STATE OF NEW MEXICO

DRINKING WATER STATE REVOLVING FUND

STATE FISCAL YEAR 2014

(July 1, 2013 – June 30, 2014)

DRAFT

INTENDED USE PLAN

A document describing how the State of New Mexico intends to use the funds provided by the Drinking Water State Revolving Fund Capitalization Grants to ensure that its citizens and guests are provided safe, clean drinking water.

June 2013

NEW MEXICO FINANCE AUTHORITY

NEW MEXICO ENVIRONMENT DEPARTMENT

NEW MEXICO
FINANCE**AUTHORITY**

New Mexico Drinking Water State Revolving Loan Fund

SFY 2014

Intended Use Plan

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EXECUTIVE SUMMARY

Section 40 CFR 35.3555 requires each state to prepare annually an Intended Use Plan (IUP) that describes how it intends to use the federal funds to support the overall goals of the Safe Drinking Water Act (SDWA), including short and long-term goals of the programs funded by the Capitalization Grants.

In State Fiscal Year (SFY) 2014, the New Mexico Finance Authority (NMFA) and the New Mexico Environment Department Drinking Water Bureau (DWB) will continue to build upon the past accomplishments of the New Mexico Drinking Water State Revolving Loan Fund (DWSRLF). This SFY 2014 IUP provides information that outlines the DWSRLF and other Capitalization Grant Funded activities planned and intended to occur in SFY 2014.

To help systems in need of funding, the State began offering in SFY 2013 greater opportunities to access the DWSRLF by utilizing a quarterly Priority List System ranking projects which will continue in SFY 2014. Projects that wish to be considered must submit their project interest forms three months in advance of the quarterly priority list publishing. Additionally, the DWB will maintain a multi-year Comprehensive List that provides a comprehensive listing of the projects in need of DWSRLF assistance.

In SFY 2014, the DWB will continue to focus on implementing the public health aspects of the Safe Drinking Water Act (SDWA) and providing assistance to those communities in need and the NMFA will continue to ensure that funds move expeditiously and responsibly. The NMFA and DWB work closely together to identify assistance needs to ensure communities are provided safe, clean drinking water into the future.

I. INTRODUCTION

A. New Mexico Drinking Water State Revolving Loan Fund

The Federal Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF), a low-cost loan fund for community or non-profit non-community public water systems (PWSs) to finance the cost of repair and replacement of drinking water infrastructure, maintain or achieve compliance with SDWA requirements, and protect drinking water quality and public health. Pursuant to the 1996 SDWA Amendments, the State established the DWSRLF in 1997 with the passage of the Drinking Water State Revolving Loan Fund (DWSRLF) Act. Under the Act, the NMFA serves as the State's grantee for Capitalization Grants allotted to the State and provides the 20% State Match (State Match) required by the SDWA. The amount of annual Capitalization Grant is determined by Congress and administered by the Environmental Protection Agency (EPA). The SDWA allows each state the discretion to utilize up to 31% of each annual DWSRF Capitalization Grant (Capitalization Grant) to fund four different Set-Aside categories, with the remainder of the Capitalization Grant directed to the states' loan funds:

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

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

Each State Fiscal Year (SFY) New Mexico prepares an Intended Use Plan (IUP) to describe how it plans to use the DWSRF to meet the objectives of the SDWA and the NM DWSRLF Act. This IUP is the central component of the state's Federal Fiscal Year (FFY) 2013 capitalization grant application to EPA and communicates the plans to stakeholders and covers the time period of July 1, 2013 through June 30, 2014[1]. This document describes the short and long term goals of

[1] Capitalization Grants are issued on a Federal Fiscal Year basis to be spent over a period of four years from the date of award; the Intended Use Plan is developed based on the State Fiscal year (July 1-June 30) and describes how DWSRF funds will be spent in that given SFY and can address unspent funds from previous year's capitalization grants.

the program, the priority setting process used to rank projects along with the list of projects eligible to receive funding, and describes how the state will use the set-asides to support the program.

To date, the State has received approximately $155 million in Capitalization Grants and has provided the 20% State Match totaling approximately $28 million. To date, all State Matches plus 69% of each Federal Capitalization Grant, now totaling approximately $136.9 million, have been directed to the DWSRLF. To date, the NMFA has entered into loan agreements for approximately $121.8 million with approximately $36 million (29.6%) loaned to small PWSs that serve a population of 10,000 or fewer and $28 million (23.0%) has served disadvantaged PWSs. Overall, the DWSRLF and associated Set-Asides are vital to the goal of providing safe drinking water to all citizens of the State.

B. What's New for SFY 2014?

In SFY 2014, the NMFA and DWB focus on ongoing improvements to the program and will seek to further maximize the program's resources by marketing the DWSRLF program through is revised borrower guide, new DWSRLF brochure, updated website, and a number of presentations to engineering firms, PWSs, counties and municipalities. The DWB will streamline procedures to identify and track assistance needs to provide targeted capacity assistance to those PWSs in need and trying to participate in the DWSRLF program.

The NMFA and DWB are committed to ensuring that all capitalization and state loan funds will be allocated, receive binding commitments, and begin drawing down on the loan funds in a timely manner, thus eliminating unliquidated obligation balance from previous years. In SFY 2014, the NMFA will close four projects totaling approximately $23 million approved in SFY 2013 and will drawdown approximately $15 million for current construction projects. The NMFA will also explore the opportunity to issue bonds to further leverage the capitalization grant for construction and rehabilitation. Additionally, NM will continue to utilize a quarterly Fundable Priority List process to allocate the FFY 2013 Capitalization Grant in SFY 2014.

II. STRUCTURE OF NEW MEXICO'S DWSRLF

New Mexico's DWSRLF consists of two components that will be used to accomplish its goals.

A. Funding of Capital Planning, Design and Construction Projects

The NMFA has established low interest rates for the DWSRLF program to promote a low-cost viable source of funding to address drinking water projects in the State. The NMFA will use the FFY 2013 Capitalization Grant and repaid principal and interest payment ("Tier II" revolving funds) to assist in the planning, design and construction of projects. The NMFA will provide

loans with interest rates ranging from 0% to 4%, depending on a PWS's ownership and its Median Household Income. If a PWS is publicly owned, then it is eligible to receive a DWSRLF loan at 0% or 2%. To the extent possible, the NMFA will use subsidy available through the capitalization grant to help entities that are disadvantaged or severely disadvantaged that could not otherwise afford DWSRLF loans and to provide incentive to undertake projects that meet other priority EPA goals.

B. Set-Asides

The set-asides will be used to provide additional support for NM's core drinking water programs that include PWS Supervision, Capacity Development/Community Services, and Source Water Protection, and for activities to assist PWSs in developing sustainable practices for the future. The set-asides help PWSs build capacity to assist in compliance with the SDWA and to aid in the completion of readiness-to-proceed documents to support drinking water infrastructure project. Additional details are provided in Section IV of this IUP; but a summary of how NM intends to use each set-aside is as follows:

- **Administration** set-aside will be used to support the state operation and management of NM's DWSRLF.
- **Small Systems Technical Assistance** set-aside will be used to assist small systems serving fewer than 10,000 people.
- **State Program Management** set-aside will be used to support the Public Water System Supervision (PWSS) program.
- **Local Assistance and Other State Programs** set-aside will be used to provide assistance for capacity development directly to PWSs and source water protection activities.

III. GOALS OF NEW MEXICO'S DWSRLF PROGRAM

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

A. Long-Term Goals

1. The DWB will ensure PWSs in NM provide safe, clean, affordable drinking water to the citizens and visitors of NM.
2. The DWB will support PWSs using the set-aside funds to maximize SDWA compliance, ensure public health protection, affordable drinking water, PWSs' sustainability, and

PWSs' capacity with a focus on PWSs serving populations of 10,000 or fewer and particular emphasis on those serving 3,300 or fewer.

3. The NMFA will monitor 100% of its active loans to ensure that the loans will not default.
4. The NMFA will ensure that at least 90% of projects will complete installation/construction within two years of closing the loan.
5. NMFA will ensure the DWSRLF will be a perpetual funding source with fiscal integrity to support PWSs in the State as shown by the cash flow model.
6. The NMFA and DWB will complete 100% of all reports on time and accurately, in accordance with EPA timeline, to maintain complete administrative functions to sustain the DWSRLF.

   NMFA and DWB will report the Intended Use Plan, Capitalization Grant application (DWB Work plan), quarterly Fundable Priority List and annual report.

   The NMFA will report on the following: Federal Funding Accountability and Transparency Act (Sub award reporting system "FFATA"), projects & benefits reporting (PBR), fund utilization rate (FUR), Single Audit Report, Federal Financial Reports, Drinking Water National Information Management System (DWNIMS) and Minority Business Enterprise/Women's Business Enterprise (MBE/WBE).
7. The DWB will provide training and direct assistance to all PWSs, as resources allow, through contractors (if applicable) and in-house staff to increase technical, financial, and managerial capacity and ensure that training and services are designed to target small PWSs serving populations of 10,000 or fewer.
8. The DWB will collaborate with organizations, agencies, and individuals to ensure a sustainable supply of healthy drinking water for the State through Source Water Assessment and Protection (SWAP) activities.
9. The DWB will provide assistance to small PWSs that lack the capability to operate and maintain the system in a cost-effective manner and in accordance with SDWA, including encouraging consolidation and/or regionalization.
10. The DWB will improve the capacity of PWSs through assistance activities.
11. The DWB and its partners will work with PWSs throughout the State to ensure that each system has a rate structure in place to support normal operation and maintenance as well as infrastructure replacement costs.
12. The DWB will assist EPA with completion of the four-year Needs Survey.

B. Short-Term Goals

1. The DWB and the NMFA will provide an opportunity for public participation by posting this IUP for public comment on the NMFA and the DWB websites from June 5, 2013 through June 28, 2013 and will accept comments throughout this period.
2. The NMFA and the DWB will prepare and submit the FFY 2013 Capitalization Grant Application by June 10, 2013.
3. THE NMFA will allocate the 2013 Capitalization Grant within SFY 2014.
4. The NMFA will receive training and education to familiarize NMFA DWSRLF staff on the opportunity to leverage the Capitalization Grant for bonding from in-house NMFA resources, approved training programs, and regional and CIFA partners.
5. The DWB will submit the SFY 2014 Set-Aside work plan detailing the use of the DWSRF funds from open Capitalization Grants within 90 days of receiving the capitalization grant agreement approval for the FFY 2013 Capitalization Grant.
6. The DWB will ensure protection of public health by providing training, education, and in-house professional technical resources, with an emphasis on assisting small PWSs serving a population of 10,000 or fewer, to assist PWSs in achieving and maintaining long-term sustainability and SDWA compliance.
7. DW and NMFA Marketing Goals:
   - Received completed PIFs from at least fifteen systems that have not been served by the DWSRLF,
   - Attend a minimum of twelve information sessions that will include, but not limited to, providing presentations and/or informational booths to inform attendees of the DWSRLF program,
   - Develop a new DWSRLF brochure,
   - Develop "How did we do?" surveys by September 30, 2013 to measure the success of the DWSRLF from PIF to loan closing through construction, and
   - Revamp the NMFA DWSRLF website.
8. The NMFA will provide at least 20% of all loans (contingent on Fundable Priority List) in SFY 2014 from the FFY 2013 Capitalization Grant as low-cost loans to PWSs in disadvantaged communities for eligible projects, as allowed by the SDWA.
9. Provide at least 25% of all loans to small PWSs in the State and in SFY 2014.
10. The NMFA will execute four binding commitments during SFY 2014, dependent on Fundable List.

11. The NMFA will close loans on all four binding commitments during SFY 2014.
12. The NMFA will approve drawdowns on more than $15 million on planning, design and construction projects during SFY 2014.
13. The NMFA will approve requisitions from loan entities within 30 calendar days of submission to both NMED Construction Programs Bureau and the NMFA.
14. The DWB will continue working to achieve the estimated objectives for each Set-Aside category, including "Outputs" and "Outcomes."
15. The DWB and the NMFA will complete and submit the SFY 2013 Annual Report by September 30, 2013.
16. The DWB will continue to actively participate in the Water and Tribal Infrastructure Portal process in order to bring PWSs to the DWSRLF program.
17. The DWB will review and revise the priority system ranking criteria to better reflect public health priorities and other measures used for the establishment of the Fundable Priority List and Comprehensive Priority List.
18. The NMFA will review and revise the subsidy distribution process to better reflect public health priorities and other measures used for the establishment of the Fundable Priority List.
19. The DWB will provide assistance through the capacity development program to target PWSs that are on the Comprehensive Priority List but are unable to qualify for the Fundable Priority List.
20. The DWB will provide capacity assistance for PWSs to assist with the review and implementation of sustainable rates and to encourage long-term planning.
21. The DWB will update the Capacity Development Strategy.

C. Public Health/Environmental Results Goals

New Mexico's DWSRLF and set-aside work plan contribute to achieving EPA's Strategic Goal 2, sub-objective 2.1.1 – *Water Safe to Drink: Percentage of the population served by community water systems that receive drinking water that meets all applicable health-based drinking water standards through effective treatment and source water protection*. New Mexico's DWSRLF program provides funding to help achieve this federal performance standard. New Mexico intends to meet or exceed EPA's annual performance targets.

IV. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

New Mexico financially structures the DWSRLF to maximize the annual capitalization grant to support public water systems through the loan fund and set asides while ensuring the longevity of a sound revolving loan fund. This past year NM experienced a financially significant year closing on or allocating the full loan fund from Capitalization grants FFY 2008 – FFY 2012. In addition, NM has allocated half of its repayment funds otherwise known as Tier II funds. New Mexico opts to utilize 31% of the Federal Capitalization Grant award available to set asides (see section VI. Set-aside Activities). The remaining 69% for SFY 2014 is available as the loan fund and the full 20% state match will equal just over $8 million. Additionally, NMFA receives about $5 million of repayment funds each fiscal year in loan and interest repayments. For SFY 2014 it is anticipated that NM will have over $24 million to support NM PWSs. New Mexico has opted to provide subsidy to water systems and will provide 20% of the Capitalization Grant as subsidy (see Section C. Subsidy).

A. Distribution of Funds Analysis

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

A PWS is eligible for DWSRLF project assistance if it is a privately or publicly owned community water system or a non-profit non-community PWS (40 CFR 35.3520). Priority point assignment and listing on the Fundable Priority List do not guarantee that a project will meet all financial and project eligibility requirements and will result in project funding. Questions regarding the ranking process or the development of the Fundable Priority List should be directed to the DWB or the NMFA. The DWB can be reached at (505) 476-8620 or toll-free at (877) 654-8720 and the NMFA can be reached at: (505) 984-1454 or toll free at (877) 275-6632.

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

1. On a SFY quarterly basis, the DWB will notify all eligible PWSs of the availability of DWSRLF Project Interest Form (PIF), which allows interested PWSs to identify proposed projects for inclusion in the DWSRLF Comprehensive Priority List. Interested systems

may fill out a PIF and send either through the water infrastructure portal at http://swim.nmenv.state.nm.us/SWIM/index.php or hardcopy via US Mail;

2. The DWB will perform a capacity assessment on PWSs that have submitted a PIF;
3. PWSs that submit a completed PIF will be prioritized through the DWB prioritization and be included on the multi-year Comprehensive Priority List updated July 1, 2013 and updated every three months thereafter;
4. DWB will accept PIFs on a quarterly cycle and perform capacity assessments of the water system's technical, managerial, and operational financial abilities during the same quarter of the request. If the PWS is determined to have adequate capacity and the project is determined ready to proceed within 6 months, the DWB will recommend that NMFA perform a preliminary financial analysis of the PWS's ability to take on a loan of the requested amount. If the water system can afford the loan, they will be moved from the Comprehensive Priority List to the Fundable Priority List (Appendix A) which shall be published on the NMFA's and NMED's websites. Deadlines for PIF submission are provided in the table below:

Deadline	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Project Interest Forms	April 15	July 15	Oct 15	Jan 15
Project Interest Form supplemental documents	May 1	August 1	Nov 1	Feb 1
Priority List	July 1	Oct 1	Jan 1	April 1

5. The NMFA will work with PWSs for 45 days from the publishing of the updated quarterly Fundable Priority List to submit a loan application. After receiving the application, the NMFA staff will perform a detailed financial analysis of the PWSs' ability to take on a loan. If the entity is deemed credit worthy, then NMFA staff take the loan to the NMFA Board for approval.
6. Once approved by the NMFA Board for funding, the applicant will have six months to provide necessary documents, determined by NMFA, to close the loan. If a PWS does not submit the required documentation within the six month timeframe, then NMFA's commitment to fund the project may be withdrawn or extended at the sole discretion of the NMFA. In no instance will the commitment to fund a project exceed eight months from the date of the NMFA Board approval. Once the loan is closed, the borrower has two years to complete construction. On a case by case basis, the NMFA Board may approve a longer construction period. Applicants not meeting this timeframe will be removed from the Fundable Priority List and placed on the Comprehensive Priority List.

Once the PWS completes the necessary documents, the PWS may be eligible, based on an analysis by NMED and NMFA, to be placed on the updated quarterly Fundable Priority List; and

7. To be eligible for a loan from the DWSRLF, PWS projects must:
    a. be on the Fundable Priority List;
    b. submit a loan application to the NMFA; and
    c. be found by the NMFA to be credit-worthy (40 CFR 35.3555(c)(2)(i)).

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

The DWB and NMFA will supplement this IUP quarterly to add/subtract projects on the Fundable Priority List based on the criteria described above or by the request of the applicant. Quarterly updates to the Fundable Priority List will be posted on DWB's and NMFA's websites (www.nmenv.state.nm.us/dwb and www.nmfa.net, respectively). If a PWS has submitted its application but does not want to go to the board to receive a binding commitment letter in the quarter it submitted the application, the PWS will stay on the Fundable Priority List but will be automatically by-passed if no new information or action is done by the applicant. In such instances, the PWS may stay on the Fundable Priority List for three consecutive quarters being taken off the Fundable Priority List the fourth quarter and placed on the comprehensive list. Once the PWS is ready to go to the board to receive a binding commitment letter, the PWS will be evaluated by the DWB and the NMFA, for the updated quarterly Fundable Priority List.

B. Disadvantaged Community Program

The NMFA is directed by the DWSRLF Act (Laws of 1997, Chapter 144) to establish, with the assistance of the DWB, procedures to identify affordability criteria for disadvantaged communities and to extend a program to assist such communities. The disadvantaged community programs offered to NM PWSs are designed to maximize the eligibility of disadvantaged communities. NMFA provides by policy two levels of disadvantaged status, disadvantaged and severely disadvantaged.

- **Disadvantaged communities** benefit from a 0% interest rate on the first $600,000 of their loans, and when provided for in Capitalization Grants subsidy in the form of principal forgiveness for 50% of the loan.

- **Severely disadvantaged communities** benefit from a 0% interest rate on the full amount of their loans, and when provided for in Capitalization Grants subsidy in the form of principal forgiveness for 75% of the loan.

The NMFA utilizes two tests to determine the economic status of a community served by a water system, the percentage of the state's Median Household Income (MHI) and the community's affordability ratio. For communities to qualify as disadvantaged or severely disadvantaged they must pass both tests.

- **Median Household Income (MHI)** - Disadvantaged and severely disadvantaged communities are communities whose MHI is below 90% of the State's MHI. MHI is determined by the NMFA through Census data
- **Affordability Ratio** is calculated by dividing projected average annual user charges upon the completion of the proposed project by the MHI of the community. A disadvantaged community will have an affordability ratio between 0.01 and 0.015. A severely disadvantaged community will have an affordability ratio above 0.015.

C. Subsidy

The NMFA intends to provide subsidies to its DWSRLF borrowers when required by the EPA as part of its Capitalization Grant and from time to time as provided for under CFR §35.3525(b). The FFY 2013 Capitalization Grant requires a minimum not less than 20% but not more than 30% subsidy and at the state's discretion may offer subsidy for green infrastructure projects. Subsidy is based and availability and PWSs are not guaranteed subsidy as part of the loan package. If a PWS is ranked below the available subsidy amounts, or not classified as disadvantaged or severely disadvantaged, they may not receive subsidy. The current DWSRLF Loan Management Policies provide subsidy to projects in the form of principal forgiveness using the following guidelines when funds are available:

1. All projects will be provided a base principal forgiveness of 25%.
    a. Disadvantaged PWSs are provided an additional 25% principal forgiveness (e.g., 25% base principal forgiveness plus 25% disadvantaged principal forgiveness, for a total of 50% principal forgiveness).
    b. Severely disadvantaged PWSs are provided an additional 50% principal forgiveness (e.g., 25% base principal forgiveness plus 50% severely disadvantaged principal forgiveness, for a total of 75% principal forgiveness).
2. "Green projects" include green infrastructure, water conservation, energy efficiency improvements, or other environmentally innovative activities. Green projects that are 100% green will be provided with an additional 25% principal forgiveness. Projects not considered "categorically green" (projects that clearly support the intent of the GPR,

such as water meters, rain gardens, green roofs, and alternative energies such as solar panels and other water and energy efficiency infrastructure for new facilities) will require a Business Case Explanation to support the need for the project and to describe how it meets the GPR requirement for water and/or energy efficiency. GPR projects and their Business Cases, where required, are submitted to the NMED and posted on the DWB's and NMFA's websites at: http://www.nmenv.state.nm.us/dwb/ and http://nmfa.net, respectively.

3. No project will receive more than 75% in total principal forgiveness.

4. To the extent possible, the NMFA will use subsidy through the capitalization grant to help entities that are disadvantage or severely disadvantage that could not otherwise afford DWSRLF loans. PWS that are disadvantage or severely disadvantage are considered communities that could not otherwise take on a loan. PWS considered disadvantaged or severely disadvantaged will be given priority in the allocation of subsidy.

D. Low Interest Loans

The NMFA has established low interest rates for the DWSRLF program to promote a low-cost viable source of money to address drinking water projects in the State. The NMFA will provide loans with interest rates ranging from 0% to 4%, depending on a PWS's ownership and its MHI. If a PWS is publicly owned, then it is eligible to receive a DWSRLF loan at 0%, if it is considered disadvantaged as described above, or 2%. The NMFA charges a 3% market interest rate to privately-owned non-profit PWSs and 4% to privately owned for-profit PWSs. These rates are set by the NMFA Board of Directors and may be reviewed periodically.

E. Small System Support

The DWSRF rules state that "of the total amount available for assistance from the Fund each year, a State must make at least 15% available solely for providing loan assistance to small systems to the extent such funds can be obligated for eligible projects." The State will provide at a minimum 15% of available loan funds for small PWSs (defined as water systems serving populations of 10,000 or fewer). Currently, the NMFA has provided 31% of the total value of its loans to PWSs with populations of 10,000 or fewer. The NMFA continuously markets to these communities at different statewide conferences held by organizations such as the NM Municipal League, NM Association of Counties, NM Rural Water Association, or at the NM Infrastructure Finance Conference. The NMFA is striving to meet the needs of small PWSs in the State and in SFY 2014 looks to provide up to 25% of all loans to these small PWSs.

F. Capacity Assessments

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

- **Technical Capacity** – PWSs must demonstrate that drinking water sources are adequate, that the system's source, treatment, distribution and storage infrastructure are adequate and that personnel have the technical knowledge to efficiently operate and maintain the system and have the technical capacity to operate and maintain all system improvements planned with project funding requests.
- **Financial Capacity** – PWSs must demonstrate that they have sufficient revenues to cover necessary costs, adequate fiscal controls, and engage in financial planning and monitoring; the NMFA provides assistance with this assessment.
- **Managerial Capacity** – PWSs must show that management has written policies and procedures in place that outlines water system management structure and function as well as their responsibilities in overseeing operations, meeting compliance requirements, response for emergencies, transparency and accountability to customers, and plans for future needs of the water system.

G. Project Prioritization

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

A Comprehensive Priority List of ranked projects is required in an IUP and is, according to the DWSRF, a "list of projects that are expected to receive assistance in the future." All PWSs that submit a PIF and all required supplemental information are placed on the Comprehensive Priority List. Projects will remain on the Comprehensive list until making the Fundable Priority List or three (3) years, whichever is sooner. The DWB will provide capacity assistance to those on the Comprehensive List in order to promote them to the Fundable Priority List.

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

placed on the Fundable Priority List: 1) capacity to maintain compliance with drinking water regulations 2) completion of project planning and environmental review by projected loan closing date; and 3) financial ability to repay a loan as determined by NMFA.

PWSs whose project did not qualify for the Fundable Priority List will be notified with an explanation of deficiencies and an offer for direct capacity assistance. If the project meets the Fundable Priority List criteria and DWSRLF has funds available the project will be added to the next quarterly Fundable Priority List.

H. Tie Breaking Procedure

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

I. Bypass Procedure

The DWB and the NMFA expect to fund the projects on the Fundable Priority List in order of rank, but reserve the right to bypass certain projects using the by-pass procedure. The State reserves the right to fund lower priority projects over higher priority projects, if in the opinion of the DWB or the NMFA, the higher priority project does not meet the application requirements described in Section IV.

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

J. Refinancing Existing Loans

Loan Refinancing is an allowable use of the DWSRLF since certain high cost debt can hinder essential new water improvement projects and limit the long-term financial health and capacity of the water system. By law, the low cost loans offered through the DWSRLF are available to refinance existing loans under very limited circumstances.

The NMFA is able to refinance existing loans if:

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

- The project financed by the original loan must have undergone a public review process that is consistent with the SERP, including concurrence by all requisite state and federal consulting agencies;
- The environmental effects of the project must have been analyzed and studied in a manner consistent with the SERP; and
- The project financed by the original loan must have been used for a purpose consistent with the eligible purposes defined by federal regulation and must have complied with all applicable state and federal regulations.

Please note that private entities are not eligible for loan refinancing.

K. DWSRLF Project Funding Summary

Using the criteria and processes as set forth in this IUP, the NMFA will proceed through the Fundable Priority List until it has identified PWSs that have applied for DWSRLF funding for projects that are sufficient in cumulative value to utilize the funds that will be deposited in the DWSRLF during the SFY relating to the effective IUP. Loans will be executed when the environmental review, financial requirements, and all other obligations of the applicant have been met. Any future amendments to the NMED Priority System will be considered to appropriately reflect the changing character of the DWSRLF program and will be published in the subsequent annual IUP.

V. FINANCIAL MANAGEMENT

A. Sources and Uses of Funds

State Match Source

The SDWA requires states to provide a 20% match to the capitalization grants received from the federal government. NM continues to receive the state match from appropriations from the state legislature. Appendix C summarizes the sources and uses of funds.

Fee Income

The NMFA charges its borrowers a cost-of-issuance fee to cover the legal and closing costs of each DWSRLF loan. This 1% fee is included in the loan as principal and is held in an account outside of the DWSRLF. In addition, the NMFA builds into its DWSRLF loan interest rates a 0.25% administrative fee that is assessed on the outstanding principal balance of each loan. For disadvantaged system 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%. These administrative fees are held outside of the DWSRLF and are used to pay the NMFA's overhead

costs and other program administration costs, not funded by the 4% Administration Set-Aside. Administrative fees are used for eligible purposes under 40 CFR §35.3530(b)(2) and assessed cost-of-issuance fees included as principal in loans are used in accordance with the limitations set forth in 40 CFR §35.3530(b)(3)(i)–(iii).

Leveraging

The State of New Mexico does not currently leverage the DWSRLF. With the increase in demand for DWSRLF and with pending federal reductions to the DWSRF, NMFA is currently researching best practices for leveraging the program.

Use of All Funds Available

The source and uses of the DWSRLF is presented in Appendix D. New Mexico anticipated the loan fund to be capitalized from federal funds at $8,421,000 with 69% going to the loan fund and 31% being used for set asides activities. The loan fund will also be capitalized from the 20% match state funds at $1,684,200. Repayments and interest will be added to the loan fund at $4,823,666. The loan fund will have a total of $12,318,356 added in SFY 2014 to accompany the current Tier II balance of $12,615,760 for a total of $24,934,116 available to lend.

Annually, Congress has the right to require additional subsidy to be used to help fund federal priorities. NMFA is anticipating that 20% or $1,498,938 of the SFY 2014 loan fund of the DWSRF funding legislation will be additional subsidy in the form of principal forgiveness. This subsidy will allow for the pace of recent lending to continue while maintaining the financial perpetuity of the revolving loan fund (see Section IV. regarding the use of subsidy).

B. Financial Terms of Loans

Section IV details the financial terms of loans. All loans are provided to entities at below market rates according to the type of water system. The table below provides the interest and terms associated with a type of PWS.

Community Economic Status	***Interest Rate***	***Terms***
Regular*	2%, 3%, 4%	up to 20 years
Disadvantaged	0% on first $600,000, regular rate for remainder	up to 20 years
Severely Disadvantaged	0% on whole loan	up to 30 years
* Public systems receive 2%, private non-profit systems receive 3%, and for-profit systems receive 4%.		

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

C. Loan Disbursements

As of May 30, 2013, the State of New Mexico has closed on 65 loans totaling just over $121.8 million. The loans are made in accordance with policies and are prorated between federal and state funds.

VI. SET-ASIDE ACTIVITIES

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

A. DWSRLF Administration

The SDWA authorizes states to provide funding for DWSRF administration as a Set-Aside activity. The NMFA will reserve and specify 4% of the FFY 2013 Capitalization Grant for the Administration Set-Aside. Administration of New Mexico's DWSRLF program is delegated by state statute to the NMFA. The administration set-aside will be used to pay for salaries for staff working on the DWSRLF and conducting activities that include reporting, payment processing, pre-application activities; application review; engineering, construction and environmental review; portfolio, audit, and cash management; and financial management. DWSRLF programmatic administration costs also include contractual technical services for engineering and construction oversight, environmental reviews, and legal fees associated with closing DWSRLF loans.

B. Small Systems Technical Assistance

The SDWA authorizes states to use this Set–Aside to support a state technical team or to support contracts with outside entities and individuals in order to provide technical assistance to achieve the compliance levels required for an SRF loan. The DWB will reserve and specify 2% of the FFY 2013 Capitalization Grant for the Small Systems Technical Assistance Set-Aside. The DWB will respond to requests from small water systems directly or from compliance staff recommending a water system for assistance with compliance violations. Staff will target small water systems for assistance with a technical assessment for those that are ranked at the top, or have remained for multiple quarters on the list of non-compliant water systems generated by EPA's Enforcement Tracking Tool (ETT). The DWB will also perform a technical assessment for all water systems requesting funding. DWB will develop an assistance plan for water systems that need to increase technical capacity.

C. State Programs Management

The SDWA authorizes states to use this Set-Aside to address additional program requirements of the Public Water Supply Supervision Program. The DWB will reserve and specify 10% of the FFY 2013 Capitalization Grant for the State Programs Management Set-Aside. This set-aside requires a one-to-one state match beyond the 20% state match for federal capitalization grants. New Mexico has provided this match through the Water Conservation Fee Fund as described in Appendix C.

Public Water System Supervision Program

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

Operator Certification Program

The State Program Management Set-Aside will be used, in part, to provide training, attend meetings, and support certification of operators through the Utility Operator Certification program (UOC). The NMED has authority to administer the UOC program pursuant to the SDWA. The UOC program is organizationally located in the Facility Operations Team of the NMED Surface Water Quality Bureau (SWQB). The DWB coordinates reviews and oversees the SDWA components of the UOC program administration in conjunction with the SWQB.

D. Local Assistance and Other State Programs

The Local Assistance and Other State Programs Set–Aside is used to support three programs: the Technical Services Program, the Community Services Program, and the Source Water Protection Program. The DWB will reserve and specify 15% of the FFY 2014 Capitalization Grant for the Local Assistance and other State Programs Set-Aside.

Technical Services Program

The Technical Services Team under the Local Assistance Set-Aside will assess technical capacity of water systems in terms of infrastructure adequacy of the treatment, storage, pumps and distribution. This team will assist water systems' certified operators with technical knowledge on system operations, maintenance, monitoring and reporting requirements. This team will also assist water systems in identifying and prioritizing any limiting technical issues the water systems may be struggling with to strengthen the sustainability of the PWS. The Technical Services Team will be re-establishing an active Area-Wide Optimization Program (AWOP) for New Mexico in order to target higher risk systems for assistance and to improve the overall performance of surface water treatment plants. The AWOP will be expanded to include strategies for groundwater and distribution systems during FY14.

Community Services Program

The Community Services Team will assist water systems to develop managerial and financial capacity as well as provide direct funding assistance. The team will review all DWSRLF supplemental documents, current rate structure, financial resources and managerial framework required to maintain financial capacity. Financial assistance will be provided to bring capacity to a level where sufficient resources allow the system to maintain compliance with the SDWA and become fundable through the DWSRLF.

Managerial capacity is assessed to determine ownership accountability through governance documents, water system board functionality, and current management plans. This managerial assessment will also review staffing and organization to ensure the system is meeting compliance requirements such as having the appropriately certified operators. Managerial assistance varies from general board operation trainings to individual attention and review of management plans.

Funding assistance from the Community Services Team includes providing information on the DWSRLF, timelines, eligibility requirements, and guidelines. This team will work with PWSs after submitting a PIF, and hold general funding training sessions that will be open for any interested water systems to learn more and become encouraged to apply for funding.

Source Water Protection Program

The Source Water Protection Team incorporates the goals of both the wellhead and source water protection programs. The DWB has significantly increased the role of the source water protection program by establishing a three person team to define and prioritize source water protection needs in New Mexico. The team will be inventorying assessments and protection plans already in place and targeting assistance to water systems that are out of compliance with maximum contaminant levels, that are threatened by actual contaminant sources, or are experiencing sustainability challenges, and do not have a source water protection plan.

This team will develop methods for regional source water assessments, especially in regions dealing with common contamination issues, in order to promote planning on a regional level and encourage technical, managerial, and financial cooperation between water systems. The goal of this cooperation is to identify and promote the most cost-effective solutions to similar source water contamination problems in regions. The team will advance assessment methods to include electronic spatial analyses on a larger scale by utilizing ARC GIS as an essential tool in the development of a regional assessment.

Since source water protection plans are a voluntary responsibility for water systems under the SDWA, this team will also focus on public outreach and education demonstrating the importance of source water protection planning, promoting successful protection plans, and encouraging cooperation with other agencies that can provide expertise and assistance in accomplishing the community's goals in protecting the local sources of drinking water.

VII. PUBLIC PARTICIPATION

To ensure the public has an opportunity to review and provide input on the IUP, the draft IUP will be made available to the public through notifications in at least three major newspapers and posting to both the DWB website at http://www.nmenv.state.nm.us/dwb and NMFA's website at http://nmfa.net. The public comment period will be open for a minimum of 15 days. A summary of the comments received will be included as part of Appendix F in the final version of this IUP.

VIII. AUDITS AND REPORTING

To ensure transparency and accountability the State agrees to submit an Annual Report and Annual Audit to the EPA Region VI on the actual uses of funds and how the State has met the goals and objectives for the previous fiscal years as identified in the IUP for the previous year. The scope of the Annual Report covers the DWSRLF and all approved Set-Aside activities funded

by the DWSRLF program. The Annual Audit covers the financial transactions for the DWSRLF and Set-Aside drawdowns. The NMFA will arrange to have conducted an annual independent financial compliance audit of its DWSRLF program in accordance with generally accepted government accounting standards (GAGAs) issued by the Comptroller General of the United States. The audit report will contain an opinion on the financial statement of the DWSRLF; a report on internal controls; and a report on compliance with the SDWA. The audit report will be completed within one year of the end of the SFY that is audited and will be submitted to EPA's Office of Inspector General (OIG) within 30 days of completion.

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

The State agrees to enter data into EPA's Project and Benefits Reporting Database (PBR) in accordance with EPA Order 5700.7 Environmental Results Under Assistance Agreement. The State agrees to follow the Federal Funding Accountability and Transparency Act requirements. The State will report annually to the Drinking Water National Information Management System (DWNIMS). The State agrees to comply with the reporting requirements included in the Procedure for the FFY 2013 Appropriation.

IX. Amendments to the plan

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

APPENDIX A

New Mexico's
SFY 2014
DWSRLF
Draft Comprehensive and Draft Fundable List

Comprehensive List (Draft)									
Comprehensive Priority Value	NameNumber	Score	Population	Designation	County	Disadvantaged?	Project Description	Requested Funding	Sustainability Policy
1	Santa Cruz MDWCA, NM3572926	13	420	Small System	Rio Arriba	Yes	Construction of two Uranium treatment plants for the 2 service wells; new water storage tanks.	900000	Fix it first
2	Algodones WUA, NM3535123	13	675	Small System	Sandoval	Yes	Install Arsenic treatment system. System is under an Administrative Order.	400000	Fix it First
3	Cimarron Water System, NM3526204	13	987	Small System	Colfax	Yes	Final design and construction of a new microfiltration water treatment plant. The current system has been in violation for inadequate TOC removal.	610000	Fix it First
4	El Prado WSD, NM3515029	13	1008	Small System	Taos	Severely	Install 2.69 miles of 12" transmission line to connect the new Well #3 to system's water storage tanks, thus giving the system a backup source and the ability to periodically rest the existing well.	750000	Fix it First
5	Quail Hollow MDWCA, NM3521001	12	33	Small System	Bernalillo	No	Replacement of failing water lines and rehabilitation of 3 non-working wells	300000	N/A
6	El Creston, -NM350007	12	200	Small System	San Miguel	NA	Construction of a well, storage tank and fill station. Approximately 1/3 of the wells in the area have gone dry with more expected to go dry in the future.	898000	N/A
7	Santa Rosa Water System, NM3515010	12	3000	Small System	Guadalupe	Severely	Plan, design, and construct a bulk water filling station. The station would enable permanent metered access via account card and replaces existing system of attaching "portable" meters to hydrants or other means.	55000	N/A
8	Cordova MDWCA, NM3501221	11	325	Small System	Rio Arriba	Severely	Construct an additional 50,000 gal water storage tank to provide additional service capacity; Replace existing two, three, and four-inch waterline with six-inch line; Loop existing sections of the waterline; Replace existing valves, flush hydrants and water meters; Install fire hydrants; Upgrade pumphouse to include SCADA system and level controller.	247000	Fix it first
9	Santa Rosa Water System, NM3515010	11	3000	Small System	Guadalupe	Severely	Upgrade the current SCADA system to serve four wells, three tanks, one booster station, and five remote meters.	295650	N/A
10	El Valle de Los Ranchos W&S, -NM3500008	10	80	Small System	Taos	NA	Construction of approximately 5 miles of 6" C900 pipeline to serve approximately 80 existing homes where groundwater is contaminated due to septic systems.	1333000	N/A
11	Green Ridge MDWCA, Inc., NM3502401	10	130	Small System	Bernalillo	No	Reverse osmosis treatment, treatment building, well completion, evaporative lagoon, and water line to connect new facilities. Project addresses Administrative Order for exceedance of Fluoride MCL. DWSRLF to supplement USDA funding.	110000	N/A
12	Lower Des Montes MDWCA, NM3574729	9	350	Small System	Taos	No	Construction of a new pump station; new water storage tank; rehabilitate an existing storage tank; new PRV station.	500000	Fix it first
13	Magdalena, Village of, NM3523528	9	900	Small System	Socorro	Yes	Design and construction of second municipal well	275200	N/A
14	Hagerman Water System, NM3519903	9	1200	Small System	Chaves	Severely	Design, construction, purchase, and installation of a water storage tank and pressure pump for Greenfield well.	350000	N/A
15	Lower Rio Grande Public Works Authority, NM3502407	8	9487	Small System	Dona Ana	Severely	Purchase the Valle Del Rio Water System. The cost includes appraisal, due diligence inspection, legal expenses, developing planning documents (PER & environmental documents) and design for the system, and interconnection with the existing LRGPWWA water system. NOTE: Project eligibility under review by EPA.	1000000	N/A
16	Silver City Water System, NM3522609	8	15745	Large System	Grant	Severely	New 1 million gallon storage tank.	581000	N/A
17	Cuatro Villas MDWCA, NM3533526	7	150	Small System	Santa Fe	Severely	Replace manual-read meters with AMR system.	57685	Fix It First
18	Fambrough MDWCA, NM3510403	7	450	Small System	Chaves	Severely	Replace 6,600 lf of 1" and 2" waterline with 6" waterline, to include flush and fire hydrants. This project will also loop a currently unlooped section of the distribution.	441000	Fix it First
19	Cimarron Water System, NM3526204	6	987	Small System	Colfax	Yes	Replace old leaky cast iron service lines.	775000	Fix it First
20	Eldorado W&SD, NM3537326	6	7350	Small System	Santa Fe	No	Design and construction of a project to increase water production (e.g. constructing a new well, rehabilitating existing wells, purchasing and upgrading a private well, or connecting to a proposed pipeline from the Santa Fe County water system).	1000000	Fix it First
21	Los Lunas Water System, NM3525332	6	14284	Large System	Valencia	No	Construct a 5,000' transmission line across the Rio Grande to provide a looped system on the east side of the river.	2300000	Fix it First
22	Las Vegas Water System, NM3518025	6	19000	Large System	San Miguel	Severely	Raw water conveyance (construction funding)	10600000	N/A
23	Las Vegas Water System, NM3518025	6	19000	Large System	San Miguel	Severely	Taylor well field desalination (construction funding)	8100000	N/A
24	Las Vegas Water System, NM3518025	6	19000	Large System	San Miguel	Severely	New wells and rehabilitation of existing wells at Taylor well field (construction funding)	6630000	N/A
25	Las Vegas Water System, NM3518025	6	19000	Large System	San Miguel	Severely	Bradner Dam expansion (construction funding) Note: Deviation request for project under review by EPA.	23600000	N/A
26	Las Vegas Water System, NM3518025	6	19000	Large System	San Miguel	Severely	Peterson Dam structural and leak repair (construction funding). Note: Deviation request for project under review by EPA.	1210000	N/A
27	Bloomfield Water Supply System, NM3510124	5	7433	Small System	San Juan	No	Rehabilitation of two tanks in poor condition	900000	Fix it First
28	San Jon Water System, NM3527920	3	269	Small System	Quay	No	Replace 7,150 of mostly asbestos-cement water distribution lines ranging from 2" to 6" and replace 6" C-900 PVC. In addition to the concern about asbestos, many of the fittings have lead-soldered joints and the location of many of the lines and valves are unknown making it difficult to control the system.	419000	Fix it First
29	Roy Water System, NM3526911	4	300	Small System	Harding	No	Replace 2,600 lf of 4" water line made from cast iron and PVC with 6" C-900. The existing water line has experienced numerous leaks.	349000	Fix it First
30	Sierra Vista MDWCA, NM3553601	3	300	Small System	Bernalillo	No	Replacement of shallow and failing water lines (Phase 1)	2500000	Fix it First
31	Las Vegas Water System, NM3518025	3	19000	Large System	San Miguel	Severely	Effluent water reuse expansion (construction funding)	1950000	N/A
32	Las Vegas Water System, NM3518025	3	19000	Large System	San Miguel	Severely	Water treatment plant oxidation system (construction funding)	3210000	N/A
33	Santa Fe Water System, NM3505126	2	73000	Large System	Santa Fe	No	Install a 400 KW floating photovoltaic system on Nichols Reservoir by the Canyon Road water treatment facility. This PV system will generate approximately the same amount of electricity consumed by the treatment plant and will reduce evaporative loss from the reservoir by approximately 20 acre-feet.	1700000	N/A

NEW MEXICO FINANCE AUTHORITY

Fundable List (Draft)													
Fundable Ranking (SFY14 Q1)	Name Number	Score	Population	Designation	County	Disadvantaged?	Project Description	Requested Funding	Anticipated Subsidy Percentage	Subsidy Estimate Dollar Amount	Expected Form of Financial Assistance	Interest rate	Sustainability Policy
1	Valley Estates MDWCA, NM3503621	14	185	Small System	Rio Arriba	No	Install a uranium treatment system to address the Adminstrative Order for exceedance of the uranium MCL; install a disinfection system; replace the existing 30,000 gallon storage tank, which is poor condition, with 40,000 gallon tank; replace the existing booster station	$341,000	25%	$85,250.000	$255,750.000	2%	Fix it First
2	Ojo Caliente MDWCA, NM3506621	13	415	Small System	Taos	Yes	Install uranium treatment and transmission line to route water from Wells #1 and #2 for treatment. Ojo Caliente MDWCA is under an Administrative Order for exceeding the uranium MCL.	$737,000	50%	$368,500.000	$368,500.000	0%	Fix it First
3	Albuquerque-Bernalillo County Water Utility Authority, NM3510701	13	601,983	Large System	Bernalillo	No	Construct water lines for Phase 3 of the Carnuel project to serve an area impacted by nitrate contamination and currently unserved by a Public Water System.	$2,500,000	25%	$625,000.000	$1,875,000.000	2%	N/A
4	Chamita MDWCA, NM3500121	12	1,200	Small System	Rio Arriba	No	Construction of a new well to supplement the system's one well; SCADA control system.	$355,000	25%	$88,750.000	$266,250.000	2%	N/A
5	Clayton Municipal Water System, NM3527031	9	2,400	Small System	Union	Yes	Meter replacement and automated meter reading equipment	$600,000	50%	$300,000.000	$300,000.000	0%	N/A
6	Pecos Water System, NM3518325	7	2,930	Small System	San Miguel	No	Upgrade existing meters to radio read.	$500,000	25%	$125,000.000	$375,000.000	2%	N/A
7	Eldorado W&SD, NM3537326	6	7,350	Small System	Santa Fe	No	Final design and construction of a combined facility for Utility Operations, Maintenance and Administration; purchase and installation of a pre-fabricated structure for storage of water chlorination chemicals.	$1,200,000	25%	$300,000.000	$900,000.000	2%	Fix It First
8	Las Vegas Water System, NM3518025	6	19,000	Large System	San Miguel	Severely	Water distribution upgrades including looping system to provide adequate line pressure for fire hydrants (construction funding)	$1,900,000	75%	$1,425,000.000	$475,000.000	0%	Fix it First
9	Las Vegas Water System, NM3518025	6	19,000	Large System	San Miguel	Severely	Water treatment plant building repairs (construction funding)	$173,000	75%	$129,750.000	$43,250.000	0%	Fix it First
10	Las Vegas Water System, NM3518025	6	19,000	Large System	San Miguel	Severely	Water line repair and replacement (construction funding)	$2,410,000	75%	$1,807,500.000	$602,500.000	0%	Fix it First
11	Las Vegas Water System, NM3518025	6	19,000	Large System	San Miguel	Severely	Rehabilitation/maintenance of three water storage tanks (construction funding)	$880,000	75%	$660,000.000	$220,000.000	0%	Fix it First
12	Ruidoso, Village of, NM3513114	4	10,800	Large System	Lincoln	No	Replacement of existing 7,600 manual-read residential brass meters with positive displacement meters and a fixed base automated meter	$3,000,000	25%	$750,000.000	$2,250,000.000	2%	N/A
13	Roswell Water System, NM3520203	3	48,500	Large System	Chaves	No	Replacement of aged large diameter water lines and large diameter water valves.	$2,000,000	25%	$500,000.000	$1,500,000.000	2%	Fix It First
TOTALS			751,763					$16,596,000		$7,164,750	$9,431,250		

The dark line represents subsidy limits for the 2013 subsidy of $1,498,920 that will be fully allocated with the Pecos Water System Project assuming all projects come in in order.
Subsidy is shown as anticipated amounts based on availability and is not guaranteed.

NEW MEXICO FINANCE AUTHORITY

APPENDIX B

RANKING SYSTEM FOR DWSRLF PROJECTS

New Mexico's DWSRLF Priority Ranking System

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

- Public Health
- Safe Drinking Water Act Compliance
- Affordability
- Regionalization
- Water Conservation
- Sustainability
- Population

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

Public Health	
Inconsistent Water Supply: Project is for a new well or source for systems which experience water outages.	**12 Points**
Backup source: Project includes development of a second backup well or surface water intake.	**6 Points**
Improve water quality in areas not currently served: Project extends water service to existing residences that are not currently served by a centralized water system and the local groundwater is contaminated.	**8 Points**
Provide service to areas not currently served: Project extends water service to existing homes not currently served by a centralized water system.	**4 Points**
Water storage: Project is for additional storage capacity to ensure adequate supply during emergency situations (excluding storage requirements for fire flow.)	**5 Points**
Inadequate water supply: Project is for additional wells or sources to ensure system can provide minimum design flow requirements.	**3 Points**
Safe Drinking Water Act Compliance	

Acute violations: System is in violation of acute treatment technique requirements or an MCL of an acute contaminant, and the proposed project will address the problem.	**15 Points**
Non-acute violations: System has 3 or more violations of non-acute treatment technique requirements or MCL exceedences of non-acute contaminants, and the proposed project will address the problem.	**10 Points**
Ground Water Under the Direct Influence of Surface Water (GWUDI) Sources: System has received a formal GWUDI determination, and the proposed project will address the problem.	**12 Points**
Distribution Compliance: Project upgrades or treatment that helps maintain compliance with regulations associated with the distribution system. (e.g. UV, flush hydrants, chlorination, improve tank turnover).	**6 Points**
Water Pressure: Project addresses a water pressure problem.	**4 Points**
Rehabilitation: Project replaces or rehabilitates failing or inadequate infrastructure (for reasons other than water loss).	**3 Points**
Affordability (Community Water Systems Only)	
Affordability ratio[2] .01 to .015	**2 Points**
Affordability ratio[1] greater than .015	**3 Points**
Water System Regionalization/Consolidation	
Emergency Interconnection: Project addresses the need for an emergency source through interconnection with another public water system.	**3 Points**
Regionalization Activities: Project is a regionalization effort among two or more public water systems that results in the consolidation of the public water systems.	**5 Points**
Water Conservation	

Water Conservation: Project is expected to result in 15% or more water conservation.	**6 Points**
Metering: Project includes metering an unmetered system.	**4 Points**
Sustainability	
Energy Efficiency: Project implements renewable energy or energy conservation to reduce the amount of energy consumed from the grid to produce, treat and deliver water.	**2 Points**
Green Infrastructure: Project includes green infrastructure.	**2 Points**
Environmentally Innovative Projects: Project uses environmentally innovative concepts to produce, treat and/or deliver water.	**2 Points**
Asset Management: Systems that have developed or are in the process of developing an asset management plan will receive one point will for each core component completed. The core components are: asset inventory, level of service, critical asset assessment, life cycle costing, and long-term funding strategy.	**5 Points Maximum**
Operation Improvements: Project streamlines or improves operations of the system (e.g. radio read meters, looping, SCADA, additional valves).	**3 Points**
Population	
Based on Drinking Water Bureau records, Systems with a population of 3,300 will be awarded 5 points. The number of points deceases linearly to 0 as population decreases to 0 or increases to 10,000 from 3,300. Systems with a population over 10,000 will receive 0 population points.	**5 Points Maximum**
Total	**128 Points Maximum**

[1] *The affordability ratio is calculated by dividing projected average annual cost for water service upon the completion of the proposed project by the Median Household Income of the public water system's service area.*

NEW MEXICO FINANCE AUTHORITY

APPENDIX C

NEW MEXICO ENVIRONMENT DEPARTMENT
MATCH FOR STATE PROGRAMS CATEGORY

NMED State Programs 1:1 Match Formula

DWSRF STATE PROGRAMS SET-ASIDE ELEMENT	**SFY14 Operating Budget**
	July 2013-June 2014
State Programs Budget	**$842,100**

State Match Funds	**SFY14 Operating Budget**
	July 2013-June 2014
Water Conservation Fee Fund	$2,678,900
Available State Match-Current Year	**$842,100**
Excess State Program Match	**$1,836,800**

NMED State Programs 1:1 Match Formula

NEW MEXICO FINANCEAUTHORITY

APPENDIX D

DWSRLF Sources and Uses

DWSRLF Sources and Uses Statement*			
Sources of Funds			
Capitalization Grants Received	$155,202,500		
FFY 2013 Capitalization Grant Anticipated	$8,421,000		
Total Federal Sources		$163,623,500	
State Match on Capitalization Grants Received	28,050,440		
State Match on Anticipated Grant (FFY 13)	1,684,200		
Investment Interest	2,791,688		
Loan Repayments – Principal	20,073,078		
Loan Repayments – Interest	7,267,514		
Total State / Other Sources		$59,866,920	
Total Sources			**223,490,420**
Uses of Funds			
Assistance Activity			
Large System Commitments	***91,577,894.23***		
Small System Commitments	***38,133,631.95***		
Total Assistance		129,711,526	
Set-Aside Activity			
Administration	6,288,842		
Small System Technical Assistance	3,634,930		
State Programs Management	18,174,605		
Local Assistance	24,336,975		
Total Set-Asides		**52,435,352**	
Binding Commitments (Net Amount)		24,045,864	
Total Uses			**206,192,742**
Carryover[1]			**17,297,678**
1. Carryover amount intended to be used by the SFY 2013 and SFY 2014 Fundable Priority Lists.			
*Projected to 6/30/13			

NEW MEXICO FINANCE AUTHORITY

APPENDIX E

DWSRF Set-Asides

ADMINISTRATION SET ASIDE (4%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2011 + FFY 2012 Cap Grants	Specified Amount	Unspecified Amount	Amount Trans-ferred to Loan Fund	Specified Expenditures through SFY 2012	Estimated Expenditures through SFY 2013	Estimated Ending Balance as of end of SFY 2013
FFY97	$510,392		$510,392	$0	$0	$510,392		$0
FFY98-99	$583,404		$583,404	$0	$0	$583,404		$0
FFY00	$310,280		$310,280	$0	$0	$310,280		$0
FFY01	$311,564		$311,564	$0	$0	$311,564		$0
FFY02	$322,100		$322,100	$0	$0	$322,100		$0
FFY03	$320,164		$320,164	$0	$0	$320,164		$0
FFY 04	$332,124		$332,124	$0	$0	$332,124		$0
FFY 05	$331,420		$331,420	$0	$0	$331,420		$0
FFY 06	$329,172		$329,172	$0	$0	$329,172		$0
FFY 07	$329,160		$329,160	$0	$0	$329,160		$0
FFY 08	$325,840		$325,840	$0	$0	$325,840		$0
FFY 09	$325,840		$325,840	$0	$0	$325,840		$0
FFY 09 (ARRA)	$780,000		$780,000	$0	$219,049	$560,951		$0
FFY 10	$542,920		$542,920	$0	$0	$493,556	$49,364	$0
FFY 11	$376,720		$376,720	$0	$0	$0	$350,000	$26,720
FFY 12	$359,000		$359,000	$0	$0	$0	$0	$359,000
FFY 13		$336,840	$336,840	$0	$0	$0	$0	$336,840
TOTALS	**$6,390,100**	**$359,000**	**$6,726,940**	**$0**	**$219,049**	**$5,385,967**	**$399,364**	**$722,560**

NEW MEXICO FINANCEAUTHORITY

SMALL SYSTEMS TECHNICAL ASSISTANCE SET ASIDE (2%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2013 Cap Grant	Specified Amount	Unspecified Amount	Amount Trans-ferred to Loan Fund	Specified Expenditures through SFY 2013	Estimated Expenditures through SFY 2014	Estimated Ending Balance as of end of SFY 2014
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	$161,050		$0
FFY03	$160,082		$160,082	$0	$0	$160,082		$0
FFY 04	$166,062		$166,062	$0	$0	$166,062		$0
FFY 05	$165,710		$165,710	$0	$0	$165,710		$0
FFY 06	$164,586		$164,586	$0	$0	$164,586		$0
FFY 07	$164,580		$164,580	$0	$0	$164,580		$0
FFY 08	$162,920		$162,920	$0	$0	$162,920		$0
FFY 09	$162,920		$162,920	$0	$0	$162,920		$0
FFY 09 (ARRA)	$390,000		$390,000	$0	$0	$390,000		$0
FFY 10	$271,460		$271,460	$0	$0	$271,460		$0
FFY 11	$188,360		$188,360	$0	$0	$0	$188,360	$0
FFY 12	$179,500		$179,500	$0	$0	$0	$40,600	$179,500
FFY 13		$168,420	$168,420	$0	$0	$0	$0	$168,420
TOTALS	**$3,195,050**	**$168,420**	**$3,363,470**	**$0**	**$0**	**$2,827,190**	**$228,960**	**$347,920**

NEW MEXICO FINANCEAUTHORITY

STATE PROGRAM MANAGEMENT SET-ASIDE (10%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2013 Cap Grant	Specified Amount	Unspecified Amount	Amount Trans-ferred to Loan Fund	Specified Expenditures through SFY 2013	Estimated Expenditures through SFY 2014	Estimated Ending Balance as of end of SFY 2014
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
FFY 04	$830,310		$830,310	$0	$0	$830,310		$0
FFY 05	$828,550		$828,550	$0	$0	$828,500		$0
FFY 06	$822,930		$822,930	$0	$0	$822,930		$0
FFY 07	$822,900		$822,900	$0	$0	$822,900		$0
FFY 08	$814,600		$814,600	$0	$0	$814,600		$0
FFY 09	$814,600		$814,600	$0	$0	$814,600		$0
FFY 09 (ARRA)	$1,950,000		$1,950,000	$0	$0	$1,950,000		$0
FFY 10	$1,357,300		$1,357,300	$0	$0	$406,010		$0
FFY 11	$941,800		$941,800	$0	$0	$0	$941,800	$0
FFY 12	$897,500		$897,500	$0	$0	$0	$132,700	$764,800
FFY 13		$842,100	$842,100	$0	$0	$0	$0	$842,100
TOTALS	**$15,975,250**	**$842,100**	**$16,817,350**	**$0**	**$0**	**$14,135,950**	**$1,074,500**	**$1,606,900**

NEW MEXICO FINANCEAUTHORITY

LOCAL ASSISTANCE AND OTHER STATE PROGRAMS SET-ASIDE CAPACITY DEVELOPMENT SUB-ELEMENT (10%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2013 Cap Grant	Specified Amount	Unspecified Amount	Amount Trans-ferred to Loan Fund	Specified Expenditures through SFY 2013	Estimated Expenditures through SFY 2014	Estimated Ending Balance as of end of SFY 2014
FFY97	$537,990		$537,990	$0	$0	$537,990		$0
FFY98-99	$1,312,659		$1,312,659	$0	$0	$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	$800,410		$0
FFY 04	$830,310		$830,310	$0	$0	$830,310		$0
FFY 05	$828,550		$828,550	$0	$0	$828,550		$0
FFY 06	$822,930		$822,930	$0	$0	$822,930		$0
FFY 07	$822,900		$822,900	$0	$0	$822,900		$0
FFY 08	$814,600		$814,600	$0	$37,753	$776,847		$0
FFY 09	$814,600		$814,600	$0	$0	$814,600		$0
FFY 09 (ARRA)	$0		$0	$0	$0	$0		$0
FFY 10	$1,357,300		$1,357,300	$0	$0	$1,023,140	$334,160	$0
FFY 11	$941,800		$941,800	$0	$0	$0	$848,800	$93,000
FFY 12	$897,500		$897,500	$0	$0	$0	$0	$897,500
FFY 13		$842,100	$842,100	$0	$0	$0	$0	$842,100
TOTALS	**$13,063,794**	**$842,100**	**$13,905,894**	**$0**	**$37,753**	**$10,852,581**	**$1,182,960**	**$1,832,600**

NEW MEXICO FINANCEAUTHORITY

LOCAL ASSISTANCE AND OTHER STATE PROGRAMS SET-ASIDE WELLHEAD PROTECTION SUB –ELEMENT (5%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2013 Cap Grant	Specified Amount	Unspecified Amount	Amount Trans-ferred to Loan Fund	Specified Expenditures through SFY 2013	Estimated Expenditures through SFY 2014	Estimated Ending Balance as of end of SFY 2014
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	$402,670		$0
FFY03	$400,205		$400,205	$0	$0	$400,205		$0
FFY 04	$415,155		$415,155	$0	$0	$415,155		$0
FFY 05	$414,275		$414,275	$0	$0	$414,275		$0
FFY 06	$411,465		$411,465	$0	$0	$411,465		$0
FFY 07	$411,450		$411,450	$0	$0	$411,450		$0
FFY 08	$407,300		$407,300	$0	$164,428	$242,872		$0
FFY 09	$407,300		$407,300	$0	$0	$308,600	$98,700	$68,619
FFY 09 (ARRA)	$0		$0	$0	$0	$0	$0	$0
FFY 10	$678,650		$678,650	$0	$0	$292,850	$385,800	$0
FFY 11	$470,900		$470,900	$0	0	$0	$0	$470,900
FFY 12	$448,750		$448,750	$0	$0	$0	$0	$448,750
FFY 13		$421,050	$421,050	$0	$0	$0	$0	$421,050
TOTALS	**$7,974,081**	**$421,050**	**$8,395,131**	**$0**	**$164,428**	**$6,405,503**	**$484,500**	**$1,409,319**

NEW MEXICO FINANCEAUTHORITY

APPENDIX F

PUBLIC OUTREACH

Sample notice published in at least three newspapers statewide:

The New Mexico Finance Authority (NMFA) and the New Mexico Environment Department (NMED) Drinking Water Bureau (DWB) invite public review and comment on the ***State Fiscal Year 2014 Drinking Water State Revolving Fund Draft Intended Use Plan***. The Safe Drinking Water Act (SDWA) amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) program to assist eligible public water systems to finance the cost of the infrastructure needed to achieve or maintain compliance with the SDWA requirements and protect public health. This ***Intended Use Plan*** (IUP) details the intended use for the State Fiscal Year 2014. The draft IUP is available at http://nmfa.net and http://www.nmenv.state.nm.us/dwb or can be obtained by calling Danielle Shuryn at (505) 476-8637. Comments will be accepted until June 28, 2013 and should be addressed to:

New Mexico Environment Department - Drinking Water Bureau

P. O. Box 5469

Santa Fe, NM 87502-5469

Attn: Danielle Shuryn

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