



# **STATE OF NEW MEXICO**

## **DRINKING WATER STATE REVOLVING LOAN FUND**

### **STATE FISCAL YEAR 2012**

### **INTENDED USE PLAN**

**February 20, 2012**

# SFY 2012 INTENDED USE PLAN

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## **EXECUTIVE SUMMARY**

In State Fiscal Year (SFY) 2012, the New Mexico Drinking Water State Revolving Loan Fund (DWSRLF) continues to make significant strides that the State of New Mexico (State) is looking to build upon in the future. Some of the achievements accomplished in SFY 2011 include providing technical, managerial, and financial assistance to hundreds of small water systems throughout the State through the New Mexico Environment Department (NMED) Drinking Water Bureau (DWB) efforts funded with Set-Aside funds.

The New Mexico Finance Authority (NMFA) and the NMED are working with various funding agencies throughout the State in a collaborative effort in using a Water Infrastructure Portal (WIP) not only to solicit new projects but also to coordinate all the water funding in the State. The WIP process continues to evolve and has the potential to increase the volume of DWSRLF funding based on the needs of the State's public water systems to find low-cost financing for water projects.

The NMFA believes that this year there will be a great demand for the DWSRLF because of the lack of State Capital Outlay grants. In the past, these grants have been in direct competition with the DWSRLF program; however, with the absence of these grants, this should be a strong and successful year for the DWSRLF. This SFY 2012 Intended Use Plan (IUP) provides information that outlines the potential that is seen in the DWSRLF for a successful SFY 2012.



## **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 program 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 Amendments, the State established the DWSRLF in 1997. The SDWA allows states to utilize up to 31% of each annual DWSRF Capitalization Grant (Capitalization Grant) to fund four different Set-Aside areas:

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

The NMFA, as grantee, is responsible for the administration of DWSRLF financing and related functions. The DWB, as the 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.

To date, the State has received approximately \$121.8 million in Capitalization Grants and has provided 20% in state matching funds (State Match) totaling approximately \$24.4 million. All of the State Matches plus 69% of each Federal Capitalization Grant, totaling approximately \$108.5 million, have been deposited into the DWSRLF. To date, the NMFA has loaned approximately \$92.7 million. Of this \$92.7 million, the NMFA has loaned approximately \$31.7 million, or 29%, to small PWSs that serve a population of 10,000 or less. Overall, the DWSRLF and associated Set-Asides are vital to the goal of providing safe drinking water to all citizens of the State.

### **B. Intended Use Plan Overview**

An Intended Use Plan (IUP) is required by the SDWA in order to receive a Capitalization Grant, pursuant to 40 CFR 35.3555. The Capitalization Grant funds the loan fund and the Set-



Asides. The amount of the Capitalization Grant allotted to the State is determined by Congress and administered by the EPA. This IUP contains information about the short- and long-term goals of the programs funded by the Capitalization Grant. These goals are intended to continue the State's efforts to: (1) ensure public health protection; (2) identify and provide funding for maintaining and/or bringing the State's PWSs into compliance with the SDWA; (3) enable access to affordable drinking water and promote PWS sustainability; and (4) maintain the long-term financial health of the DWSRLF. This IUP describes how DWSRLF funds will be used during SFY 2012 (July 1, 2011 through June 30, 2012). This IUP addresses the intended uses of Federal Fiscal Year (FFY) 2011 Capitalization Grant along with the unexpended Set-Aside and DWSRLF balances from previous years' Capitalization Grants.

### **C. State Match**

The FFY 2011 Capitalization Grant in the amount of \$9,418,000 will be applied for in SFY 2012. The 20% State Match for the FFY 2011 Capitalization Grant was authorized through House Bill 13, a \$2 million appropriation from the Public Project Revolving Loan Fund authorized in the New Mexico 2011 Regular Legislative Session.

### **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. If a PWS is publicly-owned then it is eligible to receive a DWSRLF loan at 0% or 2%. The State's Constitution limits the NMFA's ability to offer below-market rates to non-public bodies, including all privately-owned PWSs; whether non-profit or for-profit. As such, 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 pegged to the 15-year tax-exempt rates at the time of approval by the NMFA Board of Directors and may be reviewed periodically.

### **E. Disadvantaged Entity Loans**

The NMFA will provide 0% interest loans to PWSs in disadvantaged communities. PWSs on the Fundable Priority List that are in communities with an annual median household



income (MHI) at or below 90% of the State’s MHI are preliminarily deemed to be disadvantaged. This preliminary designation does not guarantee that a PWS will retain the disadvantaged status after the NMFA conducts an in-depth disadvantaged analysis upon a PWS’s application for DWSRLF funding. A detailed description of disadvantaged analysis is provided in Section V.

#### **F. Subsidy and Green Project Reserve Requirements**

From time to time, Congress may require capitalization grant recipients to provide “additional subsidy” to loan recipients. Any additional subsidy will be provided in the form of loans with partial principal forgiveness. The portion not forgiven will be structured and priced as provided in the DWSRLF Loan Management Policies in effect at the time of the NMFA Board’s approval.

To the extent possible, the NMFA will use subsidy to help entities that could not otherwise afford DWSRLF loans and to help provide incentive to undertake projects that meet other priority EPA goals. The NMFA may choose to blend its Capitalization Grants to provide a broader pool of applicants with subsidy. In doing so, the NMFA will fund the subsidy portion of an assistance agreement from the Capitalization Grant that requires the delivery of subsidy but may fund the loan portion of the same assistance agreement from a Capitalization Grant that does not require subsidy.

The NMFA will provide subsidy to projects in the form of principal forgiveness using the following guidelines:

1. Where subsidy is required by a Capitalization Grant, all projects will be provided a base principal forgiveness of 25%.
2. The NMFA will provide additional subsidy to disadvantaged entities who meet the DWSRLF criteria of having (1) an annual median household income (MHI), as determined by the NMFA, of 90% or less of the State’s MHI and (2) an Affordability Ratio calculated by dividing (x) projected average annual user charges upon the completion of the proposed project by (y) the MHI of the PWS’s service area, falling within one of the following two ranges:
  - a. Public Water Systems (PWSs) with an Affordability Ratio from 0.010 to 0.015 (based on a financial analysis based on a twenty-year loan) qualify as “disadvantaged” and 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. PWSs with an Affordability Ratio greater than 0.015 (based on a financial analysis based on a twenty-year loan) qualify as “severely disadvantaged” and will be 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). In such a case, in order to qualify for a DWSRLF loan, the PWS’s Affordability Ratio must be able to be lowered to 0.015 or less by way of various measures such as a loan amortization extension up to thirty years and/or forgiveness of a portion of principal payments and/or providing assistance to the PWS to obtain grants from other sources. Such a lowering of the Affordability Ratio for a severely disadvantaged community does not affect the PWS’s severely disadvantaged status, which was determined by the initial twenty-year loan analysis.

3. “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/NMFAInternet/>, respectively. Green projects currently included on the SFY 2011 Fundable Priority List are “categorically green” and do not require Business Case Explanations.

4. No project shall receive more than 75% in total principal forgiveness.

5. A minimum of 30% of the FFY 2010 Capitalization Grant will be provided as subsidy (\$4,071,900, provided the FFY 2010 Capitalization Grant in the amount of \$13,573,000 is not later downwardly adjusted for any reason).

6. A minimum of 20% of the FFY 2010 Capitalization Grant will be provided to qualified GPR projects (\$2,714,600, provided the FFY 2010 Capitalization Grant in the amount of \$13,573,000 is not later downwardly adjusted for any reason).

### **G. Davis-Bacon Wage Rates**

The FFY 2010 Capitalization Grant requires the application of Davis-Bacon prevailing wage rates to all projects funded in whole or in part by the DWSRLF. Davis-Bacon wage rates apply to construction contracts over \$2,000 and to any subcontracts under such contract regardless of the subcontract amount. To ensure compliance with these requirements, the NMFA will confirm that the correct wage determinations are included in bid specifications and construction contracts. The NMFA will provide assistance recipients with the EPA's Davis-Bacon contract language to be included in bid specifications and contracts. Certifications of Davis-Bacon compliance from assistance recipients will be required prior to approval of disbursement requests.

### **H. Set-Asides**

The SDWA specifies that up to 31% of each Capitalization Grant may be designated for Set-Aside activities. The State uses the maximum Set-Aside allocation of 31% from all Capitalization Grants to ensure public health protection. The DWB uses 27% of the Capitalization Grant for eligible Set-Asides programs to: (a) increase the technical, managerial, and financial capacity of local PWSs; (b) assist entities in qualifying for loans; and (c) provide technical assistance targeted to small PWSs serving a population of 10,000 or less. The NMFA uses 4% of the Capitalization Grant as Set-Aside funds to cover reasonable administrative costs of the DWSRLF. The remaining 69% of each Capitalization Grant is deposited in the DWSRLF along with the required State Match (equal to 20% of each non-ARRA Capitalization Grant). The NMFA can then loan DWSRLF funds to eligible PWSs for eligible projects.

The State must provide a process and rationale for distribution of funds between the DWSRLF and Set-Aside accounts. The rationale for use of the maximum 31% in Set-Asides is multi-layered. Due to the combination of the dispersed nature of the State's population and the State's large geographic area, consolidated training and services do not optimally reach the majority of rural PWSs. In order to effectively implement the Set-Aside programs, a high degree

of individual training and assistance is required. The Set-Aside programs must allow for a greater percentage of individual or “small-cluster” trainings and interactions which, while more burdensome, costly, and time-consuming, are more effective in assisting PWSs in complying with the SDWA.

### **I. Public Input, Review, and Comment Procedures**

The draft IUP will be made available to the public by posting on February 20, 2012, on both the NMFA and the DWB websites. A bulk mailing will also be sent out by the DWB to all New Mexico PWSs notifying them of the availability of the draft IUP on the websites and asking the PWSs to submit written comments on the IUP within 30 days after posting.

## **II. LONG-TERM AND SHORT-TERM GOALS OF THE DWSRLF AND SET-ASIDE PROGRAMS**

### **A. Long-Term Goals**

1. Support PWSs using the Set-Aside activities outlined in this IUP and the EPA-approved work plan for the DWB Set-Asides in order to maximize SDWA compliance and public health protection and to ensure affordable drinking water and PWSs’ sustainability and to increase PWSs’ capacity, with a particular focus on PWSs serving populations of 10,000 or less.
2. Maintain the DWSRLF as a perpetual funding source with fiscal integrity to support PWSs in the State.
3. Maintain timely, accurate, and complete administrative functions to sustain the DWSRLF, including Capitalization Grant applications and reporting requirements.
4. 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 less.
5. 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.

6. 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.

7. Improve the capacity of PWSs through assistance activities.

8. 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.

### **B. Short-Term Goals**

1. Post the SFY 2012 IUP for public review in February 2012. Provide an opportunity for public participation by posting this IUP for public comment on the NMFA and the DWB websites.

2. Prepare and submit the FFY 2011 Capitalization Grant Application by September 30, 2012.

3. Submit the FFY 2010 Capitalization Grant Set-Aside work plan detailing the use of the DWSRLF funds from open Capitalization Grants within 90 days of receiving the FFY 2010 Capitalization Grant.

4. Provide training, education, and in-house professional technical resources targeted to small PWSs serving a population of 10,000 or less to assist these PWSs in achieving and maintaining long-term sustainability and SDWA compliance.

5. Provide loans to PWSs listed on the Fundable Priority List to the extent possible and in accordance with federal and state laws.

6. Provide low-cost loans to PWSs in disadvantaged communities for eligible projects, as allowed by the SDWA.

7. Execute six (6) binding commitments during SFY 2012.

8. Continue working to achieve the estimated objectives for each Set-Aside category, including “Outputs” and “Outcomes.” Complete and submit the SFY 2011 Annual Report in September 2011.

9. Continue to actively participate in the WIP process in order to bring PWSs to the DWSRLF program.



10. 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.

11. Provide technical 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.

12. Provide technical assistance for PWSs to assist with the review and implementation of sustainable rates and to encourage long-term planning.

13. Update the Capacity Development Strategy.

14. Assist EPA with completion of the four-year Needs Survey.

15. Provide required three-year report to the Governor on the efficiency of the State Capacity Development Strategy and progress toward improving the capacity of PWSs in the State.

### III. SOURCES AND USES OF FUNDS

#### DWSRLF SOURCES AND USES OF FUNDS STATEMENT

SOURCES OF FUNDS	<u>Set-Asides</u>			Total
	(excluding Administration)	Administration	Loan Fund	
Balances from ARRA Capitalization Grant	\$199,172	\$244,477	\$251,983	\$695,632
Balances from State Match	\$0	\$0	\$5,115,921	\$5,115,921
Balances from previous unexpired awards	\$3,195,429	\$121,992	\$17,323,285	\$20,640,706
Total Liquid Asset Balance from previous year	<b>\$3,394,601</b>	<b>\$366,469</b>	<b>\$22,691,189</b>	<b>\$26,452,259</b>
Federal Cap Grant Payments (FFY 2010 award)	\$3,664,710	\$542,920	\$9,365,370	\$13,573,000
State Match (FFY 2010 award)	\$0	\$0	\$2,714,600	\$2,714,600
Interest on Investment	\$0	\$0	\$22,130	\$22,130
Leveraged Bond Proceeds	\$0	\$0	\$0	\$0
Loan repayments (both Principal & Interest)	\$0	\$0	\$1,026,680	\$1,026,680
Fees generated from lending	\$0	\$0	\$161,541	\$161,541
Other cash inflows <sup>3</sup>	\$0	\$236,056	\$0	\$236,056
	\$3,664,710	\$778,976	\$13,290,321	\$17,734,007
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$7,059,311</b>	<b>\$1,145,445</b>	<b>\$35,981,510</b>	<b>\$44,186,266</b>
<b>USES OF FUNDS</b>				
<b>Loans</b>				
ARRA unexpended amounts on existing loans	\$0	\$0	\$251,983	\$251,983
Unexpended amounts on existing loans <sup>1</sup>	\$0	\$0	\$17,275,786	\$17,275,786
SFY 2012 loans anticipated	\$0	\$0	\$18,400,000	\$18,400,000
<b>Total for loans</b>	<b>\$0</b>	<b>\$0</b>	<b>\$35,927,769</b>	<b>\$35,927,769</b>
<b>Set-Asides (includes ARRA fund balances)</b>				
Administration (4%)	\$0	\$909,389	\$0	\$909,389
Small Systems Tech Assistance (2%)	\$588,621	\$0	\$0	\$588,621
State Program Mgt (1452(g)(2)-(10%) <sup>2</sup>	\$2,214,154	\$0	\$0	\$2,214,154
Local Assistance/St Prog (1452(k)-15%)	\$4,256,536	\$0	\$0	\$4,256,536
<b>Total for Set Asides</b>	<b>\$7,059,311</b>	<b>\$909,389</b>	<b>\$0</b>	<b>\$7,968,700</b>
<b>Other</b>				
Debt Service on Leveraged and Match Bonds	\$0	\$0	\$0	\$0
Debt Service Reserve Funding	\$0	\$0	\$0	\$0
Other cash outflows	\$0	\$236,056	\$0	\$236,056
Funds that will be extended from previous awards	\$0	\$0	\$0	\$0
Ending Balances (Resources Carried Over to Next Year)	\$0	\$0	\$53,741	\$53,741
<b>Total for Other</b>	<b>\$0</b>	<b>\$236,056</b>	<b>\$53,741</b>	<b>\$289,797</b>
<b>TOTAL USES OF FUNDS</b>	<b>\$7,059,311</b>	<b>\$1,145,445</b>	<b>\$35,981,510</b>	<b>\$44,186,266</b>

1: Projects currently under design or construction phases.

2: The required 1:1 match for State Programs is met by the NMED, with existing expenditures from the Water Conservation Fee Fund (within the purposes of the fund) (see Appendix B). This time and effort match is based on actual cash outlays by the NMED.

3: Cost-of-issuance and administrative fee payments.

#### **IV. SET-ASIDE ACTIVITIES**

##### **A. Administration Set-Aside**

Section 1452(g) of the SDWA authorizes states to provide funding for DWSRF administration as a Set-Aside activity. Administration of the DWSRLF is delegated by State statute to the NMFA. Administration of the DWSRLF includes reporting activities; 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.

In accordance with 1452(g) of the SDWA and the “American Recovery and Reinvestment Act of 2009” (ARRA), the DWSRLF and ARRA Administration Set-Asides will be utilized by the NMFA and held in a separate account apart from the Loan Fund, the three NMED Set-Asides (respectively, 2%, 10% and 15% of each Capitalization Grant) and the two NMED ARRA Set-Asides (respectively, 2% and 10% of the ARRA Capitalization Grant). As allowed by the SDWA, the NMFA reserved and specified 4% of the FFY 2010 Capitalization Grant for the DWSRLF Administration Set-Aside. 4% was also reserved and specified from the ARRA Capitalization Grant as appropriated by P.L. 111-5, the “American Recovery and Reinvestment Act of 2009” for the ARRA Administration Set-Aside. The NMFA will use an estimated \$244,000 of the unexpended ARRA Administration Set-Aside funds for the administration of ARRA specific projects and ARRA program in SFY 2012. The NMFA anticipates that it will use an estimated \$400,000 from the FFY 2010 Capitalization Grant to fund the Base DWSRLF Administration Set Aside activities in SFY 2012. Base DWSRLF Administration Set-Aside funds available during SFY 2012 include the unexpended Administration Set-Aside funds from the FFY 2008 and FFY 2009 Capitalization Grants which had a combined SFY 2011 ending balance of \$121,992. The unexpended funds will be used to reimburse the NMFA for base DWSRLF Administration Set-Aside activity expenses already incurred but unpaid as monies from previous Capitalization Grants had not been released. The Administration Set-Aside will fund activities that allow NFMA to implement, administer, and operate the Base DWSRLF and ARRA programs during SFY 2012. The NMFA estimates that

nine of its employees will work on the DWSRLF program and four of its employees will work on ARRA-specific projects and activities, on a part-time basis, for an equivalent of approximately 3.5 full-time employees working on the DWSRLF and 1.25 full-time employees working on ARRA. The NMFA staff charge time to the DWSRLF and ARRA based on actual hours worked. The NMFA contracts with the NMED's Construction Programs Bureau for engineering and construction oversight. The NMFA also contracts with other parties chosen through a competitive procurement process for other technical services that include environmental compliance reviews and legal services. The estimated SFY 2012 expenditures for services are approximately \$180,000.

The NMFA charges its borrowers a 1% cost-of-issuance fee to cover the legal and closing costs of each DWSRLF base program 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 balance of each loan. For disadvantaged borrowers whose loans carry a 0% interest rate, the NMFA charges a 0.25% administrative fee, making the effective interest rate of a 0% loan 0.25%. 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).

Please see the below list for a further description of DWSRLF and ARRA Administration Expenses.

- **Reporting Activities** - This includes preparing Capitalization Grant applications; assisting with annual solicitation of projects; assist with preparing the annual IUP; assisting with the preparation the annual report, financial reports, and audits; project tracking and reporting; reporting to the EPA National Information Management System; and participating in EPA site visits.
- **Payment Processing** - This includes closing loans, processing requests for reimbursement, making wire transfers, processing cash draws from the automated clearing house (ACH), and preparing and submitting annual outlay reports.

- **Pre-Application Activities** - This includes contacting PWSs on the IUP Fundable Priority List to arrange for pre-application meetings; scheduling and conducting meetings with potential applicants; and providing counseling and information regarding the preparation of financial applications, engineering feasibility reports and environmental information documents.
- **Application Review** - This includes conducting financial, engineering, environmental, financial, and legal reviews of financial assistance application materials; and preparing and presenting agenda items to the NMFA Board in connection with its approval of loan commitments.
- **Engineering, Construction, and Environmental Review** - This includes reviewing and approving engineering and construction plans and contract documents; reviewing and approving bid documents and checking for compliance with federal cross-cutters; completing environmental reviews; preparing documents for loan closings; authorizing contract award and issuing notices to proceed; participating in pre-construction conferences; monitoring of construction progress; reviewing and approving contract change orders; and reviewing and approving project close-out documents.
- **Portfolio, Audit and Cash Management** - This includes audit monitoring to ensure finance-related legal and contractual compliance and ongoing financial stability of applicants; and managing program cash flows and related banking and investment activities in compliance with applicable laws, contracts, and NMFA policies.
- **Financial Management** - This includes processing payments (loan closings, making wire transfers, processing cash draws from EPA, and administration), preparing accounting entries to the general ledger, preparing reports (Quarterly Federal Cash Transaction Report and Annual Financial Status Report), preparing reconciliations and monitoring Federal Capitalization Grants.
- **Contractual Technical Services** – This includes contractual technical services for engineering and construction oversight, environmental reviews, and legal fees associated with closing DWSRLF loans.

## OUTCOMES/ENVIRONMENTAL RESULTS

### Estimated Outputs<sup>1</sup> – to be documented in the Annual Report

Output Type	Quantitative/Qualitative Description of Output	Period of Performance
Programmatic	The NMFA will enter into at least six binding commitments from the SFY 2012 Fundable Priority List which can be found in Appendix E to this IUP.	SFY 2012

<sup>1</sup>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

### Estimated Outcomes/Environmental results<sup>2</sup> – to be documented in the Annual Report

Outcome Type	Quantitative Description of Outcome	Period of Performance
Programmatic	Increase marketing efforts of the DWSRLF that will help increase the understanding of the DWSRLF program.	SFY 2012
Environmental	Two Small PWSs will develop binding commitments through the DWSRLF program, which will assist in returning them to compliance with the SDWA.	SFY 2012

<sup>2</sup>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

The SDWA authorizes states to use this Set-Aside to support a state technical assistance team or to support contracts with outside entities and individuals in order to provide technical assistance to PWSs serving a population of 10,000 or less. The goal for the Small Systems Technical Assistance (TA) Set-Aside is to enable small PWSs to achieve and maintain compliance with the SDWA and State regulations. The DWB reserved and specified 2% of the FFY 2010 Capitalization Grant for the TA Set-Aside expected to be expended in subsequent fiscal years.

The DWB provides staff assistance to small PWSs on a daily basis. The DWB staff across the State work to assist small PWSs with questions and problems and also provide guidance materials to small PWSs as needed. When a small PWS is in violation of the SDWA or New Mexico Drinking Water Regulations, the DWB Compliance staff prepares a notification letter that details the violation(s) and procedures for compliance. Compliance staff can provide detailed explanations of the violation(s) and the recommended steps to correct deficiencies.

Compliance staff works with small PWSs to develop strategies to return to compliance as part of informal compliance agreements. If the violation(s) of a small PWS rise to the level of formal enforcement, the system is referred to the Enforcement Unit of the Technical Services Section for appropriate enforcement action. Small PWSs under enforcement actions receive priority technical, financial, and managerial assistance from DWB staff and/or contractors. Applicable contracts are funded through the Local Assistance and Other State Programs Set-Aside.

**OUTCOMES/ENVIRONMENTAL RESULTS**

**Estimated Outputs – to be documented in Annual Report**

<b>Output Type</b>	<b>Quantitative/Qualitative Description of Output</b>	<b>Period of Performance</b>
Programmatic	The compliance section staff in each district will meet weekly to discuss PWS issues and refer any assistance needs to the technical services section.	SFY 2012
Programmatic	Meet with the NMFA quarterly.	SFY 2012
Programmatic	Managers will provide training to staff each month to enable them to better assist small PWSs.	SFY2012
Environmental	The compliance section staff, the technical services section staff and the technical contractor(s) (if applicable) will meet to discuss potential enforcement activities at least four times per year per district.	SFY 2012
Programmatic	All assistance actions will be entered into Safe Drinking Water Information System (SDWIS) on a weekly basis.	SFY 2012
Environmental	Technical assistance and engineering guidance will be provided to small PWSs within 30 days of referrals or requests.	SFY 2012

**Estimated Outcomes/Environmental results – to be documented in Annual Report**

<b>Outcome Type</b>	<b>Quantitative Description of Outcome</b>	<b>Period of Performance</b>
Programmatic	Three (3) PWSs will be provided assistance to become eligible for the Fundable Priority List.	SFY 2012
Environmental	The number of PWSs listed in the Enforcement Targeting Tool (ETT) will decrease from the SFY 2011 level by 5%.	SFY 2012
Environmental	The DWB Technical Services staff and/or Compliance staff will offer assistance to small PWSs to assist them in maintaining compliance. Assistance will be offered to at least 90% of small PWSs that (1) face formal enforcement actions, (2) are referred, or (3) request assistance.	SFY 2012

**C. State Program Management Set-Aside**

The State Program Management Set-Aside is used to support: Source Water Assessment and Protection, Public Water System Supervision, Operator Certification, and Capacity Development. The DWB reserved and specified 10% of the FFY 2010 Capitalization Grant for the State Program Management Set-Aside. See Appendix C for expected expenditures.

***Source Water Assessment and Protection Program***

The State Program Management Set-Aside will be used, in part, to administer the Source Water Assessment and Protection (SWAP) program. The SWAP program facilitates ongoing state efforts to protect public drinking water supplies from contamination. Activities planned to administer the SWAP program include modifying the statewide SWAP Program Implementation Strategy as needed; managing, tracking and reporting SWAP program activities; and developing SWAP outreach and training materials.

***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, and collecting discretionary monitoring samples to confirm suspect sampling results as needed.

### ***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 UOC program administration in conjunction with the SWQB.

### ***Capacity Development Program***

The State Program Management Set-Aside will be used, in part, to support Capacity Development. The State has a large number of small, community-administered PWSs with board members that have little formal experience running a water system or other business. This situation presents a significant and ongoing challenge to the State. Capacity Development increases the technical, managerial, and financial capacity of PWSs through the work of staff and contractors (if applicable) to provide assistance, training and professional oversight.

## **OUTCOMES/ENVIRONMENTAL RESULTS**

### **Estimated Outputs – to be documented in Annual Report**

<b>Output Type</b>	<b>Quantitative/Qualitative Description of Output</b>	<b>Period of Performance</b>
Programmatic	Review annually and modify, as needed, the SWAP Program Implementation Strategy to increase activity in the SWAP program.	SFY 2012
Environmental	Complete at least 90% of sanitary surveys in the scheduled year.	SFY 2012
Programmatic	Participate in all UOC Program meetings.	SFY 2012
Programmatic	Review annually and make necessary revisions to the Capacity Development Strategy.	SFY 2012
Programmatic	Provide the required three year capacity report to the Governor.	SFY 2012
Programmatic	Provide training to PWS operators or board members through staff efforts six (6) times per year.	SFY 2012

### **Estimated Outcomes/Environmental results – to be documented in Annual Reports**

<b>Outcome Type</b>	<b>Quantitative Description of Outcome</b>	<b>Period of Performance</b>
Programmatic	Percent of the population served by community PWSs where risk to public health is minimized by source water protection will be 55% (substantially implemented SWP Plans).	SFY 2012
Environmental	90% of the community PWSs in the State will meet all applicable health-based drinking water standards.	SFY 2012
Programmatic	Maintain certified operators at 85% of community PWSs	SFY 2012

#### **D. Local Assistance and Other State Programs Set-Aside**

The Local Assistance and Other State Programs Set-Aside is used to support three programs: the Capacity Development program, Operator Certification program, and the SWAP program. The DWB reserved and specified 15% of the FFY 2010 Capitalization Grant for Local Assistance Set-Aside which is expected to be expended in subsequent fiscal years.

#### ***Capacity Development Program***

Capacity development is the process by which PWSs acquire and maintain the technical, managerial, and financial capacities necessary to consistently provide safe drinking water. The

State is authorized to assist PWSs in developing and upgrading technical, managerial, and financial capacities. This Set-Aside involves completion of capacity assessments to determine existing resources and inadequacies; general assistance and training of both PWS operators and board members by the DWB staff and contractors (if applicable); targeted assistance to PWSs identified in the Enforcement Targeting Tool list; and development of educational materials. An important capacity development component will include the leveraging of resources. Funding from this Set-Aside will also be utilized to support engineering review of projects (including plans, specifications, and preliminary engineering reports) to ensure that new PWSs and existing PWSs that propose modifications will meet current and future SDWA and State regulations. These activities are focused on assessing and assisting new and existing PWSs to ensure they are able to meet the requirements of the SDWA at present and in the future.

Activities that will be pursued under this Set-Aside include providing administrative support for the Capacity Development Program, enhancing public outreach efforts with new materials and increased participation in a broader scope of events and venues, conducting a minimum of two Drinking Water Advisory Group meetings per year, performing timely review of plans and specifications submitted to the DWB engineering staff, providing direct assistance and training to PWSs to address technical, managerial, and financial capacity deficiencies, and conducting capacity assessments in a timely manner in response to (1) a PWS's submittal of a DWSRLF Project Interest Form (2) a PWS's request for managerial and/or financial assistance, or (3) the DWB becoming aware of a new PWS.

### ***Operator Certification Program***

The DWB staff and its contractors (if applicable) will perform training for PWS operators and will assist PWSs in need of a certified operator by providing a contact list of available operators.

## OUTCOMES/ENVIRONMENTAL RESULTS

### Estimated Outputs – to be documented in Annual Report

<b>Output Type</b>	<b>Quantitative/Qualitative Description of Output</b>	<b>Period of Performance</b>
Programmatic	Provide capacity assessments for (1) 90% of PWSs which do not have a current capacity assessment and submit a DWSRLF Project Interest Form, (2) new PWSs, (3) PWSs that may not have capacity as identified by the DWB, and (4) any PWS that submits a Project Interest Form through the WIP and is referred to the DWB.	SFY 2012
Programmatic	Develop or modify two outreach materials relating to the DWB programs and deliver to 95% of active community and non-transient non-community PWSs.	SFY 2012
Programmatic	Annual mailing to eligible PWSs encouraging them to submit a Project Interest Form to obtain funding from the DWSRLF.	SFY 2012
Programmatic	Conduct two (2) Drinking Water Advisory Group meetings.	SFY 2012
Programmatic	Review and approve any contract invoices and/or deliverables within 30 days.	SFY 2012
Programmatic	Meet with the NMFA quarterly.	SFY 2012
Programmatic	Work with a minimum of two (2) groups of PWSs to consolidate resources to bring about regionalization.	SFY 2012
Programmatic	Review plans and specifications for all new construction and major modifications for conformance with the State Drinking Water Regulations within 30 days.	SFY 2012
Programmatic	Meet quarterly with EPA to review the PWSs in violation and on the ETT List.	SFY 2012
Programmatic	Conduct six (6) trainings for PWSs boards and operators on drinking water programs including regulations and the capacity requirements for DWSRLF loans.	SF 2012

**Estimated Outcomes/Environmental results – to be documented in Annual Report**

<b>Outcome Type</b>	<b>Quantitative Description of Outcome</b>	<b>Period of Performance</b>
Programmatic	All PWSs with completed capacity assessments identified in need of technical, managerial or financial assistance will receive an offer of assistance from staff or contractors (if applicable) within 30 days of identifying the need.	SFY 2012
Environmental	80% of all plans and specifications submitted for review will be reviewed and comments provided within 30 days of receipt.	SFY 2012
Programmatic	90% of PWSs identified during quarterly enforcement meetings as needing technical, managerial, or financial assistance will be offered either staff or contractor (if applicable) assistance within 60 days of identifying the need.	SFY 2012
Environmental	50% of PWSs requesting assistance will be provided assistance with obtaining a certified operator within 30 days of request.	SFY 2012

***Implementation of Source Water Assessment and Protection Program***

This Set-Aside will be used to implement the SWAP program. The SWAP program is a composite of the Well Head Protection Program (WHPP) and source water assessment (SWA) elements. The DWB hired a Source Water Coordinator during SFY 2012 to promote the SWAP program and encourage PWSs with a Source Water Protection Plan (SWPP) to move forward with substantial implementation. The DWB will assist PWSs with the development of SWPP plans using either staff or contract resources. The DWB staff will update the SWPP areas as a component of sanitary surveys. PWSs will be evaluated for, and granted as appropriate, chemical monitoring flexibility based on SWA data and other applicable data.

Actions considered by the State as “substantial implementation of a source water protection strategy” may include, but are not limited to:

- Zoning and related land-use measures that prohibit or restrict uses (e.g., by overlay zoning or related actions)
- State or local health regulations (e.g., sanitary setbacks)
- Land acquisition/conservation easements
- Enforceable (i.e., enforceable under state and/or local laws), or voluntary Best Management Practices
- Public outreach, involvement and education programs related to each significant threat

- Other actions taken under federal or state statutes such as the Clean Water Act (e.g., Total Maximum Daily Load, Non-Point Source Management)

These actions may occur for one CWS or multiple CWSs and be: (a) state-wide, including federal actions taken within the State; (b) regionally across jurisdictions; or (c) locally.

Currently all sanitary surveys include a source water protection component. This source water protection component can be used by a PWS to update its SWPP. If the system is in need of assistance with updating the SWPP, it may contact the Technical Services Section of the DWB.

As part of evaluating a water source potential for contamination, ground water sources that are suspected of being under the influence of surface water are evaluated under the Ground Water Under Direct Influence of Surface Water (GWUDI) Program.

## **OUTCOMES/ENVIRONMENTAL RESULTS**

### **Estimated Outputs – to be documented in Annual Reports**

<b>Output Type</b>	<b>Quantitative/Qualitative Description of Output</b>	<b>Period of Performance</b>
Environmental	Two hundred fifty (250) water sources will be investigated for potential sources of contamination during PWS sanitary surveys.	SFY 2012
Environmental	The DWB staff will evaluate PWSs eligible for chemical monitoring flexibility within 30 days of request.	SFY 2012
Programmatic	Source Water Protection information will be entered into SDWIS on a monthly basis.	SFY 2012
Environmental	Contaminant plots and well log data will be gathered during the plan and specification review for new sources.	SFY 2012
Programmatic	The DWB staff and/or contractor(s) will assist interested PWSs in preparing and implementing SWPPs.	SFY 2012
Environmental	The DWB staff will evaluate a minimum of 10 suspected GWUDI sources (if appropriate sampling conditions exist) in order of priority and notify the PWS of results of testing within 30 days of receiving the test results.	SFY 2012
Programmatic	Review and approve any contract invoices and/or deliverables within 30 days.	SFY 2012

**Estimated Outcomes/Environmental results – to be documented in Annual Reports**

<b>Outcome Type</b>	<b>Quantitative Description of Outcome</b>	<b>Period of Performance</b>
Environmental	20% of community PWSs will have substantially implemented SWPP.	SFY 2012
Environmental	PWSs eligible for chemical monitoring flexibility will be evaluated and a decision rendered within 60 days of DWB staff initiating review.	SFY 2012
Environmental	Twelve SWP plans will be prepared with the assistance of the DWB staff or contractors for PWSs that did not have plans previously.	SFY 2012
Environmental	90% of GWUDI evaluations will be analyzed and a determination made within 30 days of completing the evaluation.	SFY 2012

**V. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS**

**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 the 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 V.H. 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. The NMFA reserves the right to refuse funding to a PWS that is financially nonviable or to recommend such a PWS seek funding from other funding agencies. The NMFA is not the lender of last resort. 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 screening process that has been used for projects receiving funding from the DWSRLF. 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 DWSRLF and to focusing the resources of the DWSRLF Set-Asides. The State's project ranking process is initiated and implemented in the following manner:

a) In February 2012 the DWB will notify all eligible PWSs of the availability of DWSRLF Project Interest Forms available through the WIP, which allows interested PWSs to identify proposed projects. A cover letter and DWSRLF fact sheet is sent along with the notification of the Project Interest Form.

b) The DWB will perform a capacity assessment (if a current one is not available) on PWSs that have submitted a Project Interest Form;

c) PWSs that submit a completed Project Interest Form will be ranked through the DWB prioritization process and be included in the three-year Comprehensive Priority List;

d) Analysis by the DWB of the administered capacity assessments for technical, managerial, and financial capacity and a subsequent financial analysis by the NMFA of the projects on the Comprehensive Priority List will result in a Fundable Priority List (Appendix E); and

e) 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 loan-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 an explanation of the deficiencies that have prevented its inclusion, including recommended steps for addressing such deficiencies, and will be referred to the DWB capacity development program. The DWB and the NMFA expect to use the resources of the Set-Asides to assist such PWSs in addressing any deficiencies, 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 NMED and the NMFA may elect to update this IUP as needed. Updates may be necessary to add new projects to the Fundable Priority List or the Comprehensive Priority List. Periodic review of the DWB's and the NMFA's websites [[www.nmenv.state.nm.us/dwb](http://www.nmenv.state.nm.us/dwb) and [www.nmfa.net](http://www.nmfa.net), respectively] will provide interested parties with information regarding current IUP status, the Comprehensive Priority List, and the Fundable Priority List. Any changes to the Fundable Priority List will not affect the eligibility of any project that has begun the application process.

The State's ranking process includes federal ranking criteria and state ranking criteria for PWS projects. In addition to the ranking criteria, a PWS and its project is screened according to a policy for allocating a percentage of the DWSRLF to disadvantaged or small PWSs, if emergency conditions exist, and if the project is ready to proceed.

## **B. Federal Ranking Criteria for Water System Projects**

1. **Public Health Threat:** A PWS that proposes a project addressing a serious threat to human health will receive a higher ranking than a project with an equal score that does not address a serious threat to human health. The State reserves the right to include projects that address a threat to human health on the Fundable Priority List through the annual process described under Section V.A. or at any time such a public health threat emerges during the year at an eligible PWS (see Section V.G. – Emergency Conditions, below). Such projects shall be identified in the Annual Report and during the annual review.

2. **SDWA Compliance:** PWSs that have projects which are necessary to ensure compliance with SDWA requirements, including filtration.

3. **Affordability:** Assistance to PWSs most in need, on a per-household basis, according to state affordability criteria, outlined in Section D.

4. **Water Conservation and Energy Efficiency:** Including water conservation programs, renewable energy or energy conservation to reduce the amount of energy consumed on the grid to produce, treat and deliver water.

### C. State Ranking Criteria for Water System Projects

1. **Readiness To Proceed:** Points are allocated to projects which have completed planning and environmental information document or projects that are eligible for a categorical exclusion.

2. **Water System Regionalization:** Including source and storage reliability, mitigation of SDWA contaminants for one or more PWSs, and/or initiation of concrete measures to bring about regionalization of two or more PWSs.

3. **Population:** Population points are only available to community PWSs. In the State, the PWS population will be calculated differently by the DWB and the NMFA. In all cases, the DWB will calculate the population based on the PWS inventory information in SDWIS. For example, any reference to population in the DWB capacity assessment or the DWB ranking document will refer to SDWIS for population information. The NMFA will use the population information found in the most recent U.S. Census to calculate MHI and to determine categorical exclusion eligibility. In all other instances, the NMED and the NMFA 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. If more than one PWS has the same ranking score, the smaller PWS will be ranked higher than the larger PWS, based on the population served.

*{Population points are calculated according to the following formula: A system serving a population of 3,300 receives 50 points; whereas systems with a population between 3,300 and 10,000 receive a proportional amount of points via a linear decrease in points with a system serving a population of 10,000 receiving zero points. A linear decrease is also used for systems having a population between 3,300 and 1 with a population of 1 receiving zero points}*

4. **Project Factors:** Points will be awarded to projects that streamline operations, enhance water supply, or rehabilitate existing facilities.

#### **D. Disadvantaged Communities and Small Water Systems**

The State, through the 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 PWSs, which are defined as serving populations of 10,000 or less, based on the most recent U.S. Census (40 CFR 35.3525(a)(5) and 40 CFR 35.3525(b)). PWSs in communities with an MHI at or below 90% of the State's MHI are preliminarily deemed to be disadvantaged. This preliminary designation will receive further analysis should a PWS preliminarily deemed disadvantaged apply for a DWSRLF loan. The preliminary designation of disadvantaged community does not guarantee or imply that the PWS so designated will retain disadvantaged status after the NMFA has conducted its in-depth analysis described below.

##### ***Disadvantaged Community Loan Eligibility***

The NMFA is directed by the federal DWSRF Program (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. 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 that would result from the completion of a proposed project to the MHI of the PWS service area.

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

##### ***Assistance to Disadvantaged Communities***

The NMFA intends to provide subsidies to its DWSRLF borrowers. The NMFA uses the DWSRLF to provide low-interest loans and enhanced financing terms to disadvantaged communities. Disadvantaged communities are defined as communities with an MHI at 90% or less of the State's MHI and with a projected affordability ratio (after completion of the proposed project) greater than 0.010 and less than or equal to 0.015. Communities with a projected affordability ratio greater than 0.015 based on a financial analysis for a 20-year loan are considered severely disadvantaged. The interest rate on loans to disadvantaged communities will be 0% up to \$600,000, with a maximum loan repayment term of 20 years. Severely disadvantaged communities may receive loans exceeding \$600,000 financed at 0%; however, an

affordability ratio of 0.015 is the maximum affordability ratio that any community should bear. Therefore, in an attempt to bring the affordability ratio of a severely disadvantaged system down to 0.015 or less, the NMFA will provide, to the extent available and necessary, the following, in this order:

1. loan amortization extension to a maximum of 30 years; and/or
2. forgiveness of a portion of principal payments on the loan; and/or
3. assistance in obtaining grants from other sources.

If these reductions by the NMFA fail to bring the affordability ratio down to 0.015 or less, the project will be by-passed until sufficient additional funding can be secured. The NMFA may waive the goal to use 10% of DWSRLF funds to finance PWSs in disadvantaged communities if there is insufficient ready demand. The final determination of a community's disadvantaged status cannot be made until the NMFA is able to review the audited financial statements of the applicant. The NMFA, either directly or through its technical assistance contracts, works with PWSs on the Fundable Priority List to determine the suitability of the applicant for the DWSRLF funding and the loan interest rate to be offered. The NMFA will offer "additional subsidy" to disadvantaged and severely disadvantaged communities as described in Section I. of this IUP.

#### **E. Priority Lists**

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 D.

A Comprehensive Priority List of ranked projects is required in an IUP and is, according to the DWSRF rules, a "list of projects that are expected to receive assistance in the future." The DWB has interpreted this as a list of all submitted projects, whether each PWS meets the capacity requirements or not. The intent is to offer assistance via the set-aside activities to those PWSs that do not meet the capacity requirements for DWSRLF funding in the hope of increasing those PWSs' capacity to the point where they would qualify for the Fundable Priority List.

A Fundable Priority List is also required in an IUP which, according to the DWSRF rules, is a “list of projects that are expected to receive assistance from available funds designated for use in the current IUP.” A project must be on the Fundable Priority List in order to apply for a DWSRLF loan. The NMED has interpreted this as a list of submitted projects that satisfy a minimum set of capacity criteria. The capacity data are obtained from the capacity assessments. The capacity criteria are broken into technical, managerial, and financial capacity criteria. A PWS with a project that appears on the Fundable Priority List must pass a more detailed financial review by the NMFA and is expected to close on the DWSRLF loan within the fiscal year covered by this IUP.

A PWS with a project on the Comprehensive Priority List that does not make the Fundable Priority List is sent a letter with an explanation of its capacity deficiencies and an offer for direct assistance to improve the PWS’s capacity. As capacity assessments are completed, PWSs that appear to be minimally deficient are contacted at that time and asked to accept enough assistance to make them fundable.

#### ***F. Small System Funding***

The DWSRF rules state that “of the total amount available for assistance from the Fund each year, a State must make at least 15 percent available solely for providing loan assistance to small systems to the extent such funds can be obligated for eligible projects.” The State shall provide at a minimum 15% of available loan funds for small PWSs (defined as water systems serving populations of 10,000 or less) based on the most recent U.S. Census. Currently, the NMFA has provided 29% of the total value of its loans to PWSs with populations of 10,000 or less. The NMFA continuously markets to these communities at different statewide conferences held by organizations such as the New Mexico Municipal League or New Mexico Rural Water Association, or at the New Mexico Infrastructure Finance Conference. The NMFA is striving to meet the needs of small PWSs in the State and in SFY 2012 looks to provide 25% of all loans to these small PWSs.

#### **G. Emergency Conditions**

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 shall be identified in the Annual Report.

#### **H. By-pass 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 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 DWB or the NMFA, the higher priority project does not meet the criteria discussed below.

A PWS on the Fundable Priority List must be willing to undertake a loan and be ready to proceed during the state fiscal year covered by this IUP. After a PWS has been notified in writing by the NMFA of the PWS's eligibility for DWSRLF funding, the PWS has 60 calendar days to submit a complete application to the NMFA to follow through with DWSRLF funding. The PWS must expeditiously complete all required funding documentation and prepare to initiate construction. If the PWS does not expeditiously complete all required funding documentation and move toward construction or does not agree to undertake a loan, the PWS will be by-passed to allow other PWSs to take advantage of the DWSRLF.

#### **I. 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.

## **VI. REPORTING**

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 and agrees to follow the Federal Funding Accountability and Transparency Act requirements. The State agrees to comply with the revised reporting requirements contained in the Procedures for the FFY 2010 Appropriation (dated April 21, 2010). Information will be entered into PBR no less often than quarterly.

## **VII. ASSURANCES AND CERTIFICATIONS**

1. Instrumentality of the State – The State of New Mexico has authorized the DWSRLF through the New Mexico Drinking Water State Revolving Loan Fund Act. This legislation establishes the NMFA as the instrument of the State to manage the DWSRLF loan program. The State Attorney General certifies that the legislation grants the NMFA the power and authority necessary to implement and administer the DWSRLF program consistent with the SDWA and all applicable State and Federal regulations.
2. Establishment of the DWSRLF and Non-Project Accounts – The NMFA certifies that the DWSRLF account is a separate account, dedicated solely to providing loans and other forms of assistance for the construction of Section 1452 public water supply systems.
3. Payment Schedule – The NMFA will include in its annual DWSRLF Capitalization Grant Applications a proposed payment schedule supported by the IUP. The State agrees to accept Capitalization Grant payments in accordance with the negotiated payment schedule.
4. State Matching Funds – The NMFA agrees to deposit the 20% state match into the DWSRLF on the date of or before receiving payments under the Capitalization Grant.
5. Entering into Binding Commitments with Assistance Recipients – The NMFA agrees to enter into binding agreements with assistance recipients. Projected schedules for commitment of DWSRLF funds to specific projects shall be provided in the annual IUP.

6. Expeditious and Timely Expenditures – The State agrees to expend all funds in an expeditious and timely manner.
7. Enforceable Requirements of the Act – The NMFA agrees that all funds in the DWSRLF (i.e., DWSRLF grants funds, state match monies, and loan repayments) will be used for projects on the Priority List or allowable set-asides.
8. Applicable State Laws and Procedures – The NMFA agrees to commit or expend each quarterly grant payment in accordance with New Mexico Laws and procedures.
9. State Accounting and Auditing Procedures – The NMFA will arrange to have conducted an annual independent financial compliance audit of its DWSRLF program in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. The audit report will contain: an opinion on the financial statements 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 State fiscal year that is audited and will be submitted to EPA’s Office of Inspector General (OIG) within 30 days of its completion.
10. DWSRLF Assistance Recipient Accounting and Audit Procedures – The NMFA will require DWSRLF assistance recipients to maintain project accounts in accordance with Generally Accepted Accounting Principles (GAAP). This requirement will be implemented through a condition in the financial assistance agreement reached between the NMFA and DWSRLF assistance recipients.
11. Annual Report and Annual Audit – The State agrees to submit an Annual Report and Annual Audit to the EPA Region 6 on the actual use 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 Report and Audit covers the DWSRLF and all approved Set-Aside activities funded by the DWSRLF program.
12. Environmental Review – The NMFA agrees that binding commitments on DWSRLF projects will be made on those projects which will receive a portion of the loan funds made available from the Capitalization Grant. However, only after the NMFA has conducted an environmental review and a determination is made

using the EPA-approved State Environmental Review Process (SERP) will a binding commitment be converted into an assistance agreement.

13. Intended Use Plan – An annual IUP will be prepared in accordance with the Memorandum of Understanding Describing and Allocating Duties and Responsibilities Pursuant to the DWSRLF Act (MOU) and with provisions for public review and comment on the IUP. The annual IUP will be included with the annual Capitalization Grant application. This IUP shall include a list of projects proposed for assistance, long-term and short-term goals of the DWSRLF program, information on DWSRLF activities to be supported, criteria and methods for distributing DWSRLF funds, and assurances and specific proposals. The IUP and attached information will be provided in accordance with the SDWA.
14. Repayment to the Fund – The NMFA agrees that all principal and interest payments on loans, and returns on invested DWSRLF funds, will be credited directly to the DWSRLF.
15. Staff Technical Capability – The NMFA agrees to provide documentation demonstrating that it has adequate personnel and resources to establish, operate and manage the DWSRLF (e.g., current and future staffing plan, background/qualifications statements). The documentation will be admitted as part of the annual Capitalization Grant application package.
16. Recipient of Funds – The NMFA agrees that it and all recipients of DWSRLF funds will comply with applicable Federal law and regulations. The NMFA also agrees to inform EPA when consultation or coordination is necessary to resolve issues regarding compliance with those requirements.
17. Procedures to Assure Borrowers Have Dedicated Source of Repayment – The NMFA agrees that it will make a determination whether or not an applicant has the ability to repay a loan according to its terms and conditions, prior to making that loan. The NMFA will develop criteria to evaluate an applicant’s financial ability to repay the loan, in addition to paying for operation and maintenance costs, and other necessary expenses.
18. Capacity Development Authority – The State of New Mexico has the legal authority to ensure that all community and non-transient non-community water

systems demonstrate technical, managerial, and financial capacity. The NMFA will evaluate loan applicants regarding fiscal stability of the proposed water system, and will require changes necessary to assure adequate ability to provide proper operation.

19. Operator Certification – The state administers a mandatory Operator Certification Program for operators of community public water supply systems.
20. Review of Technical, Financial, and Managerial Capability of Assistance Recipients – The NMFA agrees to propose a method to review and reevaluate the technical, financial, and managerial capability of assistance recipients. The NMFA will submit this program element to EPA for review.
21. System to Minimize Risk of Waste, Fraud, Abuse and Corrective Action – The NMFA agrees to devise and institute measures which will alert its staff to project deficiencies as they emerge, and which will set forth NMFA actions to correct such deficiencies as quickly as possible so as to preclude the need for corrective action by the EPA. If the recipient of financial assistance from the NMFA’s DWSRLF funds exhibits evidence of waste, fraud, or abuse, the NMFA will impose sanctions on the recipient. Section VI.B.3 of the Interim Guidance – DWSRF outlines procedures and potential actions to be taken by EPA and the State in the event non-compliance has been determined.
22. Development and Submittal of a Project Priority Ranking System – The NMED will develop a Project Priority Ranking System to determine the annual Comprehensive Priority List and Fundable Priority List required as part of the IUP, and after public review and comment, the Fundable Priority List will be submitted as part of the Capitalization Grant application. The system will describe, in detail, the by-pass procedures which clearly identify the conditions which would allow a project to be by-passed and how the NMED will identify which projects would receive the by-pass funds.

## **VIII. ANTICIPATED CASH DRAW RATIO**

The anticipated cash draw ratio for the DWSRLF is 77.53% federal and 22.47% state.

# **APPENDIX A**

## **PUBLIC OUTREACH**

**Sample Postcard sent to all Public Water Systems in the State of New Mexico:**

**The NMED Drinking Water Bureau invites you to  
review and comment on the  
SFY 2012  
Drinking Water State Revolving Fund  
Draft Intended Use Plan**

The Safe Drinking Water Act 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 2012.

The draft IUP is available for comment on the DWB website at [www.nmenv.state.nm.us/dwb](http://www.nmenv.state.nm.us/dwb) or can be obtained by calling Rob Pine at (505) 476-8642.

Please submit comments by March 21, 2012 to  
Drinking Water Bureau 525 Camino de los Marquez, Suite 4  
Santa Fe, NM 87505 Attn: Rob Pine

## **APPENDIX B**

### **NEW MEXICO ENVIRONMENT DEPARTMENT MATCH FOR STATE PROGRAMS CATEGORY**

#### **NMED State Programs 1:1 Match Formula**

	<b>FY12</b>
<b><i>DWSRLF STATE PROGRAMS SET-ASIDE ELEMENT</i></b>	<b>Operating Budget</b>
	July 2011-June 2012
<b>State Programs Budget</b>	<b>\$1,357,300.00</b>

<b>State Match Funds</b>	<b>FY11</b>
	<b>Operating Budget</b>
	July 2011-June 2012
Corrective Action Fund	\$0
Water Conservation Fee Fund	\$3,153,800.00
<b>Available State Match-Current Year</b>	<b>\$1,357,300.00</b>
<b>Excess State Program Match</b>	<b>\$1,796,500.00</b>

## APPENDIX C

### SET-ASIDE FINANCIAL TABLES

#### ADMINISTRATION SET ASIDE (4%)

Awards with Allocations to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Anticipated for FFY 2011 Cap Grant	Specified Amount	Unspecified Amount	Amount Transferred to Loan Fund	Specified Expenditures through SFY 2011	Estimated Expenditures through SFY 2012	Estimated Ending Balance as of SFY2012
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	\$195,729	\$130,111	\$0
FFY 09	\$325,840		\$325,840	\$0	\$0	\$229,076	\$96,764	\$0
FFY 09 ARRA	\$780,000		\$780,000	\$0	\$219,049	\$535,523	\$25,428	\$0
FFY 10	\$542,920		\$542,920	\$0	\$0	\$0	\$400,000	\$142,920
FFY 11		\$370,720	\$370,720	\$0	\$0	\$0	\$0	\$370,720
<b>TOTALS</b>	<b>\$5,654,380</b>	<b>\$370,720</b>	<b>\$6,025,100</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,640,108</b>	<b>\$539,553</b>	<b>\$626,390</b>

**SMALL SYSTEMS TECHNICAL ASSISTANCE SET ASIDE (2%)**

<b>Awards with Allocations to Set-Aside</b>	<b>Total Set-Aside Allocated</b>	<b>Total Set-Aside Anticipated for 2011 Cap Grant</b>	<b>Specified Amount</b>	<b>Unspecified Amount</b>	<b>Amount Transferred to Loan Fund</b>	<b>Specified Expenditures through SFY 2011</b>	<b>Estimated Expenditures through SFY 2012</b>	<b>Estimated Ending Balance as of SFY 2012</b>
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	\$2,105	\$160,815	\$0
FFY 09 ARRA	\$390,000		\$390,000	\$0	\$0	\$324,866	\$65,134	\$0
FFY 10	\$271,460		\$271,460	\$0	\$0	\$0	\$0	\$271,460
FFY 11		\$188,360	\$188,360	\$0	\$0	\$0	\$0	\$188,360
<b>TOTALS</b>	<b>\$2,827,190</b>	<b>\$188,360</b>	<b>\$3,015,550</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,329,781</b>	<b>\$225,949</b>	<b>\$459,820</b>

**STATE PROGRAM MANAGEMENT SET-ASIDE (10%)**

<b>Awards with Allocations to Set-Aside</b>	<b>Total Set-Aside Allocated</b>	<b>Total Set-Aside Anticipated for 2011 Cap Grant</b>	<b>Specified Amount</b>	<b>Unspecified Amount</b>	<b>Amount Transferred to Loan Fund</b>	<b>Specified Expenditures through SFY 2011</b>	<b>Estimated Expenditures through SFY 2012</b>	<b>Estimated Ending Balance as of SFY 2012</b>
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	\$161,860	\$652,740	\$0
	\$1,950,000		\$1,950,000	\$0	\$0	1,943,537	6,463	\$0
FFY 10	<b>\$1,357,300</b>		\$1,357,300	\$0	\$0	\$0	\$363,500	\$993,800
FFY 11		\$941,800	\$941,800	\$0	\$0	\$0	0	941,800??
<b>TOTALS</b>	<b>\$14,135,950</b>	<b>\$ 941,800</b>	<b>\$ 15,077,750</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,119,397</b>	<b>\$1,022,703</b>	<b>\$ 1,935,600</b>

**CAPACITY DEVELOPMENT SUB-ELEMENT SET-ASIDE (10%)**

<b>Awards with Allocations to Set-Aside</b>	<b>Total Set-Aside Allocated</b>	<b>Total Set-Aside Expected for 2011 Cap Grant</b>	<b>Specified Amount</b>	<b>Unspecified Amount</b>	<b>Amount Transferred to Loan Fund</b>	<b>Specified Expenditures through SFY 2011</b>	<b>Estimated Expenditures through SFY 2012</b>	<b>Estimated Ending Balance as of SFY 2012</b>
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	\$493,372		\$0
FFY 08	\$814,600		\$814,600	\$0	\$0	\$4668,262	\$146,338	\$0
FFY 09	\$814,600		\$814,600	\$0	\$0	\$0	\$810,620	\$3,980
FFY 09 ARRA	\$0		\$0	\$0	\$0	\$0	\$0	\$0
FFY 10	<b>\$1,357,300</b>		\$1,357,300	\$0	\$0	\$0	\$0	\$1,357,300
FFY 11		\$941,800	\$941,800	\$0	\$0	\$0	0	941,800
<b>TOTALS</b>	<b>\$11224494</b>	<b>\$941,800</b>	<b>\$12,166,294</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,576,728</b>	<b>\$956,958</b>	<b>\$2,303,080</b>

**WELLHEAD PROTECTION SUB –ELEMENT SET-ASIDE (5%)**

<b>Awards Allocated to Set-Aside</b>	<b>Total Set-Aside Allocated</b>	<b>Total Set-Aside Expected for 2011Cap Grant</b>	<b>Specified Amount</b>	<b>Unspecified Amount</b>	<b>Unspecified Amount Transferred to Loan Fund</b>	<b>Specified Expenditures thru SFY 2011</b>	<b>Estimated Expenditures thru SFY 2012</b>	<b>Ending Balance</b>
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	\$0	\$41,055	\$150,000	\$216,245
FFY 09	\$407,300		\$407,300	\$0	\$0	\$0	\$0	\$407,300
FFY 09 ARRA								
FFY 10	\$678,650		\$678,650	\$0	\$0	\$0	\$0	\$678,650
FFY 11		\$470,900	470,900	0	0	0	0	470,900
<b>TOTALS</b>	<b>\$7,054,431</b>	<b>\$470,900</b>	<b>\$7,525,331</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,602,236</b>	<b>\$150,000</b>	<b>\$1,773,095</b>

# **APPENDIX D**

## **RANKING SYSTEM FOR DWSRLF PROJECTS**

ASSIGNMENTS OF PRIORITY POINTS: All eligible projects submitted by eligible public water systems will be ranked by the number of points received. The water system with the most points received will be assigned the highest priority ranking. In the event of tied scores, the smaller water system will be ranked higher than a larger water system, based on the population served. The point system is described below.

### **Public Health Threat**

- ***Inadequate Water Supply*** - 60 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.

### **Safe Drinking Water Act Compliance**

- ***Acute/Chronic Risk Contaminants*** - 130 points will be assigned if the system is in violation of a maximum contaminant level (MCL) or acute treatment technique requirements, and if the proposed project will address the violations.
- ***Treatment Technique Requirement*** - 60 points will be assigned if there have been at least 3 violations of non-acute treatment technique requirements within the past calendar year, and if the proposed project will address these violations.
- ***Ground Water Under the Direct Influence of Surface Water (GWUDI)*** - 80 points will be assigned to PWSs that have received a formal GWUDI determination if the proposed project will address the GWUDI problem.

### **Affordability**

- Only community water system (CWS) projects will be assigned points under this section. The statewide annual median household income (MHI) must be determined from income data from the latest U.S. census. The MHI for a CWS will use the appropriate political subdivision(s) encompassing its service area. A maximum of 60 points will be assigned to a project from a CWS with an MHI below the state MHI. Up to 5% below MHI = 20 points; up to 10% below MHI = 40 points; and greater than 10% below MHI = 60 points.

## **Water System Regionalization/Consolidation**

- ***Emergency Source*** - 50 points will be assigned to a project that addresses a need for an emergency source through interconnection with another public water system.
- ***Regionalization Activities*** - 50 points will be assigned to a project that is part of a regionalization effort among two or more PWSs that results in the consolidation of the PWSs.

## **Water Conservation and Energy Efficiency**

- ***Water Conservation*** – A maximum of 90 points will be assigned if project results in significant water conservation. Points will be assigned by multiplying the estimated percentage of construction costs for water conservation elements and the maximum allowable points.
- ***Energy Efficiency*** – A maximum of 90 points will be assigned for a project that implements renewable energy or energy conservation to reduce the amount of energy consumed on the grid to produce, treat and deliver water. Points will be assigned by multiplying the estimated percentage of construction costs for energy efficiency elements and the maximum allowable points.
- ***Green Infrastructure*** – A maximum of 90 points will be assigned for a project that use green infrastructure to produce, treat and/or deliver water. Points will be assigned by multiplying the estimated percentage of construction costs for green infrastructure elements and the maximum allowable points.
- ***Environmentally Innovative*** – A maximum of 90 points will be assigned for a project that uses environmentally innovative concepts to produce, treat and/or deliver water. Points will be assigned by multiplying the estimated percentage of construction costs for environmentally innovative elements and the maximum allowable points.

## **Population**

- Based on Drinking Water Bureau inventory, CWSs up to 10,000 in population will be awarded up to 50 points. Systems with population of 3,300 will be awarded 50 points. The number of points decreases 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.

## **Project Factors**

- Metering an unmetered system will receive 50 points.
- Projects that streamline or improve operations (radio read meters, looping, SCADA, additional valves, etc.) will receive 50 points.
- Projects that enhance water supply (supplemental well drilled, additional water storage, treatment to reduce secondary contaminants, etc.) will receive 30 points.
- Projects that upgrade or add new treatment for microbiological contamination (UV, flush hydrants, chlorination, improve tank turnover) will receive 50 points.
- Projects that address water pressure problems will receive 30 points.
- Projects that replace or rehabilitate failing or inadequate infrastructure (for reasons other than water loss) will receive 50 points.
- Projects that extend water service to existing homes not currently served by a centralized water system will receive 30 points.

## **Readiness To Proceed**

- Based upon information provided on Project Interest Forms, projects indicating that planning and environmental is complete receive 100 points; projects eligible for a categorical exclusion receive 50 points.

**Maximum Possible Points is 1,110.**

# APPENDIX E

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 1

**PWS Name/Number:** **Tucumcari, NM3528020**

**Population:** 6,000

**Disadvantaged?** Yes

**Cost Estimate:** \$1,579,000

**Green (Percent of Project):** 44%

**Green (Cat/Business Case):** Categorically Green

**Environmental SERP Status:** To be determined by NMFA

**Sustainability Policy:** Fix It First

**Terms / Closing Date:** To be determined by NMFA

**Project Description:** Replace deteriorating 70-year-old 220,000-gallon storage tank with a 409,000-gallon storage tank, which will allow the city to blend water and meet uranium MCL; replace existing manual-read meters, most of which are more than 20 years old, with fixed- base Automated Meter Reading (AMR) system that will enable leak detection. The portion of the AMR project other than the meters qualifies as green.

**Project Priority:** 2

**PWS Name/Number:** **Eagle Nest, NM3531804**

**Population:** 450

**Disadvantaged?** Yes

**Cost Estimate:** \$325,000

**Green (Percent of Project):** 85%

**Green (Cat/Business Case):** Categorically Green

**Environmental SERP Status:** To be determined by NMFA

**Sustainability Policy:** Fix It First

**Terms / Closing Date:** To be determined by NMFA

**Project Description:** Installation of an Automated Meter System to replace the current manual system which ranges from 25-40 years old. The system will be a drive-by/walk-by system manufactured by Orion. The portion other than the meters qualifies as green.

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 3  
**PWS Name/Number:** Santa Rosa, NM3515010  
**Population:** 2,500  
**Disadvantaged?** Yes  
**Cost Estimate:** \$1,250,000  
**Green (Percent of Project):** 35%  
**Green (Cat/Business Case):** Categorically Green  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** Fix It First  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Upgrade the current SCADA system. The SCADA upgrade will allow for monitoring of flow at strategic locations throughout the system. Replace 950 manual-read meters, which are over 20 years old, with a fixed-base Automated Meter Reading (AMR) system. The SCADA and AMR projects will allow for real-time leak detection. The portion of the AMR project other than the meters qualifies as green.

**Project Priority:** 4  
**PWS Name/Number:** Bayard Municipal Water System, NM3522109  
**Population:** 2,591  
**Disadvantaged?** Yes  
**Cost Estimate:** \$200,000  
**Green (Percent of Project):** 60%  
**Green (Cat/Business Case):** Categorically Green  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** Fix It First  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Replace existing meters, most of which are 20-30 years old, with a fixed base Automated Meter Reading system. The portion of the project other than the meters qualifies as green.

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 5  
**PWS Name/Number:** Anthony Water & Sanitation District, NM3511207  
**Population:** 7,125  
**Disadvantaged?** Yes  
**Cost Estimate:** \$850,000  
**Green (Percent of Project):** 5%  
**Green (Cat/Business Case):** Categorically Green  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** Fix It First  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Replace 3,063 meters with drive-by/walk-by Automated Meter Reading system. The current meters are a combination of manual-read and touch-read meters and are all more than 10 years old. The portion of the project other than the meters qualifies as green.

**Project Priority:** 6  
**PWS Name/Number:** Lordsburg, NM3522812  
**Population:** 3,100  
**Disadvantaged?** Yes  
**Cost Estimate:** \$750,000  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** Fix It First  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Replace 3,690 feet of water pipe along South Animas Street. Replace 3,600 feet of distribution along Maple, Copper, and Lead Streets. These aging and unreliable sections of distribution have experienced numerous leaks recently causing frequent water outages and considerable expense.

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 7  
**PWS Name/Number:** Southside Water Users Association, NM3509924  
**Population:** 1,428  
**Disadvantaged?** No  
**Cost Estimate:** \$790,000  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** N/A  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Install Ultra-Filtration (UF) treatment on the system's water supply well in response to a recent GWUDI designation. The UF system will allow the system to be in compliance with SDWA surface water treatment rules.

**Project Priority:** 8  
**PWS Name/Number:** Lower Rio Grande Public Works Authority, NM3502407  
**Population:** 9,487  
**Disadvantaged?** Yes  
**Cost Estimate:** \$595,000  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** Fix It First  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Replacement of manual-read meters, most of which are more than 20 years old, with drive-by/walk-by Automated Meter Reading system. The conversion has already begun, but this funding would allow for the replacement of the remaining 3,400 meters.

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 9  
**PWS Name/Number:** Las Vegas, NM3518025  
**Population:** 19,000  
**Disadvantaged?** Yes  
**Cost Estimate:** \$1,100,000  
**Green (Percent of Project):** 4%  
**Green (Cat/Business Case):** Categorically Green  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** Fix It First  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Replace 6,863 manual-read meters, the majority of which are over 10 years old, with drive-by/walk-by Automated Meter Reading system. The portion of the project other than the meters qualify as green.

**Project Priority:** 10  
**PWS Name/Number:** Socorro, City of, NM3523728  
**Population:** 9,800  
**Disadvantaged?** Yes  
**Cost Estimate:** \$284,000  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** Fix It First  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Replacement of remaining 2,996 manual-read meters, the majority of which are 5–10 years old, with drive-by/walk-by Automated Meter Reading system. Meter conversion project was begun 5 years ago. 23% of manual meters have already been replaced.

## SFY 2012 FUNDABLE PRIORITY LIST

<b>Project Priority:</b>	<b>11</b>
<b>PWS Name/Number:</b>	<b>Santa Fe, City of, NM3505126</b>
<b>Population:</b>	70,001
<b>Disadvantaged?</b>	No
<b>Cost Estimate:</b>	\$5,000,000
<b>Green (Percent of Project):</b>	100%
<b>Green (Cat/Business Case):</b>	Categorically Green
<b>Environmental SERP Status:</b>	To be determined by NMFA
<b>Sustainability Policy:</b>	N/A
<b>Terms / Closing Date:</b>	To be determined by NMFA
<b>Project Description:</b>	Installation of 1 MW photovoltaic power facility for Buckman Direct Diversion Project. There currently exists 1 MW of photovoltaic power generation at this facility. Doubling the size of the solar power generation facility would enable the system to use renewable energy to meet two thirds of the water treatment plant energy demand.
<b>Project Priority:</b>	<b>12</b>
<b>PWS Name/Number:</b>	<b>Bloomfield Water Supply System, NM3510124</b>
<b>Population:</b>	6,725
<b>Disadvantaged?</b>	No
<b>Cost Estimate:</b>	\$1,327,000
<b>Green (Percent of Project):</b>	13%
<b>Green (Cat/Business Case):</b>	Categorically Green
<b>Environmental SERP Status:</b>	To be determined by NMFA
<b>Sustainability Policy:</b>	Fix It First
<b>Terms / Closing Date:</b>	To be determined by NMFA
<b>Project Description:</b>	Replace all manual-read meters, which are 15-20 years old, with a fixed-base Advanced Meter Reading system including metering, telemetry, and advanced water-management software. The system will allow real-time reading of all meters.

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 13  
**PWS Name/Number:** Village of Angel Fire, NM3531904  
**Population:** 6,000  
**Disadvantaged?** No  
**Cost Estimate:** \$239,500  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** N/A  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Reconstruct 0.6 mile of distribution which is currently susceptible to freezing.

**Project Priority:** 14  
**PWS Name/Number:** Magdalena, Village of, NM3523528  
**Population:** 1,005  
**Disadvantaged?** Yes  
**Cost Estimate:** \$50,900  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** N/A  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** New SCADA system to replace system's current non-functional system.

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 15  
**PWS Name/Number:** Bosque Farms Water Supply, NM3510732  
**Population:** 4,000  
**Disadvantaged?** No  
**Cost Estimate:** \$800,000  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** N/A  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Upgrade Well #2 with variable frequency drives; upgrade pumps and motors; install a new DC and all related electronics; install a SCADA system. All projects will assist Bosque Farms to extend service to existing residents in the newly incorporated Village of Peralta who have water quality problems due to septic system usage.

**Project Priority:** 16  
**PWS Name/Number:** Tijeras, Village of, NM3500601  
**Population:** 1,200  
**Disadvantaged?** No  
**Cost Estimate:** \$1,300,000  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** N/A  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Phase III of project to expand service area to existing Village residents currently not served by the water system. Project includes booster pump station and water distribution lines.

## SFY 2012 FUNDABLE PRIORITY LIST

<b>Project Priority:</b>	<b>17</b>
<b>PWS Name/Number:</b>	<b>Eldorado WSD, NM3537326</b>
<b>Population:</b>	8,114
<b>Disadvantaged?</b>	No
<b>Cost Estimate:</b>	\$1,000,000
<b>Green (Percent of Project):</b>	0%
<b>Green (Cat/Business Case):</b>	N/A
<b>Environmental SERP Status:</b>	To be determined by NMFA
<b>Sustainability Policy:</b>	Fix It First
<b>Terms / Closing Date:</b>	To be determined by NMFA
<b>Project Description:</b>	Replacement of 864 manual-read meters, which are more than 15 years old, with Automated Meter Reading smart-meter system (AMR infrastructure is already in place so project does not qualify for the Green Project Reserve); update outdated SCADA software and add a backup computer and critical standby components for the communication system; install and interconnect water line and a booster station between water storage tanks; install a modular building to serve as administrative offices and as operations/field offices.
<b>Project Priority:</b>	<b>18</b>
<b>PWS Name/Number:</b>	<b>Thoreau W&amp;SD, NM3508817</b>
<b>Population:</b>	1,400
<b>Disadvantaged?</b>	Yes
<b>Cost Estimate:</b>	\$800,000
<b>Green (Percent of Project):</b>	0%
<b>Green (Cat/Business Case):</b>	N/A
<b>Environmental SERP Status:</b>	To be determined by NMFA
<b>Sustainability Policy:</b>	N/A
<b>Terms / Closing Date:</b>	To be determined by NMFA
<b>Project Description:</b>	Replacement well and new pump house.

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 19  
**PWS Name/Number:** Farmington, NM3510224  
**Population:** 41,001  
**Disadvantaged?** No  
**Cost Estimate:** \$5,900,000  
**Green (Percent of Project):** 2%  
**Green (Cat/Business Case):** Categorically Green  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** Fix It First  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Replace 13,871 manual-read meters that are over 15 years old with drive-by/walk-by Automated Meter Reading system. The software portion of the project qualifies as green.

**Project Priority:** 20  
**PWS Name/Number:** Alto Lakes WSD, NM3558514  
**Population:** 2,000  
**Disadvantaged?** No  
**Cost Estimate:** \$1,000,000  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case)** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** N/A  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Phase II of water treatment project to reduce TDS and hardness by installation of an RO system and brine disposal facility. It is estimated that 220 tons of salt are used in household softeners which currently go into septic systems as a result of the hardness of the water.

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 21  
**PWS Name/Number:** Santa Fe, City of, NM3505126  
**Population:** 70,001  
**Disadvantaged?** No  
**Cost Estimate:** \$65,000  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** Fix It First  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Upgrade the Utility's SCADA system to accommodate remote control and monitoring of the hydroelectric system which was an ARRA-funded green project.

**Project Priority:** 22  
**PWS Name/Number:** Albuquerque-Bernalillo County Water Utility Authority, NM3510701  
**Population:** 453,000  
**Disadvantaged?** No  
**Cost Estimate:** \$2,000,000  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** N/A  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Complete Phases 2 and 3 of the extension of the ABCWUA water system to the community of Carnuel. The residents of Carnuel have utilized domestic wells drawing water from a nitrate-contaminated aquifer.

## SFY 2012 FUNDABLE PRIORITY LIST

<b>Project Priority:</b>	<b>23</b>
<b>PWS Name/Number:</b>	<b>Alto Lakes WSD, NM3558514</b>
<b>Population:</b>	2,000
<b>Disadvantaged?</b>	No
<b>Cost Estimate:</b>	\$400,000
<b>Green (Percent of Project):</b>	0%
<b>Green (Cat/Business Case):</b>	N/A
<b>Environmental SERP Status:</b>	To be determined by NMFA
<b>Sustainability Policy:</b>	Fix It First
<b>Terms / Closing Date:</b>	To be determined by NMFA
<b>Project Description:</b>	Replace old 150,000-gallon water storage tank with new 300,000-gallon welded steel tank. The old tank is in poor condition and by replacing the tank, the system could add needed storage capacity.
<b>Project Priority:</b>	<b>24</b>
<b>PWS Name/Number:</b>	<b>Hagerman Water System, NM3519903</b>
<b>Population:</b>	1,150
<b>Disadvantaged?</b>	Yes
<b>Cost Estimate:</b>	\$350,000
<b>Green (Percent of Project):</b>	0%
<b>Green (Cat/Business Case):</b>	N/A
<b>Environmental SERP Status:</b>	To be determined by NMFA
<b>Sustainability Policy:</b>	N/A
<b>Terms / Closing Date:</b>	To be determined by NMFA
<b>Project Description:</b>	Design, construction, purchase, and installation of a water storage tank and pressure pump for Greenfield well. The project is entirely for meters and so does not qualify for the Green Project Reserve.

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 25  
**PWS Name/Number:** Magdalena, Village of, NM3523528  
**Population:** 1,005  
**Disadvantaged?** Yes  
**Cost Estimate:** \$205,400  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** N/A  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** New well to supplement the system's single well.

**Project Priority:** 26  
**PWS Name/Number:** Truth or Consequences, NM3514327  
**Population:** 8,520  
**Disadvantaged?** Yes  
**Cost Estimate:** \$805,500  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** N/A  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Redesign and rebuild network of pipes and pumps to deliver re-use effluent to municipal golf course and Hot Springs Middle School fields.

## SFY 2012 FUNDABLE PRIORITY LIST

**Project Priority:** 27  
**PWS Name/Number:** Roswell, NM3520203  
**Population:** 49,000  
**Disadvantaged?** No  
**Cost Estimate:** \$1,300,000  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** Fix It First  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Rehabilitate 3,675 feet of 42-inch and 36-inch concrete water line dating from 1967 by slip-lining. The old water line was experiencing so many ruptures that it was taken off line.

**Project Priority:** 28  
**PWS Name/Number:** Fambrough MDWCA, NM3510403  
**Population:** 450  
**Disadvantaged?** Yes  
**Cost Estimate:** \$265,720  
**Green (Percent of Project):** 0%  
**Green (Cat/Business Case):** N/A  
**Environmental SERP Status:** To be determined by NMFA  
**Sustainability Policy:** N/A  
**Terms / Closing Date:** To be determined by NMFA  
**Project Description:** Loop water system; replace old, undersized lines and valves; and add additional hydrants.

## SFY 2012 FUNDABLE PRIORITY LIST

<b>Project Priority:</b>	<b>29</b>
<b>PWS Name/Number:</b>	<b>Silver City Water System, NM3522609</b>
<b>Population:</b>	18,390
<b>Disadvantaged?</b>	Yes
<b>Cost Estimate:</b>	\$581,000
<b>Green (Percent of Project):</b>	0%
<b>Green (Cat/Business Case):</b>	N/A
<b>Environmental SERP Status:</b>	To be determined by NMFA
<b>Sustainability Policy:</b>	N/A
<b>Terms / Closing Date:</b>	To be determined by NMFA
<b>Project Description:</b>	New 1 million gallon storage tank.
<b>Total Cost:</b>	<b>\$31,113,020</b>
<b>Total Project Count:</b>	<b>29</b>