

**STATE FISCAL YEAR 2007
DWSRF CAPITALIZATION GRANT
INTENDED USE PLAN**

TABLE OF CONTENTS

| TOPIC | PAGE |
|--|-------------|
| I. Introduction | 3 |
| II. Sources and Uses of Funds, § 40 CFR 35.3555 (c)(4) | 6 |
| III. Long Term and Short Range Goals of the Drinking Water Program and the Revolving Loan Fund, § 40 CFR 35.3555 (c)(5) | 7 |
| IV. Use of Funds Specified for Services to Public Water Systems (Set-Asides), § 40 CFR 35.3555 (c)(6) | 10 |
| A. Administrative Costs for Fund Administration Set-Aside | 12 |
| B. Small Systems Technical Assistance Set-Aside | 15 |
| C. State Programs Set-Aside - Services to All Public Water Systems | 18 |
| D. Local Assistance Set-Aside - Services to All Public Water Systems | 22 |
| V. Affordability Criteria and Assistance to Disadvantaged Communities, § 40 CFR 35.3555 (c)(3)(i)-(iii) and (c)(7)(i)-(iv) | 28 |
| VI. DWRLF Leveraging Plan and Financial Status, §40 CFR 35.3555 (c)(3)(ii)-(iii) | 30 |
| VII. Distribution of Project Funds - Criteria and Process Used, §40 CFR 35.3555 (c)(3)(i)-(ii) | 33 |
| VIII. Required Environmental Review | 41 |
| IX. Public Participation Program, § 40 CFR 35.3555 (b) | 43 |
| Attachment A – NM Environment Department Match for State Programs Category | |
| Attachment B – SFY 2007 Comprehensive Priority List, § 40 CFR 35.3555 (c)(2)(i) | |
| Attachment C – SFY 2007 Fundable List of Projects, §40 CFR 35.3555 (c)(2)(i) | |
| Attachment D – Priority List Project Review Process, § 40 CFR 35.3555 (c)(1) | |
| Section V – Priority List Project Rating Sheet, §40 CFR 35.3555 (c)(3)(ii) | |
| Section VI - Process for Evaluating a Capacity Assessment, §40 CFR 35.3555 (c)(3)(ii) | |
| Section VII - By-Pass Procedures, §40 CFR 35.3555 (c)(2)(ii)-(iii) | |
| Attachment E – SFY 2007 IUP Public Response Documents, § 40 CFR 35.3555 (b) | |
| Attachment F – Carryover Amounts and Potential Projects for Loans | |
| Attachment G – Listing of Potentially Disadvantaged Communities, § 40 CFR 35.3555 (c)(7) | |
| Attachment H – Four Year Budget Projection for Set-Aside Expenditures | |

I. INTRODUCTION

In 1997, the State of New Mexico, through the New Mexico Environment Department (NMED) and the New Mexico Finance Authority (NMFA), established the Drinking Water State Revolving Loan Fund (DWRLF, or Fund), pursuant to the 1996 amendments to the federal *Safe Drinking Water Act (SDWA)* with the purpose to provide water systems with low-cost financial assistance in the construction and rehabilitation of necessary drinking water facilities through the creation of a self-sustaining revolving loan program, to improve and protect drinking water quality and public health pursuant to the safe *SDWA* requirements and set-aside activities. To date, New Mexico had received approximately \$75.5 million in capitalization grants from the Environmental Protection Agency (EPA) and had provided State Match grant funds totaling approximately \$15.1 million. Out of the \$75.5 million, \$67.2 million is deposited in the Loan Fund of which NMFA has loaned 16.1% to small systems (described as systems that serves a population of fewer than 10,000 people). This meets the Federal requirement of 15% which is outlined in 40 CFR 35.3555 (c)(2)(iv).

An Intended Use Plan (IUP) is required by the *SDWA* in order to receive the Drinking Water State Revolving Fund (DWSRF) EPA capitalization grant that funds the DWRLF. The key to the short and long-term goals described in the IUP are New Mexico's continued efforts to: 1) ensure public health protection; 2) identify and provide funding for maintaining and/or bringing New Mexico's public water systems into compliance with the *SDWA*; 3) support affordable drinking water and sustainability; and 4) maintain the long-term financial health of the Fund. See 40 CFR Chapter 1 §35.3555).

The IUP describes how the Set-Asides funds will be used during State Fiscal Year (SFY) 2007, which spans the period of July 1, 2006 to June 30, 2007. This IUP addresses the intended uses of the new federal fiscal year (FFY) 2006 Capitalization Grant and the remaining Set-Aside and DWRLF balances unexpended in previous fiscal years. See 40 CFR Chapter 1 §35.3555(c)(6)(i).

The State of New Mexico is applying for the FFY 2006 capitalization grant allotment, which is currently appropriated at \$7,479,400. Up to 31% percent of the annually allotted federal capitalization grant is designated by *SDWA* for "Set-Aside" activities. The State uses the Set-Asides for many eligible activities, including efforts to: a) develop technical, managerial, and financial capacity for local water systems; b) assist entities in qualifying for loans; and c) provide technical assistance targeted to systems serving 10,000 persons or less. This is based on the State using the maximum Set-Aside allocation to ensure public health protection. A portion of the Set-Asides (up to 4% of the grant) is utilized by the NMFA to cover reasonable

administrative costs of the DWRLF. The federal capitalization grant, less the amount of Set-Asides, is deposited in the DWRLF along with the entire State Match. The NMFA can then utilize funds in the DWRLF to make loans to community water systems for eligible water system improvements. For projects with the proper legislative authorization, DWRLF loans can be combined with loans from the NMFA's Public Project Revolving Fund to "leverage" the funds in the DWRLF, creating a much greater dollar amount for financed projects. NMED, through its Drinking Water Bureau (DWB), and NMFA are responsible for providing the administrative oversight for the use of the Set-Asides to support public water systems (PWSs). See 40 CFR § 35.3510(b)(1).

Under 40 CFR § 35.3555 (c)(3)(i) the State must provide a process and rationale for distribution of funds between the Fund and set-aside accounts. New Mexico statute at NMSA 1978, Section 6-21 A-5E states: "The department [NMED] shall adopt regulations or internal procedures establishing the criteria and method for the distribution of annual capitalization grant funds between the fund and the non-project activities (set-asides) allowed by the Safe Drinking Water Act..."(6-21 A-5E NMSA, 1978.) The MOU between NMED and NMFA currently states "The Department shall prepare the application, set the funding for each of the set-aside components and the Fund, and prepare the Intended Use Plan which will include the proposed priority list of projects eligible for funding from the Fund" (MOU, 08/1997 § 2.1).

The rationale for the full use of the DWSRF Set-Asides is multiple in nature. It is estimated that optimal use of the programmatic Set-Asides may only address 20% of the eligible and urgently needed public health protection activities. Due to the dispersed nature of the population and the large geographic area of New Mexico, consolidated training and services do not optimally reach the majority of the rural water systems. In order to effectively implement the Set-Aside programs, a high degree of individual water system training and assistance is required. These Set-Aside programs must allow for a greater percentage of individual or "small-cluster" trainings and interactions, which is more burdensome and time-consuming but more effective in assisting systems in complying with the *SDWA*. Thus, New Mexico needs to utilize 27% of the available funds for non-administrative Set-Aside activities.

In the past the loan fund provided sufficient balances for the purposes of making loans to interested and eligible applicants. With EPA's assistance through approval of the SFY06 consolidated work plan on March 27, 2006, NMED is now more able to optimize the Set-Asides thus providing greater support to New Mexico public water systems. This will result in accelerated use of Set-Aside balances, thus providing more urgently needed assistance to public water systems, while optimizing the use of the federal revenue in an increasingly timely fashion. NMED, has completed a strategy to ensure full use of the Set-

Asides in a timely manner. This strategy includes at present a four-year projection of anticipated spending of Set-Aside revenues through SFY 2009. This clarifies spending levels and demonstrates the account balance reductions anticipated in the Set-Asides over the next four years. NMED will continue to update the strategy and rationale it uses to set the distribution of the DWSRF between the Fund and the Set-Asides on a continuing basis.

II. DWSRF SOURCES AND USES OF FUNDS STATEMENT

Balances thru 6/30/06- Uses for State FY07

Sources of Funds

| | Setasides (excludes admin.) | Administration | Loan Fund | Total |
|--|--------------------------------|--------------------|---------------------|---------------------|
| Balances projected to expire ¹ | \$0 | \$0 | \$7,370,422 | \$7,370,422 |
| Beginning balances from previous unexpired awards ² | \$2,657,676 | \$860,638 | \$27,899,667 | \$31,417,981 |
| Total Liquid Asset Balance from previous year | \$2,657,676 | \$860,638 | \$35,270,089 | \$38,788,403 |
| Federal Cap Grant Payments(FFY06 award) | \$2,019,438 | \$299,176 | \$5,160,786 | \$7,479,400 |
| State Match (FFY06 award) | \$0 | \$0 | \$1,495,880 | \$1,495,880 |
| Interest on Cash Assets | \$0 | \$0 | \$275,551 | \$275,551 |
| Leveraged Bond Proceeds | \$0 | \$0 | \$0 | \$0 |
| Loan repayments (both Principal & Interest) | \$0 | \$0 | \$1,345,785 | \$1,345,785 |
| Fees generated from lending or set-aside activity | \$0 | \$0 | \$161,541 | \$161,541 |
| Other cash inflows | \$0 | \$0 | \$0 | \$0 |
| | \$2,019,438 | \$299,176 | \$8,439,543 | \$10,758,157 |
| Total Sources of Funds | \$4,677,114 | \$1,159,814 | \$43,709,632 | \$49,546,560 |

Uses of Funds

Loans

| | | | | |
|--------------------------------------|-----|-----|--------------|--------------|
| Unexpended amounts on existing loans | \$0 | \$0 | \$1,887,819 | \$1,887,819 |
| Current FY loans anticipated | \$0 | \$0 | \$24,458,350 | \$24,458,350 |
| Total for loans | \$0 | \$0 | \$26,346,169 | \$26,346,169 |

Set-Asides

| | | | | |
|---|-------------|-----------|-----|-------------|
| Administration (4%) | \$0 | \$299,176 | \$0 | \$299,176 |
| Small Systems Tech Assistance (2%) | \$150,345 | \$0 | \$0 | \$150,345 |
| State Program Mgt (1452(g)(2)-10%) ³ | \$751,725 | \$0 | \$0 | \$751,725 |
| Local Assistance/St Prog (1452(k)-15%) | \$1,117,368 | \$0 | \$0 | \$1,117,368 |
| Total for Set Asides | \$2,019,438 | \$299,176 | \$0 | \$2,318,614 |

Other

| | | | | |
|--|-------------|-----------|--------------|--------------|
| Debt service on Leveraged and Match Bonds | \$0 | \$0 | \$0 | \$0 |
| Debt Service Reserve Funding | \$0 | \$0 | \$0 | \$0 |
| Other cash outflows | \$0 | \$0 | \$0 | \$0 |
| Funds that will be extended from previous awards ¹ | \$0 | \$0 | \$7,370,422 | \$7,370,422 |
| Ending Balances (Resources Carried Over to Next Year) ⁴ | \$2,657,676 | \$860,638 | \$9,993,041 | \$13,511,355 |
| Total for Other | \$2,657,676 | \$860,638 | \$17,363,463 | \$20,881,777 |

Total Uses of Funds

| | | | | |
|--|--------------------|--------------------|---------------------|---------------------|
| | \$4,677,114 | \$1,159,814 | \$43,709,632 | \$49,546,560 |
|--|--------------------|--------------------|---------------------|---------------------|

Note: 1 FFY 1999 grant expires at the end of June 30, 2006 and FFY 2000 grant expires at the end of June 30, 2006

2. This amount includes the FFY 2005 Grant for which the application has been submitted on April 7, 2006

3: The required 50% match for State Programs is met by NMED, with existing expenditures from the Water Conservation Fee Fund (within the purposes of the fund) see Attachment A. This time and effort match is based on actual cash outlays by NMED.

4: Please see Attachment F for the projects that will absorb the SFY 06 Carryover of funds.

III. LONG-TERM AND SHORT-TERM GOALS OF THE DRINKING WATER STATE REVOLVING LOAN FUND AND SET-ASIDE PROGRAMS

A. Long-Term Goals for the DWRLF and Set-Aside Programs:

1. Support public water systems, through the DWRLF and Set-Aside activities as set forth in the approved set-aside work-plans, to maximize *SDWA* compliance, public health protection, ensure affordable drinking water and system sustainability, particularly focusing on water systems serving populations of less than 10,000.
2. Maintain the revolving loan fund, as a perpetual funding source with fiscal integrity, to support water systems in New Mexico.
3. Develop and maintain timely, accurate and complete administrative functions, to sustain the DWRLF, including grant application and reporting, as required under the *SDWA*.
4. Provide and foster financial, technical and managerial capacity to all public water systems, in a timely and appropriate manner. Ensure that training and services are designed to target small water systems serving a population of less than 10,000.
5. Establish and maintain viable public health indicators, such as enteric disease rates, for the purpose of increasing the capacity of public water systems ability to protect public health by the prevention and early response to waterborne disease.
6. Cooperate with other organizations, agencies and individuals in fostering a sustainable supply of healthy drinking water for the State through source water protection, water conservation, drought management, and proper operation and maintenance of water systems.
7. Encourage the sharing of resources, which can include consolidation and/or regionalization of small public water systems that lack the capability to operate and maintain water systems in a cost-effective manner and in accordance with *SDWA* and workplans.
8. Improve the capacity of surface water systems through the Area Wide Optimization Program (AWOP) through activities such as Comprehensive Performance Evaluations (CPE), to assure *SDWA* compliance.

B. Short-Term Goals for the DWSRL and Set-Aside Programs:

1. Post the SFY 2008 IUP for public review. (May, 2007) [Long-Term Goal 3]
2. Prepare and make the necessary modifications for the FFY 2006 Capitalization Grant Application, including the Intended Use Plan (based on a state fiscal year) and Improved Priority List. [Long-Term Goals 2, 3]
3. Modify the approved SFY06 to develop the SFY07 Set-Aside workplans, specifying funds from on-going capitalization grants. (August, 2006). [Long-Term Goals 1, 3, 4, 5, 6, 7, & 8]
4. Use Set-Aside funds to implement the Small Systems Technical Assistance, State Programs, and Local Assistance through the Capacity Development Program, Source Water Protection Program, and AWOP. This goal will be accomplished by a combination of DWB staff efforts and contracts for technical, managerial and financial capacity.[Long-Term Goals 1, 4, & 6-8]
5. Complete the initial development of the Source Water Protection Database (SWPD), which tracks sources of contamination, identifying the most prevalent and threatening sources of contamination that affect communities in New Mexico. [Long-Term Goal 6]
6. Continue to refine and implement the Source Water Protection Program using the results of the completed SWAPP reports and the SWPD to identify priorities and provide incentives for local source water protection activities such as facilitation of community water planning through public outreach and education. These activities shall be completed through a combination of staff and contractor efforts. [Long-Term Goals 1& 6]
7. Provide loans to water systems listed on the Fundable Priority List to the extent possible and in accordance with federal and state laws. [Long-Term Goals 1, 2, & 4]
8. Provide low-cost loans to disadvantaged communities for eligible drinking water projects, as allowed by the SDWA. [Long-Term Goals 1, 2, & 4]
9. Continue to develop and refine the AWOP program through training and implementation of CPEs at surface water systems. [Long-Term Goals 1, & 8]
10. Execute five (5) binding commitments for SFY 2007. [Long-Term Goals 1, 2, 3, & 4]
11. Meet the Objectives for each Set-Aside category, including “Outputs,” “Outcomes,” “Deliverables” and “Projected Number of PWS Receiving Assistance Measures” as they relate to the environmental benefits regulations which were established in January 2005. [Long-Term Goals 1, 3, 4 – 8]
12. Complete and submit the SFY 2006 annual report. (September, 2006) [Long-Term Goal 3]
13. Continue to review and revise, as appropriate, the priority system ranking criteria to better reflect public health priorities and other capacity measures used for the establishment of the annual fundable priority list and comprehensive priority list. [Long-Term Goals 1, 3, & 4]

14. Update the Memorandum of Understanding (MOU) between NMFA and NMED (June 30, 2007). [Long-Term Goals 1 – 3]
15. Continue to develop and refine a protocol for the use of the DWSRF – the fund and non-project (set-aside) activities. [Long-Term Goals 1-3]
16. Provide technical assistance through the capacity development program to target water systems that are on the Comprehensive Priority List but are unable to qualify for the Fundable Priority List. [Long-Term Goal 4]

IV. USE OF FUNDS SPECIFIED FOR SERVICES TO PUBLIC WATER SYSTEMS

As required by the *SDWA*, the IUP explains how the Set-Asides will be expended during SFY07. The State must complete detailed workplans and have those workplans approved by EPA before any funds can be spent. The forthcoming consolidated workplan, will include a combination of FFY 2005 and the new FFY 2006 (under application) allotments, the remaining DWSRF balances unexpended in previous fiscal years, and the proposed work for the FFY 2006 allotment. Chart A illustrates the amounts under application and specified for the category and/or categories under each Set-Aside element for this IUP, as detailed in the Sources and Uses of Funds (Page 5) for FFY 2006.

Chart A: DWSRF FFY 2006 Capitalization Grants Set-Aside Elements & Categories

Note: Total Federal Capitalization Grant Allotment is \$7,479,400 for FFY 2006. The 20% state match is \$1,495,880 for FFY 2006.

| ELEMENT | CATEGORY | SDWA REFERENCE | % OF FEDERAL AMOUNT | UNEXPENDED BALANCES FORWARD TO SFY 2007 | FEDERAL AMOUNTS SPECIFIED FROM FFY06 |
|---|---|----------------|---------------------|---|--------------------------------------|
| <u>A. Fund Administration</u> | | | | | |
| | (1) Fund Administration | 1452(g)(2) | 4% | 860,638 | 299,176 |
| | Subtotal | | 4% | 860,638 | 299,176 |
| <u>B. Small Systems Technical Assistance</u> | | | | | |
| | (1) Small Systems Technical Assistance | 1452(g)(2) | 2% | 582,691 | 150,345 |
| | Subtotal | | 2% | 582,691 | 150,345 |
| <u>C. State Programs Services to All Public Water Systems*</u> | | | | | |
| | Assistance to PWSS | 1452(g)(2) | 10% | 78,821 | 751,725 |
| | Subtotal | | 10% | 78,821 | 751,725 |
| <u>D. Local Services to All Public Water Systems</u> | | | | | |
| | (1) State & Local Capacity | 1452(k)(1)(B) | 10% | 913,093 | 741,505 |
| | (2) Implementation of Wellhead Protection | 1452(k)(1)(B) | 5% | 1,083,071 | 375,863 |
| | (3) Program Other | | 0% | 0 | 0 |
| | Subtotal | | 15% | 1,996,164 | 1,117,368 |
| Grand Totals | | | 31% | 3,518,314 | 2,318,614 |

* The 1:1 match for State Programs for the SFY07 Budget of \$786,390 is met by NMED with existing expenditures from the Corrective Action Fund (within the purposes of the fund) as state effort. See also Attachment A.

A. Administrative Costs for Fund Administration Set-Aside

Section 1452(g) of the *SDWA* authorizes states to provide funding for DWSRF Administration as a Set-Aside activity. The administration of the State of New Mexico DWRLF is delegated by statute to the NMFA. The administrative tasks include, but are not limited to, portfolio management; DWRLF program costs; support services; financial management; technical services for construction oversight and environmental reviews, and legal consulting fees.

Fund Administration Staff and Agency Resources

| Awards Allocated to Set-Aside | Total Set-Aside Allocated | Specified Amount | Unspecified Amount | Unspecified Amount Transferred to Loan Fund | Specified Expenditures thru 6/30/06 | Specified Ending Balance |
|-------------------------------|---------------------------|------------------|--------------------|---|-------------------------------------|--------------------------|
| FY97 | \$510,392 | \$510,392 | \$0 | \$0 | \$510,392 | \$0 |
| FY98-99 | \$583,404 | \$583,404 | \$0 | \$0 | \$583,404 | \$0 |
| FY00 | \$310,280 | \$310,280 | \$0 | \$0 | \$310,280 | \$0 |
| FY01 | \$311,564 | \$311,564 | \$0 | \$0 | \$311,564 | \$0 |
| FY02 | \$322,100 | \$322,100 | \$0 | \$0 | \$322,100 | \$0 |
| FY03 | \$320,164 | \$320,164 | \$0 | \$0 | \$282,222 | \$37,942 |
| FY 04 | \$332,124 | \$332,124 | \$0 | \$0 | \$0 | \$332,124 |
| FY 05 | \$331,420 | \$331,420 | \$0 | \$0 | \$0 | \$321,420 |
| TOTALS | \$3,021,448 | \$3,021,448 | \$0 | \$0 | \$2,319,962 | \$691,486 |

| Balances forward to SFY 2007 | Percentage Reserved from FFY 2004 & 2005 Capitalization Grants Expected in SFY 2006 | Specified Amounts from FFY 2006 Capitalization Grant Expected in SFY 2007 | Unspecified Amounts from FFY 2006 Capitalization Grant Expected in SFY 2007 | SFY 2007 Estimated Expenditures | End of SFY 2007 Estimated Balance |
|------------------------------|---|---|---|---------------------------------|-----------------------------------|
| | | FFY 2006 | FFY 2006 | | |
| \$691,486 | 4% | \$299,176 | \$0 | \$390,000 | \$600,662 |

In accordance with 1452(g) of the *SDWA*, this Set-Aside will be utilized by the NMFA. As allowed by the *SDWA*, the NMFA reserved and specified an amount equal to 4% (\$299,176) of the 2006 capitalization grant for administrative support of the DWSRF. The NMFA will use an estimated amount of \$390,000 from Set-Aside funds for SFY 2007. The funds available for the administration of the DWSRF program during SFY 2007 include the unexpended administrative Set-Aside funds from previous years. This Set-Aside will fund activities that implement, administer, and operate the DWSRF program during SFY 2007. The NMFA estimates that eleven of its employees will work on the program, on a part-time basis, for an equivalent of approximately 3.25 Full-Time Employees (FTEs). The NMFA staff charge their time based on actual hours worked on the DWSRF program. The NMFA

end of SFY 2007 balance for Administration is estimated at \$769,814. The NMFA may contract with the NMED's Construction Programs Bureau for engineering and construction oversight. NMFA may also contract with other parties chosen through a competitive procurement process for other technical services. The NMFA SFY 2007 estimated expenditures for these services are approximately \$102,470.

Selected Activities

- NMFA staff will provide assistance to water systems, including loan portfolio management; debt issuance; financial, management and legal consulting fees; technical review of preliminary engineering reports and environmental information documents; and construction management services.
- NMFA will use this administrative Set-Aside element to operate the loan fund.
- NMFA will assist systems with the application process, including the production of documents required as part of the funding process.
- The NMFA will use this administrative Set-Aside to fund oversight of draw requests for costs incurred and to prepare and submit financial reports to EPA.

Target Accomplishments

- Maintain the loan fund, as a perpetual funding source with fiscal integrity;
- Develop and maintain timely, accurate and complete administrative functions, including Project binders, grant application and reporting;
- Strengthen minority-owned and women-owned business (MBE/WBE) involvement by outsourcing the education of potential contractors, with respect to the six steps for MBE/WBE participation; and
- The NMFA anticipates entering into five (5) binding commitments during the SFY 07.
- Improve the current State Environmental Review Process (SERP) document to address emergency projects as well as Categorical Exclusions
- Draft a second SERP for Tier II monies (the revolving fund), allowing for potentially less stringent environmental review requirements.
- Draft a Policy for Loans that applies to loans made from Tier II monies.
- Implement a new database to improve the administration of the DWRLF program.

Outcomes/Environmental Results

Outputs¹ – to be documented in Annual Reports:

| Output Type | Quantitative/Qualitative Description of Output | Period of Performance |
|--|---|------------------------------|
| Close on outstanding Binding Commitments | NMFA would like to convert three loans from the four outstanding binding commitments which has been issued from the previous years | SFY07 |
| Enter into new Binding Commitments | NMFA would like to enter into five binding commitments from the SFY 07 Fundable List which can be found in Attachment C to this report. | SFY07 |
| Spend down of Erroneous Balance | NMFA should have completely exhausted the Erroneous balance by the of SFY 07. | SFY07 |

¹“The term “Output” means an environmental activity, effort and/or associated work products related to an environmental goal or objective, what will be produced or provided over a period of time or by a specified date. Outputs may be quantitative or qualitative but must be measurable during an assistance agreement funding period.” EPA Order Classification No.: 5700.7

Outcomes/environmental results¹ – to be documented in Quarterly/Annual Reports:

| Outcome Type | Quantitative Description of Outcome | Period of Performance |
|---------------------|--|------------------------------|
| Programmatic | Increase marketing efforts of the Loan Fund which will increase the understand of the SRF program. | SFY07 |
| Environmental | Two Small PWS will develop a binding commitment through SRF loan program, which will assist in returning them to compliance with SDWA. | SFY07 |

¹“The term “outcome” means the result, effect or consequence that will occur from carrying out an environmental program or activity that is related to an environmental or programmatic goal or objective. Outcomes may be environmental, behavioral, health-related or programmatic in nature, must be quantitative, and may not necessarily be achievable within an assistance agreement funding period.” EPA Order Classification No.: 5700.7

B. Small Systems Technical Assistance Set-Aside

Section 1452(g)(2)(D) of the *SDWA* authorizes states to use funding to support a state technical assistance team or to support contracts with outside organizations in order to provide technical assistance to public water systems serving a population of 10,000 or fewer. NMFA will provide assistance to serve these small systems by providing funding for Preliminary Engineering Reports (PER) and or Environmental Information Documents (EID) for projects that are currently in a design phase of the project. NMFA will consider a system’s Median Household Income (MHI) to determine the amount that NMFA will fund for these planning documents based on the following criteria:

1. Above 90% of MHI will not receive any assistance;
2. 90% > MHI >= 75% will receive 50% assistance from NMFA; and
3. Less than 75% MHI will receive 100% assistance from NMFA.

The goal for the technical assistance is to enable such systems to achieve and maintain compliance with the *SDWA* and State regulations.

NMED will provide technical assistance to small water systems, through staff resources of the Capacity Development Program and the AWOP Program to achieve the following: 1) evaluate treatment approaches to improve operating capacity for surface water systems, 2) improve compliance with drinking water standards and compliance with monitoring and reporting requirements, 3) assist water systems to develop long term compliance strategies, including the review of capital improvements, as needed, 4) enhance the quality of small water system management, and 5) provide education and training to increase the knowledge of water system personnel in efficient water system operation and compliance with the Safe Drinking Water Act.

Small Systems Technical Assistance Staff and Agency Resources

| DWRLF Awards Allocated to Set-Aside | Total Set-Aside Allocated | Specified Amount | Unspecified Amount | Unspecified Amount Transferred to Loan Fund | Specified Expenditures thru 6/30/06 | Specified Ending Balance |
|-------------------------------------|---------------------------|--------------------|--------------------|---|-------------------------------------|--------------------------|
| FFY97 | \$255,196 | \$255,196 | \$0 | \$0 | \$255,196 | \$0 |
| FFY98-99 | \$291,702 | \$291,702 | \$0 | \$0 | \$291,702 | \$0 |
| FFY00 | \$155,140 | \$155,140 | \$0 | \$0 | \$155,140 | \$0 |
| FFY01 | \$155,782 | \$155,782 | \$0 | \$0 | \$155,782 | \$0 |
| FFY02 | \$161,050 | \$161,050 | \$0 | \$0 | \$61,072 | \$99,978 |
| FFY03 | \$160,082 | \$160,082 | \$0 | \$0 | \$0 | \$160,082 |
| FFY 04 | \$166,062 | \$166,062 | \$0 | \$0 | \$0 | \$166,062 |
| FFY 05 | \$165,710 | \$165,710 | \$0 | \$0 | \$0 | \$165,710 |
| | | | | | | |
| TOTALS | \$1,510,724 | \$1,510,724 | \$ 0.00 | \$ 0.00 | \$918,892 | \$591,832 |

| Balances forward to SFY 2007 | Percentage Reserved from FFY 2006 Capitalization Grant Expected in SFY 2007 | Specified Amounts from FFY 2006 Capitalization Grant Expected in SFY 2007 | Unspecified Amounts from FFY 2006 Capitalization Grant Expected in SFY 2007 | SFY 2007 Estimated Expenditures | End of SFY 2007 Estimated Balance |
|------------------------------|---|---|---|---------------------------------|-----------------------------------|
| | | FFY 2006 | FFY 2006 | | |
| \$591,832 | 2% | \$150,345 | \$0 | \$317,100 | \$425,077 |

In accordance with 1452(g)(2) of the *SDWA*, this Set-Aside Element will be utilized by the NMED Drinking Water Bureau (DWB) for Small Systems Technical Assistance. The State expects to reserve the full 2% available (\$150,345) of the 2006 federal capitalization grant to fund the Small System Technical Assistance Program. NMED will use an estimated amount of \$317,100 from Set-Aside funds in SFY 2007. The funds available for this element during SFY 2007 include unexpended Small System Technical Assistance Set-Aside funds from previous years. NMED-DWB estimates that 7 staff members will work on the program part-time, for an equivalent of approximately 2 FTEs. The end of SFY 2007 balance for Small Systems Technical Assistance is estimated at \$685,936.

Selected Activities

- Provide training, education, and in-house professional technical resources targeted to small water systems serving a population ≤ 10,000 to assist these systems achieve and maintain long-term compliance.
- Develop and implement an Area Wide Optimization Program (AWOP) / Comprehensive Performance Evaluation (CPE) Program Strategy for surface water systems through staff and/or third party contractor activities.
- Assist disadvantaged water systems through third party contracts as needed.

Target Accomplishments

- Develop and maintain timely, accurate and complete administrative functions, including Public Water System files and grant reporting;
- Maintain Safe Drinking Water Information System (SDWIS) with documentation of appropriate actions on a continuing basis.
- Develop a state-wide implementation strategy for the Long-Term 2 Surface Water Treatment Rule and the Disinfection By-products Rule Stage 2.
- Compile and track turbidity and disinfection by-product data for surface water systems.

- Provide technical, managerial, and financial training and assistance to small water systems serving a population of ≤ 10,000 through contracts with New Mexico Rural Water Association and Rural Community Assistance Corporation.

Outcomes/Environmental Results

Outputs¹ – to be documented in Quarterly/Annual Reports:

| Output Type | Quantitative/Qualitative Description of Output | Period of Performance |
|---|---|------------------------------|
| Associated Work Product of Environmental Effort | Semi-annual meetings will be held between DWB staff and NMFA staff to review PWS for set-aside assistance, disadvantaged PWS assistance, and eligibility under the SRF loan fund. | SFY07 |
| Associated Work Product of Environmental Effort | Quarterly meetings will be held among DWB staff associated with AWOP for Program development, Review of data tracking, and training. | SFY07 |
| Environmental Activity | Three training events for staff or eligible pws focused on the state implementation strategy for lt2eswtr/stage 2 dbpr. | SFY07 |

¹“The term “Output” means an environmental activity, effort and/or associated work products related to an environmental goal or objective, what will be produced or provided over a period of time or by a specified date. Outputs may be quantitative or qualitative but must be measurable during an assistance agreement funding period.” EPA Order Classification No.: 5700.7

Outcomes/environmental results¹ – to be documented in Quarterly/Annual Reports:

| Outcome Type | Quantitative Description of Outcome | Period of Performance |
|---------------------|--|------------------------------|
| Programmatic | Develop statewide implementation strategy for LT2ESWTR and Stage 2 DBPR. | SFY07 |
| Environmental | Two Small PWS will develop a binding commitment through SRF loan program, which will assist in returning them to compliance with SDWA. | SFY07 |

¹The term “outcome” means the result, effect or consequence that will occur from carrying out an environmental program or activity that is related to an environmental or programmatic goal or objective. Outcomes may be environmental, behavioral, health-related or programmatic in nature, must be quantitative, and may not necessarily be achievable within an assistance agreement funding period.” EPA Order Classification No.: 5700.7

C. State Programs Set-Aside - Services to All Public Water Systems

1. Assistance to (PWSS) Public Water Supply Supervision Program

The Assistance to the PWSS Set-Aside provides support to the programmatic functions of the PWSS grant program authorized under Section 1452(g)(2)(A) of the *SDWA*. The general goals of the PWSS include primacy maintenance, rule implementation, enforcement, compliance, improved water system data management, public outreach and information, and improved laboratory capacity. The assistance programs will focus on direct services to water systems to improve water system infrastructure and compliance with the *SDWA* and State regulations. The needs and deficiencies of public water systems are assessed through the sanitary surveys and other information gathering mechanisms. Appropriate response to identified needs and deficiencies will bring the water systems into or keep them in compliance. Response to identified needs and deficiencies may include support via the DWRLF or other loans or through assistance provided through the Local Assistance Set-Aside.

Additionally, this State Program category will fund the administration of the Source Water Protection Program (SWPP) in the development of Source Water Protection Plans from the existing Source Water Assessments. This Set-Aside funding will be used to facilitate the administration of on-going state efforts to protect drinking water supplies from contamination.

This State Program category also will fund the on-going administrative function of the Capacity Development program, including activities such as the tri-annual development of the Report to the Governor or attendance at national or regional Capacity Development meetings and trainings.

This Set-Aside will also support the Waterborne Disease Surveillance Project. This project, under a cooperative agreement established with the Department of Health, Division of Epidemiology & Emergency Response, supports water quality surveillance, investigation, and medical consultations for associated health indicators.

State Programs Management Staff and Agency Resources

| Awards Allocated to Set-Aside | Total Set-Aside Allocated | Specified Amount | Unspecified Amount | Unspecified Amount Transferred to Loan Fund | Specified Expenditures thru 6/30/06 | Specified Ending Balance |
|-------------------------------|---------------------------|------------------|--------------------|---|-------------------------------------|--------------------------|
| FFY97 | \$1,275,980 | \$1,275,980 | \$0 | \$0 | \$1,275,980 | \$0 |
| FFY98-99 | \$1,458,510 | \$1,458,510 | \$0 | \$0 | \$1,458,510 | \$0 |
| FFY00 | \$775,700 | \$775,700 | \$0 | \$0 | \$775,700 | \$0 |
| FFY01 | \$778,910 | \$778,910 | \$0 | \$0 | \$778,910 | \$0 |
| FFY02 | \$805,250 | \$805,250 | \$0 | \$0 | \$805,250 | \$0 |
| FFY03 | \$800,410 | \$800,410 | \$0 | \$0 | \$800,410 | \$0 |
| FFY04 | \$830,310 | \$830,310 | \$0 | \$0 | \$666,627 | \$163,683 |
| FFY05 | \$828,550 | \$828,550 | \$0 | \$0 | \$0 | \$828,550 |
| | | | | | | |
| TOTALS | \$7,553,620 | \$7,553,620 | \$0 | \$0 | \$6,561,387 | \$992,233.00 |

| Balances forward to SFY 2007 | Percentage Reserved from FFY 2006 Capitalization Grant Expected in SFY 2007 | Specified Amounts From FFY 2006 Capitalization Grant Expected in SFY 2007 | Unspecified Amounts from FFY 2006 Capitalization Grants Expected in SFY 2007 | SFY 2007 Estimated Expenditures | End of SFY 2007 Estimated Balance |
|------------------------------|---|---|--|---------------------------------|-----------------------------------|
| | | FFY 2006 | FFY 2006 | | |
| \$992,233 | 10% | \$751,725 | \$0 | \$786,390 | \$957,568 |

In accordance with 1452(g)(2)(A) of the SDWA, this Set-Aside will be utilized by the NMED-DWB. As allowed by the SDWA, the NMED reserved and specified an amount equal to 10% (\$751,725) of the 2006 capitalization grant. The NMED will use an estimated amount of \$786,390 from Set-Aside funds for the Assistance to PWSS category in SFY 2007, which provides support to the programmatic functions of the PWSS grant program authorized under the SDWA. The general goals of PWSS include primacy maintenance, rule implementation, enforcement, compliance, improved water system data management, public outreach and information, and improved laboratory capacity. The NMED estimates that 8.8 FTEs will work regularly on program activities. The NMED charges its staff time based on actual hours worked on the Set-Aside programs. The Waterborne Disease Surveillance through a Joint Powers Agreement with the Department of Health is estimated at \$75,000 for SFY 2007. The end of SFY 2007 balance for State Programs Management is estimated \$44,156.

Selected Activities

- Provide support to the administration of the Public Water Supply Supervision program.
- Assist water systems in complying with the SDWA, by seeking voluntary compliance or taking enforcement actions on violations identified through sanitary surveys, compliance or monitoring sampling, and other inspections. Routinely identify & provide information

on the needs of public water systems that result in increased compliance.

- Coordinate, review and oversee the Capacity Development program administration. Coordinate, review and oversee Operator Certification program administration in conjunction with the Surface Water Quality Bureau.
- Maintain the Waterborne Disease Surveillance Program (WDSP).
- Implement administrative functions of the Source Water Protection Program.

Target Accomplishments

- Develop and maintain timely, accurate and complete administrative functions, including Public Water System files and grant reporting;
- Maintain Safe Drinking Water Information System (SDWIS) with documentation of appropriate actions on a continuing basis.
- Develop a statewide Source Water Protection Implementation Strategy.
- Perform Sanitary Surveys on all public water systems for which surveys are due pursuant to required timeframes.
- Track administration of the Capacity Development Program and the Operator Certification Program.
- Continue maintenance of the Waterborne Disease Surveillance Program.

Outcomes/Environmental Results

Outputs – to be documented in Quarterly/Annual Reports:

| Output Type | Quantitative/Qualitative Description of Output | Period of Performance |
|---|---|------------------------------|
| Environmental Activity | DWB staff will develop or review and approve 85% of compliance actions within 90 days of determination or by regulatory deadline. | SFY07 |
| Associated Work Product of Environmental Effort | Semi-annual meetings will be held between DWB staff and NM Department of Health staff to review implementation of the Waterborne Disease Surveillance effort in New Mexico, including appropriateness, completeness and timeliness. | SFY07 |
| Associated Work Product of Environmental Effort | DWB staff will meet quarterly/annually to review Source Water and Wellhead Protection program effectiveness, completeness, and timeliness. | SFY07 |

Outcomes/environmental results – to be documented in Quarterly/Annual Reports:

| Outcome Type | Quantitative/Qualitative Description of Outcome | Period of Performance |
|---------------------|--|------------------------------|
| Programmatic | 75% of Sanitary Surveys due statewide for Community PWS will be completed. | SFY07 |
| Environmental | To keep the percentage of PWS having an acute contamination event remain unaddressed for more than 5 days during SFY07 below 5% in order to protect public health. | SFY07 |

D. Local Assistance Set-Aside – Services to All Public Water Systems

The Local Assistance Set-Aside is comprised of two sub-elements, Capacity Development and Wellhead Protection (i.e. source water protection). New Mexico has had significant balance in the two sub-elements of the Local Assistance Set-Aside.

CAPACITY DEVELOPMENT SUB-ELEMENT

| Awards Allocated to Set-Aside | Total Set-Aside Allocated | Specified Amount | Unspecified Amount | Unspecified Amount Transferred to Loan Fund | Specified Expenditures thru 6/30/06 | Specified Ending Balance |
|-------------------------------|---------------------------|------------------|--------------------|---|-------------------------------------|--------------------------|
| FFY97 | \$537,990 | \$537,990 | \$0 | \$0 | \$537,990 | \$0 |
| FFY98-99 | \$1,312,659 | \$1,312,659 | - | - | \$1,312,659 | \$0 |
| FFY00 | \$698,130 | \$698,130 | \$0 | \$0 | \$698,130 | \$0 |
| FFY01 | \$778,910 | \$778,910 | \$0 | \$0 | \$778,910 | \$0 |
| FFY02 | \$805,205 | \$805,205 | \$0 | \$0 | \$805,205 | \$0 |
| FFY03 | \$800,410 | \$800,410 | \$0 | \$0 | \$674,449 | \$125,961 |
| FFY04 | \$830,310 | \$830,310 | \$0 | \$0 | \$0 | \$830,310 |
| FFY05 | \$828,550 | \$828,550 | \$0 | \$0 | \$0 | \$828,550 |
| TOTALS | \$6,592,164 | \$6,592,164 | \$0 | \$0 | \$4,807,343 | \$1,784,821 |

WELLHEAD PROTECTION PROGRAM SUB-ELEMENT

| Awards Allocated to Set-Aside | Total Set-Aside Allocated | Specified Amount | Unspecified Amount | Unspecified Amount Transferred to Loan Fund | Specified Expenditures thru 6/30/06 | Specified Ending Balance |
|-------------------------------|---------------------------|------------------|--------------------|---|-------------------------------------|--------------------------|
| FFY97 | \$1,375,980 | \$1,375,980 | \$0 | \$0 | \$1,375,980 | \$0 |
| FFY98-99 | \$875,106 | \$875,106 | \$0 | \$0 | \$875,106 | \$0 |
| FFY00 | \$465,420 | \$465,420 | \$0 | \$0 | \$465,420 | \$0 |
| FFY01 | \$389,455 | \$389,455 | \$0 | \$0 | \$389,455 | \$0 |
| FFY02 | \$402,670 | \$402,670 | \$0 | \$0 | \$61,438 | \$341,232 |
| FFY03 | \$400,205 | \$400,205 | \$0 | \$0 | \$0 | \$400,205 |
| FFY04 | \$415,155 | \$415,155 | \$0 | \$0 | \$0 | \$415,155 |
| FFY05 | \$414,275 | \$414,275 | \$0 | \$0 | \$0 | \$414,275 |
| TOTALS | \$4,738,266 | \$4,738,266 | \$0 | \$0 | \$1,791,419 | \$1,570,867 |

| Balances forward to SFY 2007 | Percentage Reserved from FFY 2006 Capitalization Grant Expected in SFY 2007 | Specified Amounts from FFY 2006 Capitalization Grant Expected in SFY 2007 | Unspecified Amounts from FFY 2006 Capitalization Grant Expected in SFY 2007 | SFY 2007 Estimated Expenditures | End of SFY 2007 Estimated Balance |
|-------------------------------------|---|---|---|---------------------------------|-----------------------------------|
| | | FFY 2006 | FFY 2006 | | |
| Capacity Development \$1,784,821 | 10% | \$751,725 | \$0 | \$1,582,584 | \$273,962 |
| Wellhead Protection \$1,570,867 | 5% | \$375,863 | \$0 | \$673,800 | \$1,272,930 |
| | | | | | |
| Total: \$3,355,688 | 15% | \$1,127,588 | \$0 | \$2,256,384 | \$1,546,892 |

Local Assistance Staff and Agency Resources

1. Capacity Development Program

Capacity development is the process by which water systems acquire and maintain the technical, managerial and financial capacities necessary to consistently provide safe drinking water. Section 1452(k)(1)(B) authorizes states to assist public water systems in developing and upgrading their technical, managerial, and financial capacities. This portion of the Set-Aside involves: completion of capacity assessments to determine existing resources and inadequacies; extensive general assistance and training of both operators and the water board members by staff and contractors; targeted assistance to water systems identified as Significant Non-Compliers (SNCs); and development of educational materials. Funding from this Set-Aside will also be utilized to support engineering review of projects to ensure that new water systems and existing system who propose modifications have sufficient managerial, technical, and financial capacity.

In accordance with §1452 of the SDWA and 40 CFR §35.3510(b)(1), this Set-Aside will be utilized by the NMED-DWB and the NMFA for capacity development. As allowed by the SDWA, the State has reserved and specified an amount equal to 10 % (\$747,940) of the 15 % Local Assistance FFY2006 capitalization grant for capacity development. The NMED and NMFA will use an estimated amount \$1,682,584 from Set-Aside funds from the unexpended Capacity Development Set-Aside funds. The NMED staff at 5.9 FTE will be assigned to implement this Set-Aside category. The NMFA will use approximately \$50,000 from the existing balances to fund capacity development contracts, and NMED has budgeted an estimated amount of \$660,000 for other capacity development contracts in SFY 2007. The total NMFA and NMED contracts under this category are approximately at \$760,000 for SFY 2007.

Selected Activities

- Coordinate, review, and oversee program implementation.
- Work to increase the number of public water systems having adequate capacity to maintain and operate facilities in accordance with SDWA.
- Assess the present and future capability and viability of public water systems to operate in compliance with the *SDWA* and qualify for DWRLF assistance.
- Assist potential loan applicants to obtain eligibility through contracts with third parties.
- Improve compliance of Public Water Systems (PWSs), including new PWSs through DWB staff and contractor activities.
- Assist water systems through the provision of Operator Certification activities.
- Implement Comprehensive Performance Evaluation (CPE) and follow-up services.
- Work to obtain engineering services for at least two disadvantaged PWS.

Target Accomplishments

- Develop and maintain timely, accurate and complete administrative functions, including Public Water System files and grant reporting;
- Maintain Safe Drinking Water Information System (SDWIS) with documentation of appropriate actions on a continuing basis.
- Review Significant Non-Complier List (SNC) on a bi-weekly basis to identify potential public water system assistance activities.
- Complete Capacity Assessments for all public water systems to be considered on the Comprehensive Priority List.
- Provide training and education on existing rules and requirements for public water systems.
- Provide assistance to public water systems in obtaining a certified operator.
- Review plans and specifications for public water system construction projects.
- Perform Comprehensive Performance Evaluations (CPEs) on surface water systems.

Outcomes/Environmental Results

Outputs – to be documented in Quarterly/Annual Reports:

| Output Type | Quantitative/Qualitative Description of Output | Period of Performance |
|---|--|-----------------------|
| Associated Work Product of Environmental Effort | DWB and NMFA staff will meet semi-annually to review PWS loan application assistance efforts, planning for the development of the comprehensive/Fundable List, and Intended Use Plan. | SFY07 |
| Associated Work Product of Environmental Effort | Hold semi-annual meetings with the Drinking Water Advisory Group to disseminate information on on-going activities and direction of Bureau and provide a forum for interested parties to discuss regulatory and capacity issues. | SFY07 |
| Associated Work Product of Environmental Effort | DWB staff will meet bi-weekly to review the Significant Non-Complier (SNC) List to identify assistance actions needed to return the system to compliance. | SFY07 |

Outcomes/environmental results – to be documented in Quarterly/Annual Reports:

| Outcome Type | Quantitative/Qualitative Description of Outcome | Period of Performance |
|---------------|--|-----------------------|
| Programmatic | 65% of PWS receiving formal enforcement actions will be provided with capacity development program resources, as appropriate to correct compliance issues. | SFY07 |
| Environmental | 90% of new PWS will receive guidance and assistance to establish initial compliance with New Mexico Drinking Water Regulations. | SFY07 |
| Programmatic | 80% of PWS on Comprehensive List that are currently ineligible for placement on Fundable List will receive an explanation of their PWS technical, managerial and financial deficiencies and be given the opportunity to receive services to correct such deficiencies. | SFY07 |

2. Implementation of Wellhead Protection Program (WHPP)

The Source Water Assessment and Protection Program (SWAPP) incorporates all WHPP and Source Water Assessment (SWA) elements, applying those elements to all source water types for community water systems.

The SWAPP composite integrates all SWAPP elements and provides initial protection plan materials and information. In addition, the State will encourage public support and responsibility for local source water protection initiatives by offering statewide recognition or incentives for the adoption of protection plans. The Wellhead Protection Program is a part of the larger Source Water Assessment & Protection Program (SWAPP). Section 1452(g)(2)(B) authorizes states to fund the Wellhead Protection Program through the DWSRF Set-Asides, Local Assistance Element.

In accordance with §1452 of the SDWA, this Set-Aside category, the Implementation of Wellhead Protection Program, will be utilized by the NMED-DWB. As allowed by the SDWA, the State has specified an amount equal to 5% (\$417,625) of the 15% Local Assistance FFY2006 capitalization grant for this category. The State will use an estimated amount of \$673,800 from the Set-Aside funds for SFY 2007 under this category. NMED estimates that it will utilize 5 staff working part-time for an equivalent of approximately 3.2 FTEs. Staff will be assigned to work on the implementation of the Wellhead Protection Program for SWPP, including, but not limited to, development and approval of source water protection plans, adoption of existing source water protection plans, and sampling waiver activities for SFY 2007. NMED will continue to develop and update the Source Water Protection Database, which tracks the most prevalent and the most threatening contamination sources. The NMED-DWB end of SFY 2007 balance for the Wellhead Protection Set-Aside is estimated at \$1,486,126.

Selected Activities

- Promote development of Source Water Protection Plans for water systems through the use of the Source Water Assessment & Protection Program (composite reports), using staff and/or third party resources.
- Develop and implement an appropriate prioritization of Wellhead Protection Program resources, to foster and promote voluntary water system participation in the Source Water Assessment and Protection Program.
- Review and update source water protection areas for all PWS; identify and track known and potential sources of contamination that may impact the water supply.
- Provide chemical monitoring flexibility/waivers.
- Provide evaluations of ground water under the direct influence (GWUDI) of surface water for public water systems.

Target Accomplishments

- Complete the Source Water Protection Database which tracks the potential and known sources of contamination in proximity to public water systems.
- Provide chemical monitoring waivers to public water systems that qualify.
- Collect samples and evaluate water sources to determine if they qualify to be classified as Ground Water Under the Direct Influence of Surface Water (GWUDI).
- Develop and maintain timely, accurate and complete administrative functions, including Public Water System files and grant reporting;

- Maintain Safe Drinking Water Information System (SDWIS) with documentation of appropriate actions on a continuing basis.
- Assist public water systems in developing Source Water Protection Plans (SWPP).
- Coordinate with other New Mexico Environment Department programs on source water protection efforts.

Outcomes/Environmental Results

Outputs – to be documented in Quarterly/Annual Reports:

| Output Type | Quantitative/Qualitative Description of Output | Period of Performance |
|---|---|------------------------------|
| Associated Work Product of Environmental Effort | DWB staff will meet quarterly to review Source Water and Wellhead Protection program effectiveness, completeness, and timeliness. | SFY07 |
| Associated Work Product of Environmental Effort | DWB staff will collect samples necessary to determine GWUDI status of targeted public water systems. | SFY07 |
| Associated Work Product of Environmental Effort | DWB staff will meet semi-annually with interested parties to assure that efforts to complete NM Source Water Protection Plans are appropriately coordinated and completed as scheduled. | SFY07 |

Outcomes/environmental results – to be documented in Quarterly/Annual Reports:

| Outcome Type | Quantitative/Qualitative Description of Outcome | Period of Performance |
|---------------------|---|------------------------------|
| Environmental | Evaluate 100 public water systems to determine if a chemical sampling waiver can be issued. | SFY07 |
| Environmental | Sample 90% of public water systems targeted for GWUDI analysis within 90 days of referral. | SFY07 |
| Programmatic | 95% of existing public water systems will have all identified potential and known sources of contamination input into the Source Water Protection Database. | SFY07 |
| Programmatic | 30% of community PWS will be offered assistance to foster the development of local Wellhead/Watershed protection activities. | SFY07 |

V. AFFORDABILITY CRITERIA AND ASSISTANCE TO DISADVANTAGED COMMUNITIES

The NMFA is directed by the DWRLF Act (Laws of 1997, Chapter 144) to establish, with the assistance of the NMED, procedures to identify affordability criteria for disadvantaged communities and to extend a program to assist such communities. To assess affordability in a manner which takes into account both the price and the ability to pay, the NMFA will calculate for each applicant, the ratio of average annual user charges which would result from the completion of a proposed project to the median household income (MHI) of the water system service area.

$$\text{Affordability Ratio} = \text{Average Annual User Charges} / \text{MHI}$$

Assistance to Disadvantaged Communities

The NMFA has not provided subsidies to its DWRLF borrowers, however, the NMFA may consider this option in the future. The NMFA uses the DWRLF to provide low-interest loans and enhanced financing terms to disadvantaged communities. Two levels of assistance, based on need, are offered to disadvantaged communities. For purposes of determining the level of assistance, disadvantaged communities are divided into two groups. The first group of disadvantaged communities is defined as those communities with a MHI less than 90 percent of the state MHI and with the affordability ratio greater than .01 and no more than .015. The interest rate on loans to this first group of disadvantaged communities will be 0 percent up to \$600,000, with a maximum loan repayment term of 20 years.

Loans to Disadvantaged Communities in amounts exceeding \$600,000 will be financed at 2%, which is the market rate for DWRLF loans to non-disadvantaged public bodies. This market rate is modeled after the Clean Water Revolving Loan Fund, a similar, federally funded program for wastewater projects that requires a similar level of environmental documentation and public input. NMFA tied its interest rates to the Clean Water program because the NMFA's Public Project Revolving Fund (PPRF) offers communities AAA-insured, tax-exempt rates to all of its public borrowers, regardless of their individual credit, without the high level of environmental documentation and public input. In the past several years, the interest rate for a 20-year PPRF loan has averaged approximately 4%. As a result, many borrowers choose the PPRF over the DWRLF because projects can be completed sooner at less cost if it was not for the 2% rate offered by the DWRLF. Additionally, New Mexico's Constitution limits NMFA's ability to offer below-market rates to non-public bodies, including private non-profit water systems and private, for-profit water systems. As such, the NMFA charges a 3%

market interest rate to private non-profit water systems and 4% to private, for-profit water systems. These rates are pegged to the 15-year tax-exempt rates at the time of approval by the NMFA Board of Directors; these rates may be reviewed periodically. The second group of disadvantaged communities is defined as those communities with a MHI less than 90 percent of the state MHI and with the affordability ratio (the ratio of annual water charges including the completion of the proposed project to the annual MHI of the water users) greater than .015. An affordability ratio of .015 will be treated as the maximum that any disadvantaged community should bear. In order to bring the affordability ratio down to this affordability cap, the NMFA will provide, to the extent available and necessary, the following, in this order:

1. Planning, design and engineering services free of charge to the disadvantaged community to be paid from Set-Asides to reduce total project cost;
2. Loan amortization extension to a maximum of 30 years;
3. Forgiveness of principal payments on the disadvantaged community's portion of the loan; and
4. Assistance in obtaining grants from other sources.

If these cost reductions by NMFA fail to bring the affordability ratio down to .015, the project will be passed over until sufficient additional funding can be secured. This .015 cap may be waived at the request of the applicant. The goal to use 10% of available funds to finance disadvantaged communities may be waived if there is not a sufficient, ready demand. The final determination of disadvantaged status cannot be made until the NMFA is able to review the financial statements of the entity. Please see section VII.C.2 of this IUP to review how NMFA determines disadvantaged entity status for purposes of the Priority List. The NMFA, either directly or through its technical assistance contracts, works with those systems on the Fundable Priority List of the Comprehensive Priority List, to determine the interest rate of the loan funding and the suitability of the applicant for the DWRLF. Please see Attachment G for a preliminary listing of the disadvantaged communities on the New Mexico's Fundable Priority List for SFY 07.

VI. DWRLF LEVERAGING PLAN AND FINANCIAL STATUS

The State of New Mexico may increase the resources available to fund water projects across the state by combining the resources of the DWRLF with the resources of the Public Project Revolving Fund (PPRF). Both of these funds are, by state statute, administered by the NMFA. The PPRF is an established source of financing for a broad range of infrastructure projects, including water treatment. By utilizing the PPRF as a companion funding source for drinking water projects, as described below, the State will be able to leverage the federal and state funds in the DWRLF to finance a much greater number of projects than if the DWRLF is used alone. The leveraging plan follows a description of each of the component programs.

Public Project Revolving Fund (PPRF)

The goal of the NMFA's PPRF program, created in 1992 by the State Legislature, is to identify and finance long-term capital projects for public entities, combining federal, state and local funds when possible. The NMFA is authorized by statute to offer financial assistance from the PPRF to the State or any agency or institution of the State or any county, municipality, school district or special district in New Mexico, community water associations, land grant corporations, intercommunity water or natural gas supply associations or corporations, and Indian nations, tribes or pueblos located wholly or partially in New Mexico. The NMFA is authorized to provide low-cost financing for all types of projects of a long-term capital nature, including buildings; water, sewerage and waste disposal systems; streets; airports; municipal utilities and parking facilities. Projects of \$1 million or more must receive specific legislative authorization prior to NMFA making a PPRF loan.

The PPRF became a significant source of capital for infrastructure projects in 1994 with the passage of legislation, which annually distributes to the PPRF an amount equal to 75% of the net revenue attributable to the Governmental Gross Receipts Tax, approximately \$18 million per year.

Each borrower from the PPRF is offered AAA-insured, tax-exempt interest rate, regardless of the individual credit worthiness. Interest rates may be further subsidized, if an entity is assessed as a disadvantaged borrower. Disadvantaged borrowers are defined as communities with a MHI of less than 90 percent of the state MHI, based on the most recent census data. Entities with an MHI of less than 90 percent of the state MHI, but greater than 75% is charged a 3% interest on up to \$200,000 of an infrastructure loan; the remainder of the project is at market rates described above. Entities with an MHI of less than 75% of the state MHI are charged a 0% interest rate on up to \$200,000 of an infrastructure loan, with the remainder funded at market rates.

The New Mexico DWRLF

According to State Statute, money deposited into the New Mexico DWRLF may be used in a manner consistent with the *SDWA* and may be used:

- 1) to make loans at, or below the market rate for eligible purposes, for terms no longer than twenty years after completion of construction (loans for disadvantaged communities are the exception and may be for terms of up to thirty years);
- 2) to buy or refinance a municipality's debt obligation;
- 3) to guarantee or buy insurance for a local obligation to improve credit access or market rates;
- 4) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the State, if the proceeds will be deposited in the DWRLF; and,
- 5) to earn interest on the amounts deposited into the DWRLF.

The State of New Mexico is applying for the FFY 2006 capitalization grant allotment, which totals \$7,479,400. NMFA will seek in SFY07 legislative authorization to provide the \$1,495,880 for FFY 2006 State Match. Since the beginning of the DWRLF Program, the NMFA and NMED have applied for the maximum 31% of the Set-Asides, which in this IUP year amounts to \$2,318,614 from FFY2006. The NMED Drinking Water Bureau's administration and implementation of the *SDWA* is largely federally funded, without state general fund support. A small amount of state corrective action fund revenues is currently available to address needs of the Drinking Water Bureau. Thus, the maximum percentage amount of the Set-Asides is needed to maintain the *SDWA* drinking water programs in the state. The NMFA and NMED will utilize the funds from the Small Systems Technical Assistance, State Program Management, and Local Assistance Category for a total of 27% for Drinking Water Programs under the Set-Asides; and the remaining 4% will the NMFA fund the administration category. The NMFA charges a 1% cost of issuance fee on each loan to cover the legal, environmental review and closing costs. In addition, NMFA builds a 0.25% administrative fee into each interest rate that is assessed annually on the outstanding principal balance of the 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 NMFA uses this administrative fee to pay for loan servicing on all the outstanding DWRLF loans and to cover the costs of staff time on projects that do not result in successful DWRLF financing.

As required by 40 CFR 35.355(c)(3)(v), the NMFA uses a cash-flow model to insure that the DWRLF is maintained into perpetuity. As demonstrated in the cash flow model, the primary source of repayment comes from recaptured principal payments because the NMFA market rate on DWRLF loans is relatively low. This is

due primarily to New Mexico's active state appropriations and grant programs for water projects. This "competition" requires that NMFA market all of its loan programs with low-interest rates. Theoretically, if NMFA were to raise the DWRLF interest rates, the model shows the fund would benefit with the increase of flow of funds to the loan repayments. However, the NMFA model does not measure price sensitivity and that the theoretical increase of interest rates would likely result in a decrease in demand. The cash flow model also helps the NMFA look at leveraging the DWRLF with bonds, which will increase the capacity of the fund. In SFY 2007, the NMFA will carefully weigh the benefits of a leveraged program. The recent spike in tax-exempt interest rates, coupled with more restrictive water quality standards and increasing enforcement, has caused an rise in demand for the DWRLF program.

Leveraging Through Matching of PPRF and DWRLF

In the "leveraged" lending approach, loans are made from two sources: the DWRLF and the PPRF. Under the plan, an individual borrower can receive up to the first \$2 million of its loan from the DWRLF. Any loan in excess of \$2 million would be financed 50% from the DWRLF and 50% from the PPRF. The borrower would then repay each source from pledged revenues. The interest rate charged to the borrower would be the average of the rate on the DWRLF funds and the rate on the PPRF loan. The interest rates charged on non-disadvantaged DWRLF loans is 2% for public bodies, 3% for private, non-profit systems and 4% for private, for-profit systems, with loan terms not extending beyond 20 years. The rate of interest on the PPRF loans will be at the prevailing AAA-insured interest rates blended with PPRF disadvantaged funding, if applicable. The added capacity of the PPRF greatly increases the volume of water projects that may be financed. This approach to leveraging is flexible, however. If ready demand can be met entirely from the cash in the DWRLF, or if there is no legislative authorization for the project from the PPRF, then loans would be made entirely from the DWRLF. The NMFA Board has the authority to waive any leveraging requirement under the above noted circumstances.

VII. DISTRIBUTION OF PROJECT FUNDS – CRITERIA AND PROCESS USED

The New Mexico Finance Authority (NMFA) will fund the Drinking Water Revolving Loan Fund (DWRLF) projects using the priority system established by the New Mexico Environment Department (NMED). New Mexico prefers to fund the projects on the DWSRF Fundable Priority List in rank order but reserves the right to by-pass certain projects, using a by-pass procedure, as described below in Attachment D. In such an instance lower ranked projects may be funded over higher ranked projects if, in the opinion of the NMFA and NMED, the higher ranked project meets the by-pass screening criteria.

A public drinking water system that is eligible for DWSRF project assistance may be: 1) privately-owned and publicly-owned community water systems and non-profit non-community water systems (CFR 35.3520.) Priority point assignment and listing in the IUP do not guarantee that all financial and project eligibility requirements have been met or will result in future project funding. The NMFA reserves the right to refuse funding to a public water system that is financially nonviable or to recommend such a water system seek funding from other funding agencies. The NMFA is not the lender of last resort. PWS with questions about the ranking process or the development of the DWSRF Fundable Priority List should contact NMFA or NMED to obtain a detailed explanation. NMFA can be reached at: (505) 984-1454 or toll free at (877) 275-6632 and NMED can be reached at (505) 827-1400 or toll-free at (877) 654-8720.

The following is an overview of the elements that determine and manage the screening process for projects receiving funding from the DWRLF in New Mexico. It is important to understand that the ranking and other screening processes will occur in a phased approach. These activities will contribute both to project ranking for the DWRLF fund and also to focus the resources of the DWRLF Set-Asides. New Mexico's project ranking process, which leads to projects being assessed as eligible for inclusion on the fundable priority list, is initiated and implemented in the following manner:

- a)** On an annual basis, NMED will send all water systems a Project Interest Form, which will allow interested systems to identify their proposed projects;
- b)** NMED will perform a detailed capacity assessment (if a current one is not available) on water systems that have submitted a Project Interest Form;
- c)** Water systems that submit a completed Project Interest Form will be ranked through the NMED prioritization process (Attachment D) and included in the annual IUP Comprehensive Priority List (Attachment B);
- d)** Analysis by NMED of the administered capacity assessments for technical, managerial and

financial capacity will result in a Fundable Priority List as described in Attachment C; and

- e) To be eligible for a loan from the DWRLF water system projects must:
- be eligible on the Fundable Priority List
 - submit a loan application to NMFA; and
 - be found by NMFA to be loan worthy (CFR 35.3555(c)(2)(i)).

Water systems that are currently unable to meet the criteria for inclusion on the **Fundable Priority List** will receive an explanation of the exceptions that have prevented their inclusion and recommended steps for addressing such exceptions. NMED and NMFA expect to use the resources of the Set-Asides to assist such water systems in addressing any exceptions, should they accept the offer for assistance. Thus, these water systems potentially will be able to meet all eligibility requirements for the DWRLF in the future.

NMED and NMFA may elect to implement quarterly updates to the annual IUP process described above. Such a process will be called a second, third, or fourth quarter interim period IUP. In such instances water systems will be allowed to follow the procedural steps described in Section VII, paragraph three, a-e. Under these conditions and after a public review process, water systems will be added to the existing annual comprehensive priority list, and this will cause the ranking to be adjusted. If the projects added through the quarterly interim period IUP become eligible for the fundable priority list, this will cause the ranking on the fundable priority list to be adjusted, as well. Periodic review of the agencies' web sites [www.nmfa.net and/or www.nmenv.state.nm.us/dwb/dwag.html] will provide interested parties with information on quarterly interim IUP status and of any related changes to the comprehensive priority list or the fundable priority list, for a given year's annual IUP cycle. Any interim changes to the fundable priority list will not affect the eligibility of any project that has begun the application process.

New Mexico's ranking and screening processes are described as the following: **a) federal ranking criteria** for water system projects; **b) state ranking criteria** for water system projects; and **c)** other water system screening processes. Through these program activities, items **a)** and **b)** are meant to rank the **specific water system project**. Item **c)** provides additional **screening of the water system** along with a **general policy** for allocation of a certain percentage of the fund to small water systems and a project bypass procedure. Item **c)** also outlines criteria and procedures for the determination of an emergency project. It also describes the Fundable Priority List screening process along with the funding criteria for the Fundable Priority List. In all cases of tied scores, the smaller water system will be ranked higher than the larger water system, based on the population served.

In New Mexico the water system population will be calculated differently for NMED and NMFA. In all cases the NMED will calculate the population based on the water system inventory information in the State Drinking Water Information System (SDWIS). For example, any reference to population in the NMED capacity assessment or the NMED ranking document will refer to SDWIS for population information. NMFA will use the population information found in the most recent U.S. census to calculate median household income and to determine the categorical exclusion eligibility. In all other instances, the agencies will negotiate and specify the population calculation to be utilized, as needed. Because of the potential for changes in a community's population over time, the IUP opening date in which a specific project is listed will serve as the date for all subsequent population determinations.

A. FEDERAL RANKING CRITERIA FOR WATER SYSTEM PROJECTS

1. **PUBLIC HEALTH THREAT:** Public water systems that have proposed projects addressing the threats of the most serious risk to human health shall receive a higher ranking. The State reserves the right to include these water systems on the list through the annual process described under Section VII. A-C or at any time such public health threat emerges during the year at an eligible water system. The IUP may allow for the funding of projects that require immediate attention to protect public health on an emergency basis. That criteria for an emergency basis is set forth in Section VII, C.4. Such projects shall be identified in the Annual Report and during the annual review.
2. **SAFE DRINKING WATER ACT COMPLIANCE:** Public water systems that have projects which are necessary to ensure compliance with *SDWA* requirements, including filtration.
3. **AFFORDABILITY:** Assistance to systems most in need, on a per household basis, according to state affordability criteria, which is outlined in Section V of this report.

B. STATE RANKING CRITERIA FOR WATER SYSTEM PROJECTS

1. **WATER SYSTEM REGIONALIZATION:** Including source and storage reliability, mitigation of *SDWA* contaminants for one or more water system, and/or initiation of concrete measures to bring about regionalization of two or more water systems.
2. **EMERGENCY PLANNING:** Including development of a drought plan, emergency

response plan, emergency source, or water conservation ordinance/policy/rate structure. This category also includes the implementation of water use restrictions.

3. **SOURCE PROTECTION:** Including source water susceptibility, as characterized in the NMED source water assessment, ground water under the direct influence of surface water, as characterized by NMED testing, and/or a completed source water (wellhead) protection plan.
4. **POPULATION:** Points are only available to community water systems. The population is based on SDWIS inventory information, as a part of NMED's ranking activity, and only water systems that serve populations up to 10,000 will be awarded points.
Formula: Points Awarded = 50 - (Population/200).
5. **PROJECT FACTORS:** Points will be awarded to projects that address water loss issues, streamline operations or enhance water supply.
6. **FINANCIAL CAPACITY:** Points will be awarded to water systems which generate sufficient revenues to cover operating expenses, which conduct adequate collections, and which have had a recent rate adjustment based on a prior comprehensive rate review.

C. OTHER WATER SYSTEM SCREENING PROCESSES

1. **NMED CAPACITY ASSESSMENT:** The state, through NMFA and NMED, will determine the financial, managerial and technical capabilities of New Mexico's community water systems to operate and maintain their systems, utilizing a periodic capacity assessment evaluation process. This evaluation will be the basis for the ranking of projects on the state's comprehensive priority list and for targeting the resources of the Set-Aside program. Each capacity assessment will be valid for 24 months from the date of issuance for the purpose of analyzing the capacity of a water system to qualify for inclusion in the Fundable Priority List. Water systems showing insufficient capacity to operate and maintain their systems will be offered the option to utilize New Mexico's capacity development Set-Aside program for further technical assistance. Any application for DWRLF funding will not proceed until the identified deficiencies are corrected. However, if the system's deficiencies will be corrected with loan funds, then the loan will proceed (CFR 35.3520(d)(3)(i-ii)). In all cases, the NMED and NMFA will work collaboratively

and through the Set-Aside program's technical assistance contractors to identify and resolve any financial, managerial and technical deficiencies in the state's community water systems. Please refer to Attachment D for more detailed information on NMED's Capacity Assessment process.

2. **DISADVANTAGED COMMUNITIES/SMALL WATER SYSTEMS:** The State through NMFA shall provide 0% interest loans to disadvantaged communities. In addition, the state shall provide at a minimum 15% of available loan funds for small water systems, which are defined as serving populations less than 10,000, based on the most recent U.S. census (CFR 35.3525(a)(5) and CFR35.3525(b). For the purpose of developing an annual IUP's preliminary listing of water systems on the Fundable Priority List that are disadvantaged, the following procedure will be followed. Water systems on the Fundable Priority List that are at 90% of MHI will be listed as disadvantaged (Attachment G). Please note that this preliminary designation will receive further analysis, should the specified water systems make application for a DWRLF loan. The preliminary designation of disadvantaged community in no way guarantees or implies that the IUP listed disadvantaged water systems ultimately will retain the disadvantaged community status when NMFA conducts the in-depth analysis described in Section V.

3. **BY-PASS PROCEDURE:** NMED and NMFA will expect to fund the projects on the Fundable Priority List, in order of rank, but reserves the right to "by-pass" certain projects using a by-pass procedure. The State reserves the right to fund lower priority projects over higher priority projects, if in the opinion of the NMED or the NMFA, the higher priority project does not meet the screening criteria discussed below. The following is the screening process, in order of its application, for the Fundable Priority List:

The water system must be willing to undertake a loan and be ready to proceed. The water system has three months to notify NMFA of its intention to proceed. The water system must have taken the necessary steps to expeditiously prepare funding documentation and initiation of construction. If the community does not agree to undertake a loan or if it has not proceeded expeditiously to complete all funding documentation and move toward construction, then the community will be by-passed to allow other systems to take advantage of the loan program. If a public water system has been notified in writing of its

eligibility for DWSRF funding by the NMED and NMFA, and the water system fails to express its intent to follow through with DWRLF funding, the NMED and NMFA will continue with the next project on the DWRLF Fundable Priority List. New quarterly updates of the IUP process may result in a reprioritized Fundable Priority List in any given year. Projects with current binding commitments will take priority over any new additions to the Fundable Priority List, during the program's IUP yearly cycle.

If a community has been added to the Fundable Priority List through the quarterly review process, it can be by-passed if the community is not in a position to take on a loan. Also, a community can be by-passed if there is not enough money in the DWRLF to fund the new project or if a community is found to be not loan worthy.

4. **EMERGENCY CONDITIONS:** Unforeseen or unanticipated conditions at a water system which include impact on the source, treatment, storage or distribution of water at an eligible public water system and which will have a direct impact on public health may constitute an emergency condition. The proposed project must address the specified emergency conditions. Such projects and their related emergency conditions must be identified in the subsequent annual report and during the annual review. Emergency projects are not required to be listed on the Comprehensive Priority List in order to be eligible for funding.

Per 40 CFR §35.3555(c)(2)(iii), an emergency is defined as an event that results in a acute threat to public health, either through: bacteriological contamination; nitrate contamination; failure to meet treatment technique requirements; or through a critical shortage of available drinking water.

In accordance with 40 CFR §35.3520(d)(2), NMED will document, as part of the loan process, the critical elements that the public water system is required to complete to ensure compliance over the long-term.

5. **FUNDABLE PRIORITY LIST:** New Mexico will utilize criteria based on technical, managerial and financial data reported in the capacity assessment to determine whether the system possesses sufficient capacity to be placed on the Fundable Priority List. The subset of systems from the Comprehensive Priority List (Attachment B) that qualify are placed on the Fundable Priority List(Attachment C) in the same order in which they are found on the Comprehensive Priority List.

Applicant water systems, which are currently unable to meet the criteria for inclusion on the Fundable Priority List, will receive an explanation of the exceptions that have prevented their inclusion and recommended steps for addressing such exceptions. Further, water systems, which appear on the Fundable Priority List through the provision of inaccurate information, will be removed from the Fundable Priority List for the current year. NMED will use the resources of the Set-Asides to assist these water systems in addressing such exceptions, when requested by the water systems. Thus, these water systems potentially will be able to meet all eligibility requirements for the DWRLF in the future.

- 6. NMFA FINANCIAL SCREENING:** The NMFA will establish financial viability of the specific water systems for receiving a loan, once a water system is on the Fundable Priority List. The NMFA will evaluate whether such a water system will be capable of assuming a DWRLF loan. The NMFA evaluation will be based on all or some of the following:
- a) Review of total property tax collections (including delinquencies) compared to the current year levy;
 - b) Current year property tax collections compared to the levy for that year;
 - c) Gross receipts and other tax collection trends and performance;
 - d) Unreserved general fund balance compared to the general fund expenses;
 - e) Proportion of external revenues (such as state and federal grants) to total revenues; and
 - f) Other user fees or revenues.

If a water system is found to be not loan worthy, a letter of explanation will be developed by the NMFA to provide the water system with an overview of the issues with recommendation of steps to be taken to bring the water system into the status of loan worthiness, ideally under the next annual IUP review process, or as soon as feasible.

D. SUMMARY FOR DWRLF PROJECT FUNDING

Using the criteria and processes as set forth in Section VII, A-C, the NMED and NMFA will then proceed through the Fundable Priority List until they have identified sufficient projects through the application process to accommodate the funds that will be deposited in the DWRLF for a specific funding cycle. The funding commitments will be made to obligate funds within the time limit specified in the *SDWA*. Loans will be executed at the time when the environmental review, financial requirements, and all other obligations have been met. Any future amendments to the NMED/NMFA Priority System will be considered to be appropriate to reflect the changing character of the program and will be published in the subsequent annual IUP.

In SFY 2007¹, the NMFA anticipates executing \$17.8 million in new loans:

| | | |
|--------------------------------------|-------------------------------|---------------------|
| Aztec, City of ² | Water Treatment Reservoir | 1,515,000 |
| Bloomfield, City of | Surface Water Treatment Plant | 3,737,000 |
| ABCWUA | Santa Barbara Pump Station | 12,000,000 |
| Ranchitos De Galisteo MDWCA | Storage Tank | 136,350 |
| Timberon WSD | Water System Improvement | 505,000 |
| Total Anticipated DWRLF Loans | | \$17,893,350 |

Note:

1. These projects have appeared on previous Fundable Priority Lists.
2. City of Aztec project is a raw water treatment reservoir that is on the same property as the treatment plant. This reservoir will help with the high turbidity issues in this area of the state. This meets the requirements under 40 CFR 35.3520(e)(3).

VIII. REQUIRED ENVIRONMENTAL REVIEW

The applicant's preparation of sufficient environmental information and the NMFA Chief Executive Officer's review and issuance of an environmental determination forms an integral part of the planning process required of any potential applicant to the DWRLF. The NMFA conducts an environmental assessment in accordance with the State Environmental Review Process (SERP), an EPA approved NEPA-like process. The information required depends on the nature and scope of the project and the environment in which it is proposed. Each DWRLF project must adhere to the SERP. There are three levels of review outlined in the SERP:

1. The Categorical Exclusion (CE) is directed toward those applicants proposing only minor functional replacement of existing equipment. Although the environmental information required is small, the proposed project must fit a range of criteria defined in the SERP and the CE request checklist.
2. An Environmental Information Document (EID) must be prepared and submitted if a project exceeds the criteria for a CE, or a CE must be revoked if a project is subsequently modified so that the limits of the criteria for a CE are exceeded, assuming the new or modified project does not require an Environmental Impact Statement (see 3. below). Next, an Environmental Assessment (EA) is completed by an independent reviewer on behalf of the NMFA. An EID requires a greater amount of information to be supplied by the applicant as well as public involvement in the form of a public hearing on the proposed project with a 45-day notice of the hearing. Furthermore, as a result of the EA a subsequent determination of a finding of no significant impact (FNSI) is to be published by the NMFA followed by a 30-day public comment period.
3. All applicants whose proposed projects do not meet the criteria for either a CE or an EID must prepare an Environmental Impact Statement (EIS). Although there are other criteria involved, an EIS is usually required of those projects that are major in scope, or involve such environmentally sensitive areas, such as flood plains, or endangered species habitat, such that the proposed project may have significant adverse social or environmental impacts. An EIS requires close coordination and involvement of the NMFA and other agencies in its preparation. An EA of the EIS will result in a publication of a Record of Decision.

During Fiscal Years 2006 and 2007 the State has and will continue to improve its SERP document to better serve the New Mexico's Water Systems. In particular, the State will improve language regarding CE eligibility and define environmental review requirements for emergency projects. In addition, the state will work in collaboration with EPA to incorporate any suggested improvements. Once the SERP document is revised, it

will be submitted to EPA for approval.

Since inception of the DWRLF program, the amount of loan repayments - also referred to as Tier II - monies have accumulated. Under Federal regulations, projects funded with loans from Tier II monies may complete an alternate comprehensive environmental review process as long as the state has a Tier II SERP in place. Thus, the state will develop a Tier II SERP and corresponding rules defining the types of projects and water systems eligible for loans from Tier II monies. The Tier II SERP will require EPA's approval before it can take effect.

IX. PUBLIC INFORMATION/PARTICIPATION PROGRAM

The NMED and the NMFA will ensure that the IUP, and all other required documents and plans relating to the implementation of the DWSRF in accordance with the *SDWA*, are developed with appropriate information to, and participation by, the public, during all steps in the process. A primary objective is to improve public access to information and decision-making. A key area where both agencies can provide for substantial input from the public is in the development of both the regulations and the plans for implementing the *SDWA*. Public participation is an integral part of the development process. Each agency recognizes that no one person or group speaks for the public. As a result, the NMED and NMFA are reaching out to: a) broaden the scope of public participation, b) to better inform both agencies of what the public believes to be needed and important, and c) to ensure that the public understands the roles of each agency in the drinking water program.

Outcomes

- Public Input: The Draft IUP was presented to the Drinking Water Advisory Group (DWAG) on May 18, 2006 (Attachment E).
- Document Availability: The IUP was posted on the Drinking Water Bureau (DWB) and NMFA web pages (Attachment E).
- Stakeholder Input: The New Mexico Rural Water Association, the state Municipal League, and other interested groups were offered the opportunity to discuss the IUP at their meetings (Attachment E).

Attachment A:

**NM Environment
Department Match for
State Programs
Category**

Attachment A

New Mexico Environment Department
 Drinking Water Bureau

last updated on
 06/20/06

NMED State Programs 1:1 Match Formula

| <i>DWRLF STATE PROGRAMS SET-ASIDE ELEMENT</i> | FY07 Operating Budget |
|--|----------------------------------|
| | July 06-June 07 |
| State Programs Budget | 697,600 |

| State Match Funds | FY07 Operating Budget |
|---|----------------------------------|
| | July 06-June 07 |
| Corrective Action Fund | 240,000 |
| Water Conservation Fee Fund | 2,931,200 |
| Available State Match-Current Year | 3,171,200 |
| Excess State Program Match | 2,473,600 |

Attachment B:

Comprehensive Priority

List

SFY 2007

SRF Comprehensive Project Priority List, FY07 Q1

| PWS | Score | Priority | County | Population | Cost | Project Description |
|------------------------------------|--------------|-----------------|---------------|-------------------|-------------|--|
| Berino MDWCA | 358 | 1 | Dona Ana | 2,500 | \$1,745,000 | Arsenic treatment, 80,000 ft of 6 inch line extension, add valves to existing distribution. |
| Carrizozo Water System | 354 | 2 | Lincoln | 1,142 | \$2,000,000 | Drill new well, pump house, replace main water line, repair storage tank, replace meters, add fire hydrants. |
| Mountain Orchard WDWCA | 335 | 3 | Otero | 40 | \$51,000 | Replace 1760 ft of water line. |
| West Hammond MDWCA | 327 | 4 | San Juan | 3,538 | \$700,000 | Feasibility study, Construct an 8 inch transportation line from tank to tank. |
| Low Mesa WUA | 310 | 5 | Otero | 24 | \$524,740 | Install 34,000 gal storage tank, install 5,650 ft of new 6 inch line, water meters, rehab well, pump house, telemetry. |
| Tierra Monte Water Users Assoc | 310 | 6 | Bernalillo | 85 | \$89,700 | Ion Exchange treatment to remove uranium from two wells. |
| Lakeshore City Sanitation District | 310 | 7 | Sierra | 984 | \$350,000 | Drill new well due to Arsenic in existing well. |

SRF Comprehensive Project Priority List, FY07 Q1

| PWS | Score | Priority | County | Population | Cost | Project Description |
|-------------------------------------|--------------|-----------------|---------------|-------------------|--------------|---|
| Bosque Farms Water Supply | 310 | 8 | Valencia | 4,000 | \$500,000 | PER to find solution for high Arsenic. Loan may fund a new well if recommended by PER. |
| White Cliffs MDWCA | 309 | 9 | McKinley | 150 | \$260,000 | Add 50,000 gal water storage, 6000 ft of 8 inch line, 5200 6 inch line and 11 fire hydrants. |
| Piney Woods Water Users Association | 309 | 10 | Otero | 250 | \$1,543,005 | Replace distribution system and add 2 25,000 gal storage tanks. |
| Placitas Trails Water Coop | 308 | 11 | Sandoval | 375 | \$350,000 | PER and Arsenic treatment system. |
| Capitan Water System | 303 | 12 | Lincoln | 2,300 | \$465,000 | Drill a new well. |
| Texico Water System | 300 | 13 | Curry | 1,000 | \$368,000 | Looping of dead end line, replace small diameter water line, add fire hydrants. Total of 7,995 ft of 6 inch line will be installed. |
| Los Lunas Water System | 300 | 14 | Valencia | 11,535 | \$11,000,000 | Install arsenic treatment system. |

SRF Comprehensive Project Priority List, FY07 Q1

| PWS | Score | Priority | County | Population | Cost | Project Description |
|----------------------------|--------------|-----------------|---------------|-------------------|-------------|---|
| Las Cruces Municipal Water | 300 | 15 | Dona Ana | 81,025 | \$1,590,000 | Drill replacement wells, construct pump stations, water line rehabilitation. |
| San Acacia MDWCA | 294 | 16 | Socorro | 200 | \$1,000,000 | Drill new well, construct pump house, lay two miles of 8 inch PVC transmission line, hypochlorite pump system, 6 inch fire hydrants, install 140,000 gal water storage tank, replace existing water line. |
| Alto Lakes WSD | 280 | 17 | Lincoln | 2,000 | \$5,000,000 | Purchase private water system to make public, drill new well, SCADA system, replace water lines, install loops, purchase land for water treatment plant. |
| Silver City Water System | 280 | 18 | Grant | 18,390 | \$400,000 | Install SCADA System. |
| City of Eunice | 262 | 19 | Lea | 2,501 | \$1,800,000 | Drill two water wells, install 1,000,000 gal storage tank, replace 1 booster station, improvements on other booster station. |
| Cloudcroft Water System | 261 | 20 | Otero | 750 | \$200,000 | Treatment of 100,000 gpd of waste water treated to drinking water quality, pipeline to convey treated water to distribution. |

SRF Comprehensive Project Priority List, FY07 Q1

| PWS | Score | Priority | County | Population | Cost | Project Description |
|--------------------------------------|--------------|-----------------|---------------|-------------------|-------------|--|
| Cedar Crest MDWCA | 260 | 21 | Bernalillo | 50 | \$150,000 | Drill new well to replace existing arsenic impacted well, purchase tract to site well |
| Thunder Mountain Water System | 257 | 22 | Santa Fe | 1,600 | \$200,000 | New water storage tank to replace failing/leaking tank. |
| Timberon Water & Sanitation District | 248 | 23 | Otero | 300 | \$495,000 | Install new water tank, PRV's & repair lines. |
| Lybrook MDWCA | 248 | 24 | Rio Arriba | 400 | \$175,500 | Construct a pump house/storage facility with chemical injection for disinfection, telemetry, radio read meters, backflow prevention devices. |
| Leasburg MDWCA | 245 | 25 | Dona Ana | 80 | \$2,000,000 | Replace old water line, add flush hydrants, replace old meters, add backup power sources for wells. |
| Monticello Canyon DWCA | 245 | 26 | Sierra | 86 | \$12,000 | Engineering study and design to fix storage tank. |
| Enchanted Forest Water Coop | 244 | 27 | Lincoln | 225 | \$36,000 | Replace existing 20,000 gal water storage tank. |

SRF Comprehensive Project Priority List, FY07 Q1

| PWS | Score | Priority | County | Population | Cost | Project Description |
|--|--------------|-----------------|---------------|-------------------|-------------|--|
| Forest Park Property Coop | 239 | 28 | Bernalillo | 220 | \$80,000 | Replace 75 meters with the Radio Read meters, paint tank, replace control mechanisms, replace half mile of water main. |
| Orchard Estates Faculty Lane Water Assoc | 235 | 29 | Sandoval | 30 | \$100,000 | Replace distribution system, install meters. |
| Alto North Water Coop | 230 | 30 | Lincoln | 100 | \$50,000 | Replace two 20,000 gal storage tanks, install a new water tank. |
| Jemez Springs Domestic Water Coop | 228 | 31 | Sandoval | 1,394 | \$400,000 | Replacement of old water line with new 8 inch line. |
| Desert Ranch MDWCA | 220 | 32 | Curry | 92 | \$26,000 | Drill a new well, install two 5,000 gal storage tanks. |
| Village of Angel Fire | 220 | 33 | Colfax | 6,000 | \$110,000 | Replace 3,000 ft of 3 inch water line with 6 inch line. |
| Canon MDWCA | 218 | 34 | Sandoval | 320 | \$550,000 | Replace 1.7 miles of 6 inch pipe. Add fire hydrants. |

SRF Comprehensive Project Priority List, FY07 Q1

| PWS | Score | Priority | County | Population | Cost | Project Description |
|-----------------------------|--------------|-----------------|---------------|-------------------|-------------|---|
| Dora Water System | 209 | 35 | Roosevelt | 150 | \$300,000 | Replace asbestos concrete lines with 4 inch & 6 inch pipes. |
| South Hills Water Co. | 207 | 36 | Bernalillo | 560 | \$38,592 | Replace 200 meters with remote reading meters. |
| Fort Seldon Water Company | 205 | 37 | Dona Ana | 935 | \$140,000 | Replace well & replace 50,000 gal storage tank, new booster pumps. |
| Glorieta Estates Water Coop | 200 | 38 | Santa Fe | 61 | \$30,000 | A new 30,000 gal water tank, replace pipe connection to a fire hydrant, pressure reducing valves. |
| Windmill Water | 194 | 39 | Santa Fe | 1,250 | \$28,000 | Upgrade ozone equipment to monitor & regulate ozone. |
| Sierra Vista MDWCA | 168 | 40 | Bernalillo | 375 | \$105,000 | Well house with security and electrical backup, land purchase for well house. |
| Moongate West | 168 | 41 | Dona Ana | 3,434 | \$500,000 | Water storage tank and connecting pipeline. |
| Lee Acres Water Users Assoc | 166 | 42 | San Juan | 4,718 | \$5,800,000 | Relocate water line along Highway 64 as required by DOT. |

SRF Comprehensive Project Priority List, FY07 Q1

| PWS | Score | Priority | County | Population | Cost | Project Description |
|---|--------------|-----------------|---------------|-------------------|-------------|--|
| CDS Rainmakers Utilities | 158 | 43 | Lincoln | 475 | \$825,000 | Redrilling & deepening existing well, install new 500,000 gal water tank, replace pressure relief station. |
| Pine River Subdivision Water Users Assoc. | 100 | 44 | San Juan | 25 | \$30,000 | Treatment system, filters, UV unit, turbidimeter and a storage tank. |
| Total Project Count = | | 44 | | | | |

Attachment C:

SFY 2007

**Fundable Priority List of
Projects**

SRF Fundable Project Priority List, FY07 Q1

| PWS | Priority | Population | Cost | Project Description |
|-------------------------------------|----------|------------|-------------|--|
| Berino MDWCA | 1 | 2,500 | \$1,745,000 | Arsenic treatment, 80,000 ft of 6 inch line extension, add valves to existing distribution. |
| Carrizozo Water System | 2 | 1,142 | \$2,000,000 | Drill new well, pump house, replace main water line, repair storage tank, replace meters, add fire hydrants. |
| Mountain Orchard WDWCA | 3 | 40 | \$51,000 | Replace 1760 ft of water line. |
| West Hammond MDWCA | 4 | 3,538 | \$700,000 | Feasibility study, Construct an 8 inch transportation line from tank to tank. |
| Tierra Monte Water Users Assoc | 5 | 85 | \$89,700 | Ion Exchange treatment to remove uranium from two wells. |
| Lakeshore City Sanitation District | 6 | 984 | \$350,000 | Drill new well due to Arsenic in existing well. |
| Bosque Farms Water Supply | 7 | 4,000 | \$500,000 | PER to find solution for high Arsenic. Loan may fund a new well if recommended by PER. |
| Piney Woods Water Users Association | 8 | 250 | \$1,543,005 | Replace distribution system and add 2 25,000 gal storage tanks. |

SRF Fundable Project Priority List, FY07 Q1

| PWS | Priority | Population | Cost | Project Description |
|-----------------------------------|----------|------------|--------------|---|
| Placitas Trails Water Coop | 9 | 375 | \$350,000 | PER and Arsenic treatment system. |
| Capitan Water System | 10 | 2,300 | \$465,000 | Drill a new well. |
| Texico Water System | 11 | 1,000 | \$368,000 | Looping of dead end line, replace small diameter water line, add fire hydrants. Total of 7,995 ft of 6 inch line will be installed. |
| Los Lunas Water System | 12 | 11,535 | \$11,000,000 | Install arsenic treatment system. |
| Las Cruces Municipal Water System | 13 | 81,025 | \$1,590,000 | Drill replacement wells, construct pump stations, water line rehabilitation. |
| San Acacia MDWCA | 14 | 200 | \$1,000,000 | Drill new well, construct pump house, lay two miles of 8 inch PVC transmission line, hypochlorite pump system, 6 inch fire hydrants, install 140,000 gal water storage tank, replace existing water line. |
| Alto Lakes WSD | 15 | 2,000 | \$5,000,000 | Purchase private water system to make public, drill new well, SCADA system, replace water lines, install loops, purchase land for water treatment plant. |

SRF Fundable Project Priority List, FY07 Q1

| PWS | Priority | Population | Cost | Project Description |
|--------------------------------------|----------|------------|-------------|--|
| Silver City Water System | 16 | 18,390 | \$400,000 | Install SCADA System. |
| City of Eunice | 17 | 2,501 | \$1,800,000 | Drill two water wells, install 1,000,000 gal storage tank, replace 1 booster station, improvements on other booster station. |
| Cloudcroft Water System | 18 | 750 | \$200,000 | Treatment of 100,000 gpd of waste water treated to drinking water quality, pipeline to convey treated water to distribution. |
| Cedar Crest MDWCA | 19 | 50 | \$150,000 | Drill new well to replace existing arsenic impacted well, purchase tract to site well. |
| Thunder Mountain Water System | 20 | 1,600 | \$200,000 | New water storage tank to replace failing/leaking tank. |
| Timberon Water & Sanitation District | 21 | 300 | \$495,000 | Install new water tank, PRV's & repair lines. |
| Lybrook MDWCA | 22 | 400 | \$175,500 | Construct a pump house/storage facility with chemical injection for disinfection, telemetry, radio read meters, backflow prevention devices. |
| Monticello Canyon DWCA | 23 | 86 | \$12,000 | Engineering study and design to fix storage tank. |

SRF Fundable Project Priority List, FY07 Q1

| PWS | Priority | Population | Cost | Project Description |
|--|----------|------------|-----------|--|
| Enchanted Forest Water Coop | 24 | 225 | \$36,000 | Replace existing 20,000 gal water storage tank. |
| Forest Park Property Coop | 25 | 220 | \$80,000 | Replace 75 meters with the Radio Read meters, paint tank, replace control mechanisms, replace half mile of water main. |
| Orchard Estates Faculty Lane Water Assoc | 26 | 30 | \$100,000 | Replace distribution system, install meters. |
| Jemez Springs Domestic Water Coop | 27 | 1,394 | \$400,000 | Replacement of old water line with new 8 inch line. |
| Desert Ranch MDWCA | 28 | 92 | \$26,000 | Drill a new well, install two 5,000 gal storage tanks. |
| Village of Angel Fire | 29 | 6,000 | \$110,000 | Replace 3,000 ft of 3 inch water line with 6 inch line. |
| Canon MDWCA | 30 | 320 | \$550,000 | Replace 1.7 miles of 6 inch pipe, add fire hydrants. |
| Dora Water System | 31 | 150 | \$300,000 | Replace asbestos concrete lines with 4 inch & 6 inch pipes. |

SRF Fundable Project Priority List, FY07 Q1

| PWS | Priority | Population | Cost | Project Description |
|-----------------------------|-----------|------------|---------------------|---|
| South Hills Water Co. | 32 | 560 | \$38,592 | Replace 200 meters with remote reading meters. |
| Glorieta Estates Water Coop | 33 | 61 | \$30,000 | A new 30,000 gal water tank, replace pipe connection to a fire hydrant, pressure reducing valves. |
| Windmill Water | 34 | 1,250 | \$28,000 | Upgrade ozone equipment to monitor & regulate ozone. |
| Sierra Vista MDWCA house. | 35 | 375 | \$105,000 | Well house with security and electrical backup, land purchase for well house. |
| Moongate West | 36 | 3,434 | \$500,000 | Water storage tank and connecting pipeline. |
| Lee Acres Water Users Assoc | 37 | 4,718 | \$5,800,000 | Relocate water line along Highway 64 as required by DOT. |
| Total Cost: | | | \$38,287,797 | |
| Total Project Count: | 37 | | | |

Attachment D:

**Priority List Project
Review Process**

Priority Ranking System for DWSRF Projects

I. INTRODUCTION: The federal Safe Drinking Water Act (SDWA) amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) to assist public water systems to finance the cost of infrastructure needed to achieve or maintain compliance with the SDWA. Section 1452 of the SDWA authorizes the Administrator of the US Environmental Protection Agency (EPA) to award capitalization fund grants to states for the purpose of establishing a low interest loan program and other types of assistance (set-asides to the capitalization fund) to eligible water systems. The New Mexico Environment Department (NMED) through its Drinking Water Bureau has primary enforcement responsibility (i.e., primacy) for carrying out the provisions of the SDWA. The NMED is the sub-grantee to the New Mexico Finance Authority (NMFA), which is the designated state agency to apply for and administer the capitalization grant for the DWSRF [Chapter 6, Article 21A-1 to A-9 NMSA 1978]. The NMFA conducts the financial functions of the DWSRF and makes loans to eligible public water systems. The NMED, as the primacy agency establishes and implements the set-aside program.

Section 1452 also requires that the State develop a DWSRF Comprehensive Priority List (See Section IV. below) of potential infrastructure projects to be funded from the DWSRF, as well as a system that ranks the projects in an order commensurate with the goals of the program. In addition, the NMED capacity assessment and the NMFA financial screening taken in combination, result in the development of an annual DWSRF Fundable Priority list. As a part of the annual Intended Use Plan (IUP) process, the DWSRF Fundable Priority List provides the annual listing of water system projects that are eligible to receive DWSRF loans. The program is required, to the maximum extent practicable, to give priority for use of the DWSRF to projects that:

- A. Address the most serious risk to human health;
- B. Are necessary to ensure compliance with the requirements of the Safe Drinking Water Act; and,
- C. Assist systems most in need on a per-household basis according to state affordability criteria.

The State maintains an initiative to encourage and facilitate the consolidation or

regionalization of public water systems. This initiative, in concert with state regulatory programs, also promotes compliance with the SDWA.

In 1999 at the inception of the DWSRF in New Mexico, the project ranking system was developed as part of the IUP, a document that annually accompanies the program's request for the DWSRF capitalization fund grant. This updated document discusses a revised Drinking Water Priority Ranking System that will be maintained as a stand-alone document and will be available on the websites of both the NMFA and the NMED. The DWSRF revised ranking is an additive numerical system, a methodology that will support the priority system's essential basis on the priority ranking concepts stated in the preceding paragraph. In addition, New Mexico will assign enhanced priority consideration to small community DWSRF projects.

II. ELIGIBLE PUBLIC WATER SYSTEMS: Public Water Systems (PWS) eligible for DWSRF funding are non-federal community water systems and non-profit, non-community water systems. Priority point assignment and listing in the IUP do not guarantee that all financial and project eligibility requirements have been met or will result in project funding. The NMFA reserves the right to refuse funding to a public water system that is financially nonviable or to recommend that such a system seek funding from other funding agencies. The NMFA is not the lender of last resort. PWS with questions about the ranking process or the development of the DWSRF Fundable Priority List should contact NMFA or NMED to obtain a detailed explanation. NMFA can be reached at: (505) 984-1454 or (877) 275-6632 and NMED can be reached at (505) 476-8600 or (877) 654-8720.

III. ELIGIBLE PROJECTS

A. COMPLIANCE AND PUBLIC HEALTH: According to Section 1452(a)(2) of the SDWA, the DWSRF may only provide assistance for expenditures (not including monitoring, operation and maintenance expenditures) of a type or category which will facilitate compliance with national primary drinking water regulations applicable to the system under section 1412 or otherwise significantly further the health protection objectives of the Act.

Projects to address SDWA health standards that have been exceeded or to prevent future violations of the rules are eligible for funding. These include projects to maintain compliance with existing regulations for contaminants with acute health effects (i.e., the Surface Water Treatment Rule, the Total Coliform Rule, and nitrate standard) and regulations for contaminants with chronic health effects (i.e., Lead and Copper Rule, Phases I, II, and V rules, total trihalomethanes, etc.) Future or imminent rules such as the arsenic, groundwater, radionuclide rules are also eligible.

Projects to replace aging infrastructure are also eligible if they are needed to maintain compliance or further the public health protection goals of the Act (CFR 35.3520(b)(2)(i – vi). Examples of these projects include, but are not limited to:

1. Rehabilitate or develop sources (excluding reservoirs, dams, dam rehabilitation and water rights) to replace contaminated sources or to provide source supplementation;
2. Install or upgrade treatment facilities, if the project would improve the quality of drinking water to comply with primary standards;
3. Install or upgrade storage facilities, to prevent microbiological contaminants from entering the water system; and,
4. Install or replace transmission and distribution pipes to prevent contamination caused by leaks or breaks in the pipe, or improve water pressure to safe levels.

Projects to regionalize/consolidate water supplies (for example, when individual homes or a public water supply is contaminated, the system(s) is/are unable to maintain compliance or supply a sufficient, consistent source, and/or for financial or managerial reasons) are eligible for DWSRF assistance.

- B. ELIGIBLE PROJECT COSTS:** There are several categories of eligible project related costs, including: 1) Costs for planning & design; 2) Costs for land acquisition necessary for fulfillment of the project; and 3) Costs for restructuring of systems in substantial violation of any national primary drinking water regulation.

IV. PRIORITY SYSTEM – GENERAL: The following is a sequence of events that describes the activities and their ordering for the development of the New Mexico priority system, as required under CFR 35.3555(c)(1). Each calendar year, no later than November, NMFA and NMED will develop a joint letter that will be mailed and also made available on the website of both agencies. This letter will be sent to all known, eligible public water systems, inviting them to respond to a solicitation for water system projects.

The respondents will provide a current statement of project interest through completion and submission of a Project Interest Form. By completing and submitting this form, the public water system will be placed on the Comprehensive Priority List of the IUP that commences July 1 of the following calendar year. A negative response or lack of response will mean that the public water system is ineligible for inclusion on the Comprehensive Priority List until the next solicitation period in the following year, unless certain circumstances occur, such as a substantial public health threat and a related project that was not listed in the current year's Comprehensive Priority List (CFR 35.3555(c)(2) or the NMFA and NMED elect to hold interim period quarterly IUP update(s).

In summary, New Mexico reserves the right to include water systems on the Comprehensive Priority List through the planned annual process (CFR 35.3555(c)(1), or at any time such public health threat emerges during the year at an eligible water system. The IUP may allow for the funding of projects that require immediate attention to protect public health. Such unanticipated projects will be identified in the Annual Report and during the annual review. In general, all emergency water system project needs will be directed to other state and federal funding entities for rapid service that is generally not possible through the Drinking Water Revolving Loan Fund (DWRLF.)

The elements of the NMED Priority Ranking System (federal and state combined) for which projects receive points on the Comprehensive Priority List are:

- A) Public Health Threat;
- B) Safe Drinking Water Act compliance;
- C) Affordability;
- D) Regionalization/Consolidation;
- E) Emergency Planning;

- F) Source Protection;
- G) Population;
- H) Project Factors; and
- I) Financial Capacity.

V. ASSIGNMENTS OF PRIORITY POINTS & THE CRITERIA AND PROCESSES USED:

All eligible water systems and their related projects, will be ranked by the number of points received. The water system with the most points received will be assigned the highest priority ranking. No points in a specific category shall be assigned for a project intended to correct deficiencies resulting from inadequate operation and maintenance of the public water system. In the event of tied scores, the smaller water system will be ranked higher than the larger water system, based on the population served. In this instance population served will be determined by the population value found in SDWIS for that system. Table D1 describes the point system. Table D3 at the end of this Attachment is a summary table of the point system.

Table D1: Comprehensive Priority Ranking System:

| RANKING CATEGORIES AND SUBFACTORS (Please see the summary table of total possible points.) | MAX. POINTS |
|--|--------------------|
| A. Public Health Threat (Federal Ranking Criteria) | |
| 1. Waterborne Disease Outbreak. 60 points will be assigned if a waterborne disease outbreak as declared by the Department of Health in collaboration with NMED, is attributable to the existing public water system, and if the proposed project will address these violations. | 60 |
| 2. Inadequate Water Supply. Points will be assigned if the wells or sources in the proposed project service area are unable to consistently provide an adequate amount of drinking water to customers and if the proposed project addresses this problem. The assignment is as follows: Two outages in the prior two calendar years = 20 points; Three or four outages in the prior two calendar years = 40 points; and five or more outages in the prior two calendar years = 60 points. | 60 |
| B. Safe Drinking Water Act Compliance (Federal Ranking Criteria) | |
| 1. Acute/Chronic Risk Contaminants. 110 points will be assigned if the system is in violation of a maximum contaminant level (MCLs), and if the proposed project will address the violations. | 110 |

| | |
|---|-----|
| <p>2. Treatment Technique Requirements. 60 points will be assigned if there have been at least 3 violations of treatment technique requirements within the past calendar year, and if the proposed project will address these violations.</p> | 60 |
| <p>3. Anticipated Federal Regulations. 110 points will be assigned if the proposed project will enable the public water system to comply with new/anticipated federal regulations.</p> | 110 |
| <p>4. Ground Water Under the Direct Influence of Surface Water (GWUDI). 60 points will be assigned to water systems that have received at least 2 ground water under the influence determinations of “high”; 30 points will be assigned to water systems that have received at least 2 ground water under the influence determinations of “moderately high.” These points will be awarded only if the proposed project addresses the GWUDI problem.</p> | 60 |
| <p>C. Affordability (Federal Ranking Criteria)</p> <p>1. Only community water system projects will be assigned points under this section. The statewide annual median household income levels of the state must be determined from income data from the latest census of the United States. A community water system will use the annual median household income for the appropriate political subdivision(s) encompassing its service area. A maximum of 60 points will be assigned a project from a community water system with an annual median household income (MHI) below the annual median household income for either the metropolitan or non-metropolitan area, as applicable. Up to 5% below MHI = 20 points; up to 10% below MHI = 40 points; and greater than 10% below MHI = 60 points.</p> | 60 |
| <p>D. Water System Regionalization/Consolidation (State Ranking Criteria)</p> | |
| <p>1. Emergency Source. 30 points will be assigned to a project that addresses a need for an emergency source through interconnection with another public water system.</p> | 30 |
| <p>2. Share Source or Storage. 30 points will be assigned to a project that allows for interconnection to share existing source/storage.</p> | 30 |
| <p>3. Mitigation of Water Contamination. 30 points will be assigned to a project that addresses current or imminent SDWA acute or MCL violations through consolidation with another public water system.</p> | 30 |
| <p>4. Regionalization Activities. 20 points will be assigned to a project that is part of a regionalization effort among two or more water systems.</p> | 20 |

| | |
|---|-------------|
| <p>E. Water Conservation and Drought Preparedness (State Ranking Criteria)</p> <p>1. Planning. 15 points will be assigned (30 points maximum) for each of the following: a) current drought plan; b) water conservation ordinance/policy/rate structure.</p> | 30 |
| <p>2. Implementation. 30 points will be assigned for current water use restrictions.</p> | 30 |
| <p>F. Population (State Ranking Criteria)</p> <p>1. Only community water system projects will be assigned points under this section. Based on Drinking Water Bureau inventory, community water systems up to 10,000 in population will be awarded up to 50 points. The following formula will be used: Points Awarded = 50 – Population/200. Example: A community with a population of 1,000: 50 – 1000/200 = 50 – 5 = 45 points awarded.</p> | 50 |
| <p>G. Project Factors (State Ranking Criteria)</p> <p>1. Projects that address water loss issues (metering, line replacement, failing tanks, etc.) will receive 80 points.</p> | 80 |
| <p>2. Projects that streamline operations (radio read meters, looping, storage telemetry, SCADA, etc.) will receive 60 points.</p> | 60 |
| <p>3. Projects that enhance water supply (well replacement, well drilled, additional water storage, etc.) will receive 30 points.</p> | 30 |
| <p>4. Projects that add or upgrade treatment for microbiological contamination (add UV, flush hydrants) will receive 60 points</p> | 60 |
| <p>5. Projects that address water pressure problems will receive 30 points</p> | 30 |
| <p>Maximum Possible Points</p> | 1000 |

The PWSs that submit projects, and are ranked on the Comprehensive Priority List, are then evaluated to determine if they can be placed on the annual Fundable Priority List. The Tier 2 Capacity Assessment (see Section VI. below) is used to make this determination. The system-specific detailed capacity assessment must demonstrate sufficient technical, managerial and financial capacities before being placed on the annual Fundable Priority List. The Fundable Priority List determination criteria are shown in table D2:

Table D2: Fundable Priority List Criteria:

| TECHNICAL CAPACITY | |
|--|--|
| PWS must meet the following: | System has a certified operator appropriate for the system |
| MANAGERIAL CAPACITY | |
| PWS must have at least 2 of the following: | Written operating procedures Written job descriptions for all staff A written preventative maintenance plan A written emergency response plan An emergency source A written and implemented cross-connection control program Security measures An approved and implemented source-water protection plan |
| FINANCIAL CAPACITY | |
| PWS must have the following: | A budget |
| PWS must have at least 4 of the following: | A written and adopted rate structure Rates that cover operation and maintenance Rates that cover infrastructure repair and replacement Rates that cover staffing Rates that cover emergency/reserve fund More than 90% of customers paying water bills Metering of customers (if the project does not include meters). Rates must be based on metered use. |

The PWSs that qualify for the annual Fundable Priority List are placed on that list in the same order as they are ranked on the Comprehensive Priority List. Then, they are sequentially numbered starting with the number 1 to determine their fundable priority ranking value.

VI. CAPACITY ASSESSMENTS: The financial, managerial and technical capabilities of the community to operate and maintain its system will be assessed by NMED (CFR 35.3545(f)(1)). These capabilities will be evaluated on a periodic basis for all eligible water systems, and will be considered current if completed no more than 24 months prior to the placement of a project on the SRF Fundable Priority List. Water systems that are not on the Comprehensive Priority List are expected to be evaluated every three years, in coordination with the routine completion of the sanitary survey.

Through this process, those systems that are shown not to have the capacity to operate and

maintain their systems as required to be placed on the Fundable Priority List, will be offered technical assistance through the set-aside program's technical assistance contractors to address the capacity deficiencies identified in the assessment. The agencies expect to support these water systems in their efforts to build sufficient capability by the next funding cycle, or as feasible (CFR 35.3555(c)(2)(ii)).

When an entity has gone through a capacity assessment evaluation process and meets all the related requirements, then they may be placed on the DWSRF Comprehensive Priority List. Water systems, which appear on the Fundable Priority List through the provision of inaccurate information, will be removed from the Fundable Priority List for the current year. The projects that are eligible for the Fundable Priority List will be ranked based on the evaluation that was done for them to get on the DWSRF Comprehensive List. NMFA will then proceed to work with each entity on the Fundable Priority List to fund the projects, given the limitations of fund availability.

The NMED in collaboration with NMFA and the Environmental Finance Center (EFC) has developed a three-tiered capacity assessment approach designed to focus the limited resources of the Set-Aside program in a way that will extend program resources as much as possible and which will provide activities that lead to the most desired result: compliance with the Safe Drinking Water Act.

It is DWB's intention that a Tier 1, Tier 2, or Tier 3 capacity assessment will be administered to all eligible community water systems every 36 months, and where possible in conjunction with the sanitary survey. Basic information extracted from the capacity assessments will be maintained in a database for use by NMED and NMFA.

The Tier 3 capacity assessment is a brief capacity assessment. This will provide baseline information on all PWS.

The Tier 2 capacity assessment will be used in instances where more information is needed for in-depth analysis of water system capacity. It is the Tier 2 assessment that will be administered to PWS with proposed projects for DWSRF funding.

The Tier 1 capacity assessment will be used in instances where significant quantitative and qualitative information is needed to assist in compliance decisions or to assist PWS with significant managerial, financial or technical capacity development needs. Such PWS may also have proposed projects for DWSRF funding. All three tiers are to be administered by DWB staff or its delegates.

The information utilized from a Tier 2 capacity assessment to determine whether or not a project will be on the Fundable Priority List is a relatively small subset of the information provided on the assessment. It is believed by NMED and NMFA that this subset of information, though not giving a complete picture of the system's capacity, gives a strong indication of the system's level of capacity while making the Fundable Priority List criteria manageable.

VII. BY-PASS PROCEDURE: NMED and NMFA will expect to fund the projects on the DWSRF Fundable Priority List, in rank order, but reserves the right to “by-pass” certain projects using a by-pass procedure. The State reserves the right to fund lower priority projects over higher priority projects, if in the opinion of the NMED or the NMFA, the higher priority project does not meet the screening criteria discussed below. The following is the screening process, in order of application, for the revolving loan fund DWSRF fundable priority list:

The water system must be willing to take a loan and be ready to proceed. The water system has three months to notify NMFA of their intention to proceed. The water system must have taken the necessary steps to expeditiously prepare funding documentation and initiation of construction. If the community does not agree to undertake a loan or if they have not proceeded expeditiously to complete all funding documentation and move toward construction, then they will be by-passed to allow other systems to take advantage of the loan program. If a public water system has been notified in writing of its eligibility for the DWSRF by the NMED and NMFA, and the water system fails to follow through by contacting either the NMED or NMFA of its interest in DWSRF funding, the NMED and NMFA will continue with the next project on the DWSRF fundable priority list. New quarterly updates of the IUP process may result in a reprioritized fundable priority list in any given year. Projects with current binding commitments will take priority over any new

additions to the fundable priority list, during the program's IUP yearly cycle.

If a water system has been added to the fundable list through the quarterly review process, they can be by-passed if they are not in a position to take on a loan. Also, a water system can be by-passed if there is not enough money in the DWSRF Loan fund to fund the new project or if a water system is found not to be loan worthy.

VIII. DISADVANTAGED COMMUNITIES/SMALL WATER SYSTEMS: The state will provide 0% interest loans to disadvantaged communities. In addition, the state will provide up to 15% of available loan funds for small water systems, which are defined as serving populations less than 10,000 (CFR 35.3525(a)(5) and CFR35.3525(b)). For the purpose of developing an annual IUP's preliminary listing of water systems on the Fundable Priority List that are disadvantaged, the following procedure will be followed. Water systems on the Fundable Priority List that are at 90% of MHI will be listed as disadvantaged. Please note that this preliminary designation will receive further analysis, should the specified water systems make application for a DWSRF loan. The preliminary designation of disadvantaged community in no way guarantees or implies that the IUP listed disadvantaged water systems ultimately will retain the disadvantaged community status when NMFA conducts the in-depth analysis described in Section V.

IX. NMFA FINANCIAL SCREENING: The NMFA will establish financial viability of the specific water systems for receiving a loan, and the NMFA will evaluate whether the system will be capable to take on a DWSRF loan. The NMFA will evaluate will be based on all or some of the following:

- i. Review of total property tax collections (including delinquencies) compared to the current year levy;
- ii. Current year property tax collections compared to the levy for that year;
- iii. Gross receipts and other tax collection trends and performance;
- iv. Unreserved general fund balance compared to the general fund expenses;
- v. Proportion of external revenues (such as state and federal grants) to total revenues; and,
- vi. Other user fees or revenues.

If a water system is found to be not loan worthy, a letter of explanation will be developed by the NMFA and NMED to provide the water system with an overview of the issues with recommendation of steps to be taken to bring the water system into the status of loan worthiness, ideally under the next annual IUP review process, or as soon as feasible.

Table D3: Summary Table of Total Possible Priority Points:

| CATEGORY | SUBFACTORS | MAXIMUM POINTS ASSIGNED | CATEGORY SUBTOTAL |
|---|--|-------------------------|-------------------|
| A. PUBLIC HEALTH THREAT (FEDERAL CRITERIA) | 1. ✘ WATERBORNE DISEASE OUTBREAK | 60 | 120 |
| | 2. ✘ INADEQUATE WATER SUPPLY – OUTAGES | 60 | |
| B. SAFE DRINKING WATER ACT COMPLIANCE (FEDERAL CRITERIA) | 1. ✘ ACUTE /CHRONIC CONTAMINANTS | 110 | 340 |
| | 2. ✘ TREATMENT TECHNIQUE REQUIREMENTS | 60 | |
| | 3. ✘ ANTICIPATED FEDERAL REGULATIONS | 110 | |
| | 4. ✘ GROUND WATER UNDER DIRECT INFLUENCE | 60 | |
| C. AFFORDABILITY (FEDERAL CRITERIA) | COMMUNITY WATER SYSTEM WITH INCOME BELOW AREA MHI | 60 | 60 |
| D. WATER SYSTEM REGIONALIZATION (STATE CRITERIA) | 1. EMERGENCY SOURCE | 30 | 110 |
| | 2. SHARE SOURCE OR STORAGE | 30 | |
| | 3. ✘ MITIGATION OF WATER CONTAMINATION | 30 | |
| | 4. REGIONALIZATION ACTIVITIES | 20 | |
| E. WATER CONSERVATION AND DROUGHT PREPAREDNESS (STATE CRITERIA) | 1. PLANNING – DROUGHT PLAN, EMERGENCY PLAN, EMERGENCY SOURCE, WATER CONSERVATION ORDINANCE | 30 | 60 |
| | 2. IMPLEMENTATION – CURRENT WATER USE RESTRICTIONS | 30 | |
| F. POPULATION (STATE CRITERIA) | POPULATION BASED ON DWB INVENTORY UP TO 10,000 POPULATION. | 50 | 50 |
| G. PROJECT FACTORS (STATE CRITERIA) | 1. REDUCE WATER LOSS: METERS, LINES, FAILING TANKS, ETC. | 80 | 260 |
| | 2. STREAMLINE OPERATIONS: RADIO READ METERS, LOOPING, STORAGE TELEMTRY, SCADA, ETC. | 60 | |
| | 3. ENHANCE WATER SUPPLY: REPLACE WELL, DRILL WELL, ETC. | 30 | |
| | 4. ADD OR UPGRADE TREATMENT FOR MICROBIOLOGICAL CONTAMINATION | 60 | |
| | 5. ADDRESS WATER PRESSURE PROBLEMS | 30 | |

MAXIMUM GRAND TOTAL 1,000

✂ Project proposal must assist in return to compliance, future compliance, or resolution of a water system obstacle for the delivery of safe and sufficient drinking water, in order to obtain points in this category.

Attachment E:

SFY 2007

Public Response

Documents



**BILL
RICHARDSON
GOVERNOR**

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Drinking Water Bureau
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**RON CURRY
SECRETARY**

MEMORANDUM

Date: April 17, 2006
To: Public Drinking Water Systems and Drinking Water Advisory Group
From: Chuck Thomas, Acting Chief, Drinking Water Bureau, NM Environment Department
Subject: **MEETING OF THE DWAG – May 18, 2006**

The New Mexico Environment Department Drinking Water Bureau (NMED-DWB) is sponsoring a meeting of the Drinking Water Advisory Group (DWAG). The meeting is scheduled for **Thursday, May 18 from 8:30 AM to 3:00 PM at UNM in Albuquerque.**

DWAG meetings are held periodically to discuss issues and are open to all water systems and the public. The DWAG is composed of members of the public, water systems representatives, government agencies representatives, and other interested parties. At these meetings, the DWB provides updates about drinking water regulations and programs. As a participant, you will be able to provide input and comments on the implementation of drinking water programs in the state.

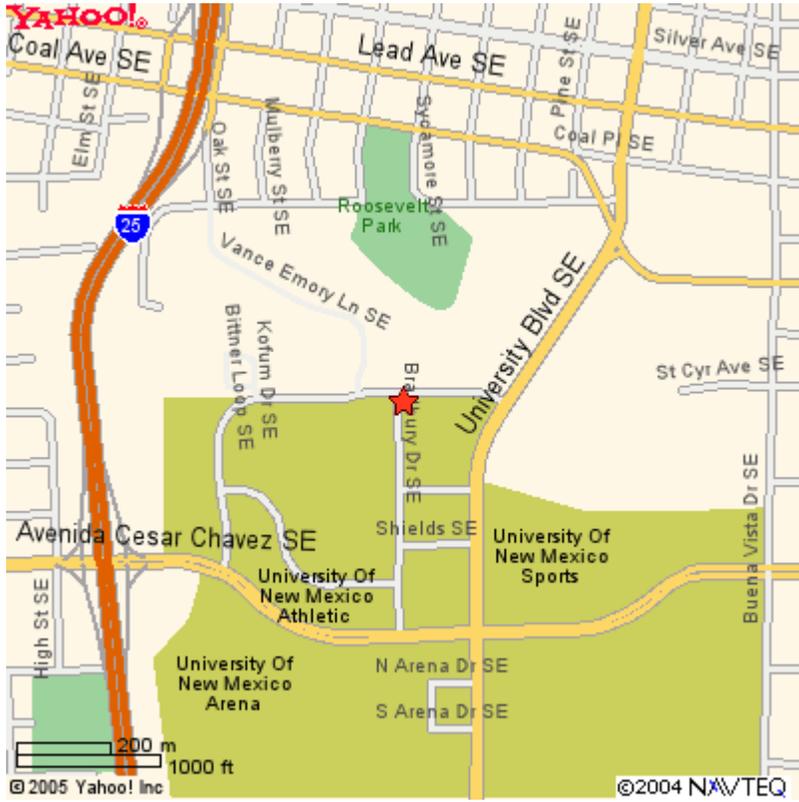
Agenda items for the up-coming meeting include: the Drinking Water State Revolving Fund Intended Use Plan (IUP) for the upcoming state fiscal year, a review of the proposed changes to the New Mexico Drinking Water Regulations, a review of the proposed changes to the Operator Certification Program and a summary of the legislative changes to the Sanitary Project Act.

The IUP can be viewed from DWB's website: www.nmenv.state.nm.us/dwb/dwbtop.html. We encourage you to submit comments on the state's IUP. Written comments will be accepted until June 18, 2006. Comments should be submitted to:

Rob Pine
NMED/Drinking Water Bureau
525 Camino De Los Marquez
Santa Fe, NM 87501

The meeting will take place in the **Auditorium** of the Science & Technology Park at the **University of New Mexico** in Albuquerque, which is located at 800 Bradbury SE. Please see below for a detailed map. Free parking is available in the Parking Structure located at 801 Bradbury SE.

We look forward to seeing you at our meeting. If you have any questions regarding the meeting, please call Rob Pine toll free at 1-877-654-8720 or (505) 476-8642. Also, please visit DWB's DWAG website: www.nmenv.state.nm.us/dwb/dwag.html.



Drinking Water Advisory Group (DWAG)

Tentative Agenda – Thursday, May 18, 2006

Science & Technology Park

University of New Mexico

Auditorium

800 Bradbury SE

Albuquerque, NM

8:30am to 3:00pm

| | | |
|----------|---|---|
| 8:30 am | Welcome & Introductions | Ana Marie Ortiz, Director, NMED-FOD |
| 8:45 am | Bureau Update | Chuck Thomas, Chief, NMED-DWB |
| 9:00 am | State Fiscal Year 07 IUP, Priority List | Chuck Thomas, NMED-DWB John Brooks, NM Finance Authority |
| 10:15 am | Questions | |
| 10:30 am | Break | |
| 11:45 am | Drinking Water Revised Regulations Update | Darren Padilla, NMED-DWB Chuck Thomas, NMED-DWB |
| 11:15 am | Utility Operator Certification Update | Violette Valerio-Hirshfield NMED-DWB |
| 11:45 am | Questions | |
| Noon | Lunch | |
| 1:10 pm | Sanitary Project Act Changes | Ana Marie Ortiz, NMED FOD Chuck Thomas, NMED-DWB |
| 2:00 pm | Questions | |
| 2:45 pm | Conclusions | |



PARTICIPATE IN NEW MEXICO'S DRINKING WATER ADVISORY GROUP (DWAG)

DWAG Meetings are held periodically throughout the state and are open to all water systems and the public. The DWAG is composed of members of the public, water system representatives, other interested parties and representatives of government agencies. At these meetings, the Drinking Water Bureau (DWB) provides updated information about drinking water regulations and programs. As a participant, you will be able to provide advice and comments on the implementation of drinking water programs in the state.

The most recent DWAG meeting was held on **May 18, 2006** in Albuquerque at the UNM Science and Technology Park Auditorium. Topics included the FY07 Intended Use Plan (IUP), drinking water rule changes, operator certification rule changes and changes to the Sanitary Projects Act. For more information on the meeting, [view this PDF](#). To view the Draft FY07 IUP, [Click Here](#). The Draft IUP is subject to modification up until the time that it is finalized.

Please send **comments, questions, and bug reports** for this page to the [DWB Website Liaison](#).



[NMED Home](#) | [NM State Home](#) | [NMED Contacts](#) | [Site Map](#)

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Public Comments:

The following public comments and responses were presented orally at the Drinking Water Advisory Group meeting on May 18, 2006.

1. Question: Do you examine the whole community when determining whether or not to provide a loan, or just those connected to the water system?

Answer (NMFA): Only the service area when judging for a loan.

2. Question: I'm curious how severely disadvantaged communities can qualify for a loan?

Answer (NMFA): We analyze the rate structure and discuss rates that will support the repayment of a loan.

3. Question: How do you avoid the anti-donation clause?

Answer (NMFA): Any loan below 3% would trigger the anti-donation clause, so we keep the rates for for-profit systems above 3%.

4. Question: Have you given any loans to disadvantaged communities?

Answer (NMFA): Yes, for instance, Espanola was given a 0.7% rate loan to install meters.

5. Question: What happens to systems that don't make the Fundable List?

Answer (NMED): We will offer technical assistance to help the system correct the deficiencies such that they can make it onto the Fundable List.

6. Question: If you know your system cannot make it onto the Fundable List, should you apply anyway?

Answer (NMED): Yes, that would get you on our radar, or you can just call us for technical assistance.

7. Question: Can a disadvantaged community use these loans to pay off others, for example an RUS loan?

Answer (NMFA): Yes, with stipulations. For example, an EIS must be performed and EPA rules must be followed.

8. Question: How much detail is needed for the description of a project?

Answer (NMED): You don't need a PER, just a description and estimates

9. Question: What is the difference between non-disadvantaged and non-profit?

Answer (NMFA): Non-profit systems are a cooperatives, whereas non-disadvantaged would be a water systems such as mutual domestics.

The following comments were submitted by the New Mexico Environmental Finance Center:

Attached is the NM SFY 2007 Intended Use Plan with suggestions as tracked changes, mostly editorial. In the IUP (as tracked changes and/or notes) and below are our (Heather, Susan and Karen) comments/questions/suggestions. See also email "EFC comments on Capacity Assessments and Ranking Criteria."

I couldn't show mark-up in the DWSRF Funds Statement (around page 5 or 6), so notes are written here:

1. Both the Federal Cap Grant Payments and State Match lines refer to FY06, but the text in the previous pages refers to FFY 2006 or SFY 2007. I get confused trying to understand what FY06 means in relation to both Federal and State sources of funds in the statement.
2. The way the notes are numbered are inconsistent - some have colons after the number, one has a period, and one doesn't have punctuation.
3. Note one says FFY 1999 and FFY 2000 grants both expire in 2006, and I just want to make sure that is correct.
4. Note 2 might be worded better as "...for which the application was submitted..." Also, is FFY 2005 correct in that note?
5. Note 4 refers to SFY 06 carryover, but the only fiscal year named in the corresponding Attachment F is "FY07."

In Chart A (around page 10 or 11) about 4/5 of the way down, is wellhead protection the same as source water protection? Up to this point, the text has only referred to source water protection.

Later, wellhead protection is frequently referred to in section IV.D. Is this terminology a limitation of the SDWA? I notice the DWB website also uses both terms and I've been curious if the terms are interchangeable.

On or around pages 28-29, where it explains where population figures come from and how points are awarded, I note two potential problems:

1. During capacity assessments, we ask the system what their population is, and that is normally what we report. Do we need to exclusively report SDWIS population figures on the capacity assessments in the future? And what if there is a significant difference between SDWIS and what the system tells us?
 2. If SDWIS is continually updated, how would you find a population figure that dated back to the "IUP opening date" if a SDWIS update has been made since then?
- This same issue arises in a few places in Attachment D.

In VII.D. (on or around page 33), the table of SFY 2007 anticipated loan execution

1. It is confusing because it refers to projects on the SFY 2006 Fundable List, rather than those on the SFY 2007 list, which is the only list in this IUP.
2. Bloomfield is slated for a project. However, Bloomfield was listed in an emergency under a compliance order for turbidity, but in this table it says their project is for arsenic treatment. We checked and no one in San Juan County is listed as having an arsenic problem.

It looks like Attachment A needs to be updated.

In Attachment B, Alto Lakes is listed (priority number 17) and it made the Fundable List. However, they were on our list for the SFY06 cycle, rather than SFY07. Also, we think NMED and NMFA should consider very carefully funding a transfer of assets where assets owned by the property owners (the corporation) are being transferred to the district in the interest of the same property owners. It doesn't make sense to us that the property owners (via water rates) would essentially buy the assets from themselves. Further, we would find the proposal to purchase assets very suspicious if grants are sought for this transfer; and Karen suggested that would look like going door-to-door handing out cash, because it wouldn't improve the water system whatsoever.

The April 2006 capacity assessment says:

"The board of the Alto Lakes Water Corporation voted to change their legal status from a private company to a Water and Sanitation District (W&SD). The intention was to transfer all of the assets of the corporation to the W&SD. However, negotiations regarding the transfer are still ongoing. At this time, the Alto Lakes W&SD exists, but has no revenue or assets. The Alto Lakes Water Corporation still owns all of the assets, collects the revenues, and operates and maintains the water system."

A change in legal status is not really how a district is formed, and now there are two concurrent entities.

If the property owners thought a district was in their best interest, why are they now showing reluctance to dissolve the corporation?

If a limited number of property owners are shareholders in the corporation, does it become an anti-donation issue if a few private people would benefit from the receipt of public monies?

Anyway, we believe NMED and NMFA will want to be cautious.

In Attachment C (Fundable), a few projects are listed in an order different than the order they appear in Attachment B (Comprehensive). In particular, check the location on the Fundable List of Tierra Monte, Silver City, and Sierra Vista.

Attachment D:

1. Section II says only community and non-transient, non-community water systems are eligible, but Monticello Canyon is designated in SDWIS as merely non-community and it is on the Fundable List. We recommend verification that Monticello Canyon meets the threshold of being regulated as a PWS, and check its designation.
2. All the paragraphs at the end of Attachment D are repeated in the text of the IUP and may not need to be repeated in Attachment D.

You will want to replace the NMED webpage screen shown in Attachment E with the one that actually has a link to the draft IUP, since it is stated in Section IX that the IUP was posted for review and Attachment E is referenced. I believe you will want to add the NMFA webpage screen where there is a link to the IUP since it is also referenced in Section IX. It is possible to accomplish both of these with a screen capture of the webpages (Print Screen key on your keyboard), which will also show the urls. In lieu of screen captures, I suggest you include the url of each webpage in Attachment E (I already added the one for the NMED webpage).

Attachment F is never explained in the text. Nowhere in Attachment F does it explain what is meant by "carryover funds" or explain how the probability is determined or how it is used, or explain "net amount forecasted per project." It looks like the probability is

multiplied by the project cost, in which case it seems a phrase like "probable proportion of carryover funding" would be more accurate. Probability sounded to all of us to be either 1) the likelihood of NMFA giving them the ok or 2) the likelihood the system would follow through with funding, neither of which make sense with the way the % seems to be multiplied out. We made suggestions based on our best understanding of Attachment F. Attachment F is referenced in a footnote of the DWSRF Funds Statement (around page 5 or 6). The only other reference to Attachment F was in Section VII, paragraph 3, item e), 3rd bullet where it talks about a determination of loan worthiness. We don't understand how Attachment F describes loan worthiness.

Half or more of the occurrences of "set-aside" was capitalized, so I capitalized all of them. Likewise italicizing "SDWA."
There are still some wayward commas and inconsistent margins, but I tried to catch other punctuation mistakes and omissions.

Attachment F:

**Carryover Amounts
and
Potential Projects
for Loans**

Projections of the Fundable List using the Carryover Funds In SFY07

| PWS | Priority | Population | Cost | Probability of funding in % | Net Amount Forecasted Per Project | Project Description |
|-------------------------------------|----------|------------|-------------|-----------------------------|-----------------------------------|---|
| Tiera Monte Water Users Association | 1 | 85 | \$89,700 | 20% | \$17,940 | Ion Exchange treatment to remove uranium from two wells. |
| Bosque Farms Water Supply | 2 | 4,000 | \$500,000 | 20% | \$100,000 | PER to find solution for high Arsenic. Loan may fund a new well if recommended by PER. |
| Placitas Trails Water Coop | 3 | 375 | \$350,000 | 15% | \$52,500 | PER and Arsenic treatment system. |
| Berino MDWCA | 4 | 2,500 | \$1,745,000 | 10% | \$174,500 | Arsenic treatment, 80,000 ft of 6 inch line extension, add valves to existing distribution. |
| Carrizozo Water System | 5 | 1,142 | \$2,000,000 | 35% | \$700,000 | Drill new well, pump house, replace main water line, repair storage tank, replace meters, add fire hydrants |
| Piney Woods Water Users Association | 6 | 250 | \$1,543,005 | 10% | \$154,300 | Replace distribution system and add 2 25,000 gal storage tanks. |

| | | | | | | |
|-----------------------------------|----|--------|--------------|-----|-------------|---|
| West Hammond MDWCA | 7 | 3,538 | \$700,000 | 45% | \$315,000 | Feasibility study, Construct an 8 inch transportation line from tank to the distribution. |
| Cloudcroft Water System | 8 | 750 | \$200,000 | 10% | \$20,000 | Treatment of 100,000 gpd of waste water treated to drinking water quality, pipeline to convey treated water to distribution. |
| Thunder Mountain Water System. | 9 | 1,600 | \$200,000 | 15% | \$30,000 | New water storage tank to replace failing/leaking tank. |
| Capitan Water System | 10 | 2,300 | \$465,000 | 2% | \$9,300 | Drill a new well. |
| Las Cruces Municipal Water System | 11 | 81,025 | \$1,590,000 | 30% | \$477,000 | Drill replacement wells, construct pump stations, water line |
| Los Lunas Water System | 12 | 11,535 | \$11,000,000 | 60% | \$6,600,000 | Install arsenic treatment system. |
| Forest Park Property Coop | 13 | 220 | \$80,000 | 20% | \$4,000 | Replace 75 meters with the Radio Read meters, paint tank, replace control mechanisms, replace half mile of water main. |
| San Acacia MDWCA | 14 | 200 | \$1,000,000 | 10% | \$100,000 | Drill new well, construct pump house, lay two miles of 8 inch PVC transmission line, hypochlorite pump system, 6 inch fire hydrants, install 140,000 gal water storage tank, replace existing water line. |
| Silver City Water System | 15 | 18,390 | \$400,000 | 25% | \$100,000 | Install SCADA System |
| Mountain Orchard WDWCA | 16 | 40 | \$51,000 | 25% | \$12,750 | Replace 1760 ft of water line. |

| | | | | | | |
|--------------------------------------|----|-------|-------------|-----|-----------|--|
| Dora Water System | 17 | 150 | \$300,000 | 10% | \$30,000 | Replace asbestos concrete lines with 4 inch & 6 inch pipes. |
| City of Eunice | 18 | 2,501 | \$1,800,000 | 30% | \$540,000 | Drill two water wells, install 1,000,000 gal storage tank, replace 1 booster station, improvements on other booster station. |
| Glorieta Estates Water Coop | 19 | 61 | \$30,000 | 5% | \$1,500 | A new 30,000 gal water tank, replace pipe connection to a fire hydrant, reducing valves. |
| Canon MDWCA | 20 | 600 | \$550,000 | 5% | \$27,500 | Replace 1.7 miles of 6 inch pipe. Add fire hydrants. |
| Timberon Water & Sanitation District | 21 | 300 | \$495,000 | 10% | \$49,500 | Install new water tank, PRV's & repair lines. |
| Lybrook MDWCA | 22 | 400 | \$175,500 | 5% | \$8,775 | Construct a pump house/storage facility with chemical injection for disinfection, telemetry, radio read meters, backflow prevention devices. |
| Monticello Canyon DWCA | 23 | 86 | \$12,000 | 5% | \$600 | Engineering study and design to fix storage tank. |
| Enchanted Forest Water Coop | 24 | 225 | \$36,000 | 5% | \$1,800 | Replace existing 20,000 gal water storage tank. |
| Texico Water System | 25 | 1,000 | \$368,000 | 5% | \$18,400 | Looping of dead end line, replace small diameter water line, add fire hydrants. Total of 7,995 ft of 6 inch line will be installed. |
| Jemez Springs Domestic Water Coop | 26 | 1,394 | \$400,000 | 5% | \$20,000 | Replacement of old water line with new 8 inch line. |

| | | | | | | |
|-----------------------------|-----------|-------|---------------------|-----|------------------------|--|
| Lee Acres Water Users Assoc | 27 | 4,718 | \$5,800,000 | 40% | \$2,320,000 | Relocate water line along Highway 64 as required by DOT. |
| Village of Angel Fire | 28 | 6,000 | \$110,000 | 10% | \$11,000 | Replace 3,000 ft of 3 inch water line with 6 inch line. |
| South Hills Water Co | 29 | 560 | \$38,592 | 10% | \$3,859 | Replace 200 meters with remote reading meters. |
| Desert Ranch MDWCA | 30 | 92 | \$26,000 | 5% | \$1,300 | Drill a new well, install two 5,000 gal storage tanks. |
| Total Cost: | | | \$32,054,797 | | \$11,901,524.00 | |
| Total Project Count: | 30 | | | | | |

Attachment G:

**Listing of Potentially
Disadvantaged
Communities**

SRF Disadvantaged System Project List, FY07 Q1

| PWS | Priority | MHI (%) | Cost | Project Description |
|------------------------------------|----------|---------|-------------|---|
| Berino MDWCA | 1 | 69 | \$1,745,000 | Arsenic treatment, 80,000 ft of 6 inch line extension, add valves to existing distribution. |
| Carrizozo Water System | 2 | 66 | \$2,000,000 | Drill new well, pump house, replace main water line, repair storage tank, replace meters, add fire hydrants. |
| Mountain Orchard WDWCA | 3 | 88 | \$51,000 | Replace 1760 ft of water line. |
| West Hammond MDWCA | 4 | 70 | \$700,000 | Feasibility study, Construct an 8 inch transportation line from tank to tank. |
| Lakeshore City Sanitation District | 6 | 80 | \$350,000 | Drill new well due to Arsenic in existing well. |
| Capitan Water System | 10 | 80 | \$465,000 | Drill a new well. |
| Texico Water System | 11 | 72 | \$368,000 | Looping of dead end line, replace small diameter water line, add fire hydrants. Total of 7,995 ft of 6 inch line will be installed. |
| Las Cruces Municipal Water | 13 | 89 | \$1,590,000 | Drill replacement wells, construct pump stations, water line rehabilitation. |
| San Acacia MDWCA | 14 | 74 | \$1,000,000 | Drill new well, construct pump house, lay two miles of 8 inch PVC transmission line, hypochlorite pump system, 6 inch fire hydrants, install 140,000 gal water storage tank, replace existing water line. |

SRF Disadvantaged System Project List, FY07 Q1

| PWS | Priority | MHI (%) | Cost | Project Description |
|--|----------|--------------------|-----------|--|
| Silver City Water System | 16 | 76 | \$400,000 | Install SCADA System. |
| Timberon Water & Sanitation District | 21 | 72 | \$495,000 | Install new water tank, PRV's & repair lines. |
| Lybrook MDWCA | 22 | 41 | \$175,500 | Construct a pump house/storage facility with chemical injection for disinfection, telemetry, radio-read meters, backflow prevention devices. |
| Monticello Canyon DWCA | 23 | 80 | \$12,000 | Engineering study and design to fix storage tank. |
| Desert Ranch MDWCA | 28 | 85 | \$26,000 | Drill a new well, install two 5,000 gal storage tanks. |
| Disadvantaged System Total Cost: | | \$9,377,500 | | |
| Disadvantaged System Project Count: | | 14 | | |

Attachment H:

**DWSRF Set-Aside
Four Year Budget
Projection**

New Mexico Drinking Water Bureau Overview of Program Projections for DWSRF Awards Through FFY09 Allotment

In the following projection, the SFY spending cycle catches up with the FFY Allotment Cycle. At the end of the presentation for each set-aside we assume that the FFY09 Allotment is awarded for the SFY09 year. Additional assumptions are recorded at the end of the presentation for each set-aside. Following is a summary of changes that occur to reduce current and future DWSRF Allotment Balances.

1. Small Systems Technical Assistance Set-Aside Element

The projected ending balance for SFY09 is \$182,582 from the FFY08/09 Allotments. This is a projected balance reduction of 261%, when compared to the SFY05 ending Balance from prior Federal Allotments of \$475,919. This balance will be needed for SFY10.

2. State Programs/Assistance to PWSS Set-Aside Element

The projected ending balance for SFY09 is \$893,407 from the FFY08/09 Allotments. This is a projected balance increase of 37.5 times, when compared to the SFY05 ending Balance from prior Federal Allotments of \$23,847. However, this balance will be needed for SFY10.

3. Wellhead Protection Set-Aside Element

The projected ending balance for SFY09 is \$698,698 from the FFY08/09 Allotments. This is a projected balance reduction of 165%, when compared to the SFY05 ending Balance from prior Federal Allotments of \$1,152,116. This balance will be needed for SFY10.

4. Capacity Development Set-Aside Element

The projected ending balance for SFY09 is \$340,227 from the FFY09 Allotment. This is a projected balance reduction of 490%, when compared to the SFY05 ending Balance from prior Federal Allotments of \$1,668,978. This balance will be needed for SFY10.

Set-Aside Projections - Small Systems Technical Assistance

SFY 06 - SFY 09

Model Assumptions Provided in Notes Below

| State Fiscal Years July 1 thru June 30 | Allotment Balances Forward From SFY05 | SFY06 Projection 7/1/05 to 6/30/06 | SFY07 Projection 7/1/06 to 6/30/07 | SFY08 Projection 7/1/07 to 6/30/08 | SFY09 Projection 7/1/08 to 6/30/09 | DWSRF Allotment Balances |
|--|---|--|--|--|--|--------------------------------|
| Projected Set-Aside Sources - All Years | | 331,772 | 150,345 | 300,690 | 150,345 | |
| Total DWSRF Allotment Specified | | 331,772 | 150,345 | 300,690 | 150,345 | |
| NMED Projected Use: | | 175,000 | 227,100 | 288,464 | 298,395 | |
| NMFA Project Use: | | 50,000 | 90,000 | 97,550 | 0 | |
| Combined Total Projected Uses | | 225,000 | 317,100 | 386,014 | 298,395 | |
| Beginning Balance from Prior Year | | 475,919 | 582,691 | 415,936 | 330,612 | |
| Current Year Ending Balance Forward | | 582,691 | 415,936 | 330,612 | 182,562 | |
| Awarded Allotments Used | | | | | | |
| FFY01-10/1/02-6/30/06 | 154,787 | 154,787 | | | | 0 |
| FFY02-9/17/03-9/16/07 | 161,050 | 70,213 | 90,837 | | | 0 |
| FFY03-8/2/04-7/31/07 | 160,082 | | 160,082 | | | 0 |
| FFY04 8/16/05-8/15/09 | 166,062 | | 66,181 | 99,881 | | 0 |
| Total Uses of Awarded DWSRF Allotments | 641,981 | 225,000 | 317,100 | 99,881 | | 0 |
| Projected Uses of Future DWSRF Allotments | | 0 | 0 | 286,133 | 298,395 | |
| Projected Uses of Future Allotments By FFY | | | | | | |
| FFY05 (oct 1,04-sept 30, 05) sfy07 | 165,710 | | | 165,710 | | 0 |
| FFY06 (oct 1,05-sept 30, 06) sfy07 | 150,345 | | | 120,423 | 29,922 | 0 |
| FFY07 (oct 1,06-sept 30, 07) syf 08 | 150,345 | | | | 150,345 | 0 |
| FFY08 (oct 1,07-sept 30, 08) sfy08 | 150,345 | | | | 118,129 | 32,216 |
| FFY09 (oct 1,08-sept 30, 09) sfy09 | 150,346 | | | | | 150,346 |
| SFY10 Beginning Balance 7/1/09 - 6/30/10 | | | | | | 182,562 |

| Small System Technical Assistance Plan Modified Budget and Projections | small system tech |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | sfy06 | sfy07 | sfy08 | sfy09 | total |
| <i>Organization Code</i> | budget | budget | projections | projections | projections |
| | 481120 | 481120 | 481120 | 481120 | 481120 |
| <i>Personnel & Fringe</i> | 115,100 | 151,400 | 157,500 | 163,800 | 587,800 |
| <i>Contractual Services</i> | 0 | 0 | 50,000 | 50,000 | 100,000 |
| <i>Other Costs</i> | 37,100 | 43,700 | 47,700 | 50,000 | 178,500 |
| <i>Other Financing Uses</i> | 0 | 0 | 0 | 0 | 0 |
| SUBTOTAL | 152,200 | 195,100 | 255,200 | 263,800 | 866,300 |
| <i>indirect</i> | 22,800 | 32,000 | 33,264 | 34,595 | 122,659 |
| <i>total nmed uses</i> | 175,000 | 227,100 | 288,464 | 298,395 | 988,959 |
| <i>total nmfa uses</i> | 50,000 | 90,000 | 97,550 | 0 | 237,550 |
| NM total projected uses | 225,000 | 317,100 | 386,014 | 298,395 | 1,226,509 |

Notes: SFY06 Budget Based on Updated projections.

New Mexico Federal Allotments for FFY 06-08 assume a 10% Recission on the FFY05 base.

Personnel and Fringe is increased by approximately 4% for SFY07 - SFY09.

Assumes the NM legislature will continue to regularly fund future required match money for federal allotments.

Indirect is estimated on the SFY07 at approximately 21.12% for the remaining periods.

Assumes that NMFA uses projected budget amounts by end of SFY08 which assists in avoiding reverting FFY02-03 allotments.

Assumes that the FFY05 DWSRF Allotment is awarded in SFY07.

Assumes draws made first on oldest DWSRF Allotment Year.

| Set-Aside Projections - State Programs/Assistance to PWSS | | | | | | |
|--|--|--|--|--|--|--------------------------------|
| SFY 06 - SFY09 | | | | | | |
| Model Assumptions Provided in Notes Below | | | | | | |
| State Fiscal Years July 1 thru June 30 | Allotment Balance Forward from SFY05 | SFY06 Projection 7/1/05 to 6/30/06 | SFY07 Projection 7/1/06 to 6/30/07 | SFY08 Projection 7/1/07 to 6/30/08 | SFY09 Projection 7/1/08 to 6/30/09 | DWSRF Allotment Balances |
| Projected Set-Aside Sources - All Years | | 830,310 | 1,580,275 | 1,503,450 | 751,725 | |
| Total DWSRF Allotment Specified | | 830,310 | 1,580,275 | 1,503,450 | 751,725 | |
| NMED Projected Use | | 775,336 | 786,390 | 1,056,246 | 1,178,228 | |
| NMFA Projected Use | | 0 | 0 | 0 | 0 | |
| Combined Total Projected Uses | | 775,336 | 786,390 | 1,056,246 | 1,178,228 | |
| Beginning Balance from Prior Year | | 23,847 | 78,821 | 872,706 | 1,319,910 | |
| Current Year Ending Balance Forward | | 78,821 | 872,706 | 1,319,910 | 893,407 | |
| Awarded Allotments Used | | | | | | |
| FFY03 8/2/04-7/31/07 | 23,847 | 23,847 | | | | 0 |
| FFY04 8/16/05-8/15/09 | 830,310 | 751,489 | 78,821 | | | 0 |
| TOTAL Uses of Awarded DWSRF Allotments | 854,157 | 775,336 | 78,821 | | | 0 |
| Projected Uses of Future DWSRF Allotments | | | 707,569 | 1,056,246 | 1,178,228 | |
| Projected Uses of Future Allotments By FFY | | | | | | |
| FFY05 (oct 1,04-sept 30, 05) awarded sfy07 | 828,550 | 0 | 707,569 | 120,981 | | 0 |
| FFY06 (oct 1,05-sept 30, 06) awarded sfy07 | 751,725 | | 0 | 751,725 | | 0 |
| FFY07 (oct 1,06-sept 30, 07) awarded syf 08 | 751,725 | | | 183,540 | 568,185 | 0 |
| FFY08 (oct 1,07-sept 30, 08) awarded sfy08 | 751,725 | | | | 610,043 | 141,682 |
| FFY09 (oct 1,08-sept 30, 09) awarded sfy09 | 751,725 | | | | | 751,725 |
| SFY10 Beginning Balance 7/1/09 - 6/30/10 | | | | | | 893,407 |

| State Programs SFY 06/07 Budget and SYF 08-SYF 09 Projections | Assistance to PWSS | Assistance to PWSS | Assistance to PWSS | Assistance to PWSS | Assistance to PWSS |
|--|---------------------------|---------------------------|--------------------------------|--------------------------------|--------------------------------|
| | sfy06 budget 481220 | sfy07 budget 481220 | sfy08 projections 481220 | sfy09 projections 481220 | TOTAL projections 481220 |
| <i>Organization Code</i> | | | | | |
| <i>Personnel & Fringe</i> | 460,200 | 478,608 | 697,752 | 794,662 | 2,431,223 |
| <i>Contractual Services</i> | 96,000 | 96,000 | 96,000 | 96,000 | 384,000 |
| <i>Other Costs</i> | 128,000 | 110,700 | 115,128 | 119,733 | 473,561 |
| <i>Other Financing Uses</i> | 0 | 0 | 0 | 0 | 0 |
| SUBTOTAL | 684,200 | 685,308 | 908,880 | 1,010,396 | 3,288,784 |
| <i>indirect</i> | 91,166 | 101,082 | 147,365 | 167,833 | 507,446 |
| <i>total nmed uses</i> | 775,366 | 786,390 | 1,056,246 | 1,178,228 | 3,796,229 |
| <i>total nmfa uses</i> | 0 | 0 | 0 | 0 | 0 |
| NM total projected uses | 775,366 | 786,390 | 1,056,246 | 1,178,228 | 3,796,229 |

Notes: SFY06 Budget Based on Updated projections.

New Mexico Federal Allotments for FFY 06-08 assume a 10% Recission on the FFY05 base.

Personnel and Fringe is increased by approximately 4% for SFY07 - SFY09.

Assumes the NM legislature will continue to regularly fund future required match money for federal allotments.

Indirect is estimated on the SFY07 at approximately 21.12% for the remaining periods.

Assumes that NMFA uses projected budget amounts by end of SFY08 which assists in avoiding reverting FFY02-03 allotments.

Assumes that the FFY05 DWSRF Allotment is awarded in SFY07.

Assumes draws made first on oldest DWSRF Allotment Year.

Set-Aside Projections - Wellhead Protection

SFY 06 - SFY 09

Model Assumptions Provided in Notes Below

| State Fiscal Years July 1 thru June 30 | Allotment Balances forward from sfy05 | SFY06 Projection 7/1/05 to 6/30/06 | SFY07 Projection 7/1/06 to 6/30/07 | SFY08 Projection 7/1/07 to 6/30/08 | SFY09 Projection 7/1/08 to 6/30/09 | Remaining Grant Balances |
|--|---|--|--|--|--|-----------------------------|
| Projected Set-Aside Sources - All Years | | 415,155 | 790,138 | 751,726 | 375,863 | |
| Total DWSRF Allotment Specified | | 415,155 | 790,138 | 751,726 | 375,863 | |
| NMED Projected Use: | | 484,200 | 673,800 | 800,300 | 828,000 | |
| NMFA Projected Use: | | 0 | 0 | 0 | 0 | |
| Combined Total Projected Uses | | 484,200 | 673,800 | 800,300 | 828,000 | |
| Beginning Balance from Prior Year | | 1,152,116 | 1,083,071 | 1,199,409 | 1,150,835 | |
| Current Year Ending Balance Forward | | 1,083,071 | 1,199,409 | 1,150,835 | 698,698 | |
| Awarded Allotments Used | | | | | | |
| FFY01-10/1/02-6/30/06 | 349,241 | 349,241 | | | | 0 |
| FFY02-9/17/03-9/16/07 | 402,670 | 134,959 | 267,711 | | | 0 |
| FFY03-8/2/04-7/31/07 | 400,205 | | 400,205 | | | 0 |
| FFY04 8/16/05-8/15/09 | 415,155 | | 5,884 | 409,271 | | 0 |
| Total Uses of Awarded DWSRF Allotments | 1,567,271 | 484,200 | 673,800 | 409,271 | 0 | |
| Projected Uses of Future DWSRF Allotments | | 0 | 0 | 391,029 | 828,000 | |
| Projected Uses of Future Allotments By FFY | | | | | | |
| FFY05 (oct 1,04-sept 30, 05) sfy07 | 414,275 | | | 391,029 | 23,246 | 0 |
| FFY06 (oct 1,05-sept 30, 06) sfy07 | 375,863 | | | | 375,863 | 0 |
| FFY07 (oct 1,06-sept 30, 07) syf 08 | 375,863 | | | | 375,863 | 0 |
| FFY08 (oct 1,07-sept 30, 08) sfy08 | 375,863 | | | | 53,028 | 322,835 |
| FFY09 (oct 1,08-sept 30, 09) sfy09 | 375,863 | | | | | 375,863 |
| SFY10 Beginning Balance 7/1/09-6/30/10 | | | | | | 698,698 |

| Well Head Protection Plan Modified Budget and Projection | well head protection |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | sfy06 | sfy07 | sfy08 | sfy09 | total |
| | budget | budget | projections | projections | projections |
| <i>Organizational Code</i> | 481420 | 481420 | 481420 | 481420 | 481420 |
| <i>Personnel & Fringe</i> | 307,400 | 431,900 | 449,176 | 467,140 | 1,655,616 |
| <i>Contractual Services</i> | 40,000 | 40,000 | 140,000 | 140,000 | 360,000 |
| <i>Other Costs</i> | 75,900 | 110,700 | 116,258 | 122,200 | 424,858 |
| <i>Other Financing Uses</i> | 0 | 0 | 0 | 0 | 0 |
| | 423,300 | 582,600 | 705,434 | 729,340 | 2,440,474 |
| <i>indirect</i> | 60,900 | 91,200 | 94,866 | 98,660 | 345,626 |
| <i>total nmed uses</i> | 484,200 | 673,800 | 800,300 | 828,000 | 2,786,100 |
| <i>nmfa uses</i> | 0 | 0 | 0 | 0 | 0 |
| <i>NM total projected uses</i> | 484,200 | 673,800 | 800,300 | 828,000 | 2,786,100 |

Notes: SFY06 Budget Based on Updated projections.

New Mexico Federal Allotments for FFY 06-08 assume a 10% Recission on the FFY05 base.

Personnel and Fringe is increased by approximately 4% for SFY07 - SFY09.

Assumes the NM legislature will continue to regularly fund future required match money for federal allotments.

Indirect is estimated on the SFY07 at approximately 21.12% for the remaining periods.

Assumes that NMFA uses projected budget amounts by end of SFY08 which assists in avoiding reverting FFY02-03 allotments.

Assumes that the FFY05 DWSRF Allotment is awarded in SFY07.

Assumes draws made first on oldest DWSRF Allotment Year.

Set-Aside Projections - Capacity Development

SFY 06 - SFY09

Model Assumptions Provided in Notes Below

| State Fiscal Years July 1 thru June 30 | Allotment Balances forward from SFY05 | SFY06 Projection 7/1/05 to 6/30/06 | SFY07 Projection 7/1/06 to 6/30/07 | SFY08 Projection 7/1/07 to 6/30/08 | SFY09 Projection 7/1/08 to 6/30/09 | DWSRF Allotment Balances |
|---|---|--|--|--|--|--------------------------------|
| Projected Set-Aside Sources - All Years | | 830,310 | 1,580,275 | 1,503,450 | 751,725 | |
| Total DWSRF Allotment Specified | | 830,310 | 1,580,275 | 1,503,450 | 751,725 | |
| NMED Projected Use: | | 1,511,195 | 1,582,584 | 1,381,600 | 1,253,904 | |
| NMFA Projected Use: | | 75,000 | 100,000 | 90,227 | 0 | |
| Combined Total Projected Uses | | 1,586,195 | 1,682,584 | 1,471,827 | 1,253,904 | |
| Beginning Balance from Prior Year | | 1,668,978 | 913,093 | 810,784 | 842,407 | |
| Current Year Ending Balance Forward | | 913,093 | 810,784 | 842,407 | 340,227 | |
| Awarded Allotments Used | | | | | | |
| FY01-10/1/02-6/30/06 | 63,363 | 63,363 | | | | 0 |
| FY02-9/17/03-9/16/07 | 805,205 | 805,205 | | | | 0 |
| FY03-8/2/04-7/31/07 | 800,410 | 669,032 | 131,378 | | | 0 |
| FY04 8/16/05-8/15/09 | 830,310 | 0 | 830,310 | | | 0 |
| Total Uses of Awarded DWSRF Allotments | 2,499,288 | 1,537,600 | 961,688 | | | 0 |
| Projected Uses of Future DWSRF Allotments | | 48,595 | 720,896 | 1,471,827 | 1,253,904 | |
| Projected Uses of Future Allotments By FFY | | | | | | |
| FFY05 (oct 1,04-sept 30, 05) sfy07 | 828,550 | 48,595 | 670,896 | 109,059 | | 0 |
| FFY06 (oct 1,05-sept 30, 06) sfy07 | 751,725 | | 50,000 | 701,725 | | 0 |
| FFY07 (oct 1,06-sept 30, 07) syf 08 | 751,725 | | | 661,043 | 90,682 | 0 |
| FFY08 (oct 1,07-sept 30, 08) sfy08 | 751,725 | | | | 751,725 | 0 |
| FFY09 (oct 1,08-sept 30, 09) sfy09 | 751,725 | | | | 411,498 | 340,227 |
| SFY10 Beginning Balance 7/1/09 - 6/30/10 | | | | | | 340,227 |

| Capacity Development Plan Modified Budget and Projections | capacity development | capacity development | capacity development | capacity development | |
|--|---------------------------|---------------------------|--------------------------------|--------------------------------|--------------------------------|
| | sfy06 budget 481520 | sfy07 budget 481520 | sfy08 projections 481520 | sfy09 projections 481520 | total projections 481520 |
| <i>Organization Code</i> | | | | | |
| <i>Personnel & Fringe</i> | 634,000 | 671,800 | 500,000 | 500,000 | 2,305,800 |
| <i>Contractual Services</i> | 626,600 | 635,000 | 636,744 | 503,478 | 2,401,822 |
| <i>Other Costs</i> | 125,000 | 133,900 | 139,256 | 144,826 | 542,982 |
| <i>Other Financing Uses</i> | 0 | 0 | 0 | 0 | 0 |
| | 1,385,600 | 1,440,700 | 1,276,000 | 1,148,304 | 5,250,604 |
| <i>indirect</i> | 125,595 | 141,884 | 105,600 | 105,600 | 478,680 |
| <i>total nmed uses</i> | 1,511,195 | 1,582,584 | 1,381,600 | 1,253,904 | 5,729,284 |
| <i>total nmfa uses</i> | 75,000 | 100,000 | 90,227 | 0 | 265,227 |
| <i>NM total projected uses</i> | 1,586,195 | 1,682,584 | 1,471,827 | 1,253,904 | 5,994,511 |

Notes: SFY06 Budget Based on Updated projections.

New Mexico Federal Allotments for FFY 06-08 assume a 10% Recission on the FFY05 base.

Personnel and Fringe is increased by approximately 4% for SFY07 - SFY09.

Assumes the NM legislature will continue to regularly fund future required match money for federal allotments.

Indirect is estimated on the SFY07 at approximately 21.12% for the remaining periods.

Assumes that NMFA uses projected budget amounts by end of SFY08 which assists in avoiding reverting FFY02-03 allotments.

Assumes that the FFY05 DWSRF Allotment is awarded in SFY07.

Assumes draws made first on oldest DWSRF Allotment Year.