



STATE OF NEW MEXICO
DRINKING WATER STATE REVOLVING FUND
STATE FISCAL YEAR 2015

(July 1, 2014 – June 30, 2015)

INTENDED USE PLAN

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

May 23, 2014

Updated July 9, 2014



New Mexico Drinking Water State Revolving Loan Fund SFY 2015 Intended Use Plan

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EXECUTIVE SUMMARY

Section 40 CFR 35.3555 requires each state to prepare annually an Intended Use Plan (IUP) that describes to the public how it intends to use the federal funds to support the overall goals of the Safe Drinking Water Act (SDWA), including short and long-term goals of the programs funded by the Capitalization Grants. The federal guidelines also require that each state seek meaningful public review and comment during the development of the IUP. Following public comment, the IUP is submitted to the Environmental Protection Agency (EPA) for its approval.

On May 23, 2014, the State made the IUP available for public review and on June 5, 2014, published notice in the *Santa Fe New Mexican* and the *Albuquerque Journal* that the IUP for SFY 2015 was available for public review and comment. The State requested comments be provided by June 27, 2014. No comments were received. The State now seeks additional public review and comment on updates to the IUP to allow the State to provide up to 30% of the Federal Fiscal Year (FFY) 2013 Capitalization Grant in the form of subsidy. The State had previously indicated that it would provide the minimum requirement of 20% of the Capitalization Grant as subsidy.

In State Fiscal Year (SFY) 2015, the New Mexico Environment Department Drinking Water Bureau (DWB) and the New Mexico Finance Authority (NMFA) will continue to build upon the past accomplishments of the New Mexico Drinking Water State Revolving Loan Fund (DWSRLF). This SFY 2015 IUP provides information that outlines the DWSRLF and other Capitalization Grant Funded activities planned and intended to occur in SFY 2015.

To help systems in need of funding, the State began offering in SFY 2013 greater opportunities to access the DWSRLF by utilizing a quarterly Priority List System ranking projects which will continue in SFY 2015. Projects that wish to be considered must submit their project interest forms three months in advance of the quarterly priority list publishing. Additionally, the DWB will maintain a multi-year Comprehensive List that provides a comprehensive listing of the projects in need of DWSRLF assistance.

In SFY 2015, the DWB will continue to focus on implementing the public health aspects of the Safe Drinking Water Act (SDWA) and providing capacity assistance to those communities in need and the NMFA will continue to ensure that funds move expeditiously and responsibly. For SFY 15, the DWB will be adding a more formal assessment of project technical documents to more accurately estimate readiness for construction and guide systems that are not ready into funding to complete planning. The NMFA and DWB work closely together to identify assistance needs to ensure communities are provided safe, clean drinking water into the future.



I. INTRODUCTION

A. New Mexico Drinking Water State Revolving Loan Fund

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

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

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

Each State Fiscal Year (SFY) New Mexico prepares an IUP to describe how it plans to use the DWSRF to meet the objectives of the SDWA and the NM DWSRLF Act. This IUP is the central component of the state's FFY 2014 Capitalization Grant application to EPA and communicates the plans to stakeholders and covers the time period of July 1, 2014 through June 30, 2015¹. This document describes the short and long term goals of the program, the priority setting process used to rank projects along with the list of projects eligible to receive funding, and describes how the state will use the set-asides to support the program.

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



To date, the State has received approximately \$163.6 million in Capitalization Grants and has provided the 20% State Match totaling approximately \$29.7 million. To date, all State Matches plus 69% of each Federal Capitalization Grant, now totaling approximately \$144.4 million, have been directed to the DWSRLF. To date, the NMFA has entered into loan agreements for approximately \$150.8 million with approximately \$43 million (28.5%) loaned to small PWSs that serve a population of 10,000 or fewer and \$37 million (24.8%) has served disadvantaged PWSs. Overall, the DWSRLF and associated Set-Asides are vital to the goal of providing safe drinking water to all citizens of the State.

B. What's New This State Fiscal Year?

In SFY 2015, the Environmental Protection Agency (EPA) has provided two goals related to the drawing down of the Federal Capitalization Funds. The first goal is all legacy grants- defined as any grant awarded before FFY 14 Capitalization Grant- be expended by Sept. 30, 2016. The second goal is to expend all funds from Capitalization Grants in two years starting with the FFY 14 grant allocation.

To accomplish the first goal the NMFA is refocusing staff on working to provide focused customer service to the 25 active loans to ensure prompt requisitions and fast approval times. The total outstanding balance of active projects exceeds the balance of legacy grants by more than \$6 million. With an additional \$7 million expected to close in the next few months, NM is confident in meeting the EPA legacy goal. Any new entity taking on a loan should expect to provide a requisition for repayment at least every three months. For the second goal of expending all new capitalization grants within two years, New Mexico will continue to accept applications year round and prioritize every quarter. Additionally, the Fundable Priority list will have a focus on construction ready projects.

DWB plans to increase the required expenditure rate to two years through increases in contract work with third party assistance agencies. The DWB will implement streamlined procedures to identify and track assistance needs to provide targeted capacity assistance to those PWSs out of compliance and trying to participate in the DWSRF program. The DWB will also focus on promoting the funding of projects that are ready to proceed to construction by offering those who are not ready for construction assistance in funding for planning and design as a separate phase of the project. DWB will work with systems by screening their ability to afford the loan amount requested and offer assistance in recommending project phasing or raising rates to meet project funding objectives.

The NMFA and DWB are committed to ensuring that all Capitalization and State loan funds will be allocated, entities will receive binding commitments, and begin drawing down on the loan funds in a timely manner, thus eliminating unliquidated obligation balance from previous years. NM will continue to utilize a quarterly Fundable Priority List process to allocate the FFY 2014 Capitalization Grant of \$8,845,000 in SFY 2015, award pending.



B.1 New to This Updated IUP.

The State is updating the IUP to allow the state to use the maximum allowed amount of subsidy required from the FFY 13 Capitalization Grant for projects on the current Fundable Priority List. New Mexico originally stated it would utilize the minimum amount of 20%, this State would now like to utilize up to the maximum 30%. The updates to the IUP can be found in section IV part C.

II. STRUCTURE OF NEW MEXICO'S DWSRLF

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

A. Funding of Capital Planning, Design and Construction Projects

The NMFA has established low interest rates for the DWSRLF program to promote a low-cost viable source of funding to address drinking water projects in the State. The NMFA will use the FFY 2013 and 2014 Capitalization Grants and repaid principal and interest payment ("Tier II" revolving funds) to assist in the planning, design and construction of projects. The NMFA will provide loans with interest rates ranging from 0% to 4%, depending on a PWS's ownership and Median Household Income. If a PWS is publicly owned, then it is eligible to receive a DWSRLF loan at 0% or 2%. To the extent possible, the NMFA will use subsidy available through the Capitalization Grant to help entities that are disadvantaged or severely disadvantaged that could not otherwise afford DWSRLF loans and to provide incentive to undertake projects that meet other priority EPA goals.

B. Set-Asides

The set-asides will be used to provide additional support for NM's core drinking water programs that include PWS Supervision, Community Services, Technical Services and Source Water and Wellhead Protection, and for activities to assist PWSs in developing sustainable practices for the future. The set-asides help PWSs build capacity to assist in achieving and/or maintaining compliance with the SDWA and state regulations and to manage water systems with the ability to deal with unexpected emergencies and to plan for future development. Additional details are provided in Section IV of this IUP; but a summary of how NM intends to use each set-aside is as follows:

- **Administration** set-aside will be used to support the state operation and management of NM's DWSRLF.
- **Small Systems Technical Assistance** set-aside will be used to assist small systems serving fewer than 10,000 people, primarily those that require assistance in returning to compliance with regulations.



- **State Program Management** set-aside will be used to support the Public Water System Supervision (PWSS) program, administrative requirements, and the training of certified operators in NM.
- **Local Assistance and Other State Programs** set-aside will be used to provide assistance directly to PWSs for technical, managerial and financial capacity development, surface water treatment plant optimization, emergency response planning, and source water protection activities.

The DWSRF program allows for the reservation or banking of set-asides except for the Local Assistance and Other State Programs category. Although NM does have high unliquidated obligations, they are primarily in the Local Assistance and Other State Programs category, which cannot be reserved for future use.

III. GOALS OF NEW MEXICO'S DWSRLF PROGRAM

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

A. DWB Set-Aside Public Health/Environmental Results Goals

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

B. DWB Long Term Goals:

1. The DWB will regulate and assist PWSs in NM to provide safe, clean, affordable drinking water to the citizens and visitors of NM.
2. The DWB will support PWSs using the set-aside funds to maximize SDWA compliance, promote public health protection, affordable drinking water, PWSs' sustainability, and PWSs' capacity with a focus on PWSs serving populations of 10,000 or fewer and particular emphasis on those serving 3,300 or fewer.
3. The DWB will provide training and direct assistance to community and non-transient non-community PWSs, as resources allow, through contractors (if applicable) and internal staff to increase technical, managerial, and financial (TMF) capacity, planning to protect quantity and quality of source water, assistance to meet funding requirements



for capital improvements, and ensure that operator/board training and assistance services are designed to target small PWSs serving populations of 10,000 or fewer.

4. The DWB will promote protection of public health by providing to PWS operators technical training, education, and professional technical resources, with an emphasis on assisting small PWSs serving a population of 10,000 or fewer, to assist PWSs in achieving and maintaining long-term sustainable operations and SDWA compliance.
5. The DWB will provide assistance to small community PWSs that lack the managerial capability to operate and maintain the system in a cost-effective manner and in accordance with regulations, including encouraging consolidation and/or regionalization.
6. The DWB and its partners will work with community PWSs throughout the State to encourage and assist systems to have a rate structure in place to support normal operation and maintenance, emergency replacements and planned infrastructure replacement costs. The financial capacity assistance for PWSs will assist with the review and implementation of sustainable rates, asset management and encourage long-term planning.
7. The DWB will collaborate with organizations, agencies, and individuals to develop sustainable supplies of healthy drinking water for the PWSs of the State through Source Water and Wellhead Protection Program (SWWPP) planning activities.
8. The DWB will collaborate with other agencies and assist PWSs in need of funding for infrastructure improvements with funding requirements, building the capacity to manage the new infrastructure project, becoming ready to proceed to construction, and gaining the debt capacity to be fundable for a project.
9. The DWB will annually review the DWSRLF priority ranking criteria to reflect current public health priorities in NM and measures used for the establishment of the Fundable Priority List and Comprehensive Priority List.

C. DWB Short Term Goals

1. The DWB will provide targeted assistance through the Capacity Development Program to community and non-transient non-community PWSs that are on the DWSRLF Comprehensive Priority List but are unable to qualify for the Fundable Priority List because of capacity deficiencies.
2. The DWB will provide funding application assistance for planning to PWSs with necessary projects that are not ready for construction within 6 months because a lack of planning documentation.
3. The DWB will also look to encourage the coordination of funding packages with some combination of principle forgiveness or state grant program and DWSRLF for disadvantaged communities that are out of compliance and do not have the debt capacity to qualify for a DWSRF loan. DWB funding partners are currently primarily



DWSRLF and Clean Water State Revolving Loan Fund (CWSRLF), but DWB would like to partner with state funding agencies as well to assist water systems in identifying their most cost effective infrastructure financing solutions, especially when financial capacity is adequate, but debt capacity is a limiting factor for disadvantaged communities to receive funding.

4. The DWB will provide outreach on the assistance programs offered by DWB in conjunction with its assistance partner agencies as well as outreach on funding partners' application and eligible project opportunities. Outreach will be conducted through presentations at conferences and regional outreach events, website updates and maintenance, and direct outreach with list serve emails, direct mailings, and personal phone calls.
5. The DWB will examine the hiring process to identify any improvements that can be made to reduce the amount of time DWB positions remain vacant.
6. The DWB will develop, update and maintain standard operating procedures that address programmatic changes that occurred in SFY 2014.
7. The DWB will submit reimbursement invoices within 30 calendar days following the end of each quarter.

D. DWB/NMFA Collaborative Long Term Goals

1. The NMFA and DWB will complete 100% of all reports on time and accurately, in accordance with EPA timeline, to maintain complete administrative functions to sustain the DWSRLF.

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

The NMFA will report on the following: Federal Funding Accountability and Transparency Act (Sub award reporting system "FFATA"), projects & benefits reporting (PBR), fund utilization rate (FUR), Single Audit Report, Federal Financial Reports, Drinking Water National Information Management System (DWNIMS) and Minority Business Enterprise/Women's Business Enterprise (MBE/WBE).

E. DWB/NMFA Collaborative Short Term Goals

1. The DWB and the NMFA will provide an opportunity for public participation by posting this IUP for public comment on the NMFA and the DWB websites from May 23, 2014 through June 27, 2014 and will accept comments throughout this period.
2. The NMFA and the DWB will prepare and submit the FFY 2014 Capitalization Grant Application by August 1, 2014.
3. The DWB and the NMFA will complete and submit the SFY 2014 Annual Report by September 30, 2014.



4. The DWB and the NMFA will review update the Memorandum of Understanding to clarify roles and responsibilities and ensure efficient program implementation and collaboration.
5. The DWB and NMFA will ensure supplemental conditions are up to date with the annual appropriation guidance.

F. NMFA Long Term Goals

1. NMFA will monitor 100% of its active loans to ensure that the loans will not default.
2. The NMFA will ensure that at least 90% of projects will complete installation/construction within two years of closing the loan.
3. NMFA will ensure the DWSRLF will be a perpetual funding source with fiscal integrity to support PWSs in the State as shown by the cash flow model.

G. NMFA Short Term Goals

1. The NMFA will provide at least 20% of all loans (contingent on Fundable Priority List) in SFY 2014 from the FFY 2014 Capitalization Grant as low-cost loans to PWSs in disadvantaged communities for eligible projects, as allowed by the SDWA.
2. Provide at least 20% of all loans to small PWSs in the State and in SFY 2015.
3. The NMFA will execute four binding commitments during SFY 2015, dependent on Fundable List.
4. The NMFA will close loans on all four binding commitments during SFY 2015.
5. The NMFA will approve drawdowns on more than \$15 million on planning, design and construction projects during SFY 2015.
6. The NMFA will approve requisitions from loan entities within 10 calendar days of complete submission to both NMED Construction Programs Bureau and the NMFA. The NMFA will review the subsidy distribution process to better reflect public health priorities and other measures used for the establishment of the Fundable Priority List.
7. The NMFA will allocate the 2014 Federal Capitalization Grant of \$8,845,000 and State Match of \$1,769,000 for a combined total allocation of \$10,614,000 within SFY 2015.
8. The NMFA will ensure that the appropriate Suspension and Debarment language is included in each loan agreement to ensure that recipients are aware that contractors and subcontractors cannot be awarded federal funds if they are on the suspended and debarred list.
9. The NMFA will ensure that the appropriate Buy American “Use of American Iron and Steel” language is practiced and integrated in the loan agreement.
10. The NMFA will continue to keep the EPA current on the status of its audit findings including at the SFY Annual Program Evaluation Report



11. NMFA will work with its environmental reviewer to have detailed language in the determination letters.
12. NMFA will review the Operating Agreement with EPA and submit the proposed revisions to the EPA this State Fiscal Year.

IV. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

New Mexico financially structures the DWSRLF to maximize the annual Capitalization Grant to support public water systems through the loan fund and set asides while ensuring the longevity of a sound revolving loan fund. New Mexico opts to utilize 31% of the Federal Capitalization Grant award available to set asides (see section VI. Set-aside Activities). The remaining 69% for SFY 2015 is available as the loan fund and the full 20% state match will equal just over \$8 million. Additionally, NMFA receives about \$5 million of repayment funds each fiscal year in loan and interest repayments. For SFY 2015, it is anticipated that NM will have over \$35 million to support NM PWSs. New Mexico has opted to provide subsidy to water systems and will provide up to 30% of the 2014 Capitalization Grant as subsidy (see Section C. Subsidy).

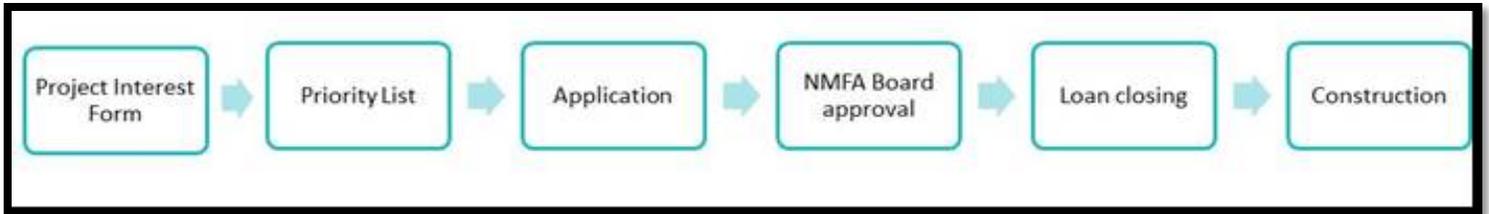
A. Distribution of Funds Analysis

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

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

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





1. On a SFY quarterly basis, the DWB will notify all eligible PWSs of the availability of DWSRLF Project Interest Form (PIF), which allows interested PWSs to identify proposed projects for inclusion in the DWSRLF Comprehensive Priority List. Interested systems can call the Community Services Team for assistance, may fill out a PIF and send either through the water infrastructure portal at <http://swim.nmenv.state.nm.us/SWIM/index.php>, or send a hardcopy via US Mail;
2. The PWS must submit supplemental documentation so that DWB can perform a capacity assessment, review project readiness, and the system’s fundability for the loan amount being requested for PWSs that have submitted a PIF;
3. PWSs that submit a PIF and all required supplemental documentation will have their project prioritized through DWB’s established ranking criteria and be included on the multi-year Comprehensive Priority List updated **July 1, 2014** and updated every three months thereafter. PWSs can stay on the Comprehensive list for up to **three years** receiving capacity assistance to satisfy Fundable List requirements;

DWB will accept PIFs all year long and rank projects on established ranking criteria on a **quarterly cycle** and perform capacity assessments of the water system’s technical, managerial, and operational financial abilities during the same quarter of the PIF request. If the PWS is determined to have adequate capacity and the project is determined ready to proceed within 6 months, the DWB will screen PWSs financial documents to validate fundability for the loan amount requested and recommend that NMFA perform a preliminary financial analysis of the PWS’s ability to take on a loan of the requested amount in order to be added to the Fundable Priority List. If the water system can afford the loan, they will be moved from the Comprehensive Priority List to the Fundable Priority List (Appendix A) which shall be published on the NMFA’s and NMED’s websites for the full quarter. Deadlines for PIF submission are provided in the table below:

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



4. The NMFA will work with PWSs for maximum of **45 days each quarter** from the publishing of the updated quarterly Fundable Priority List **to submit a loan application.** For SFY 2015 Quarter 1, the applications will be due on August 22, 2014. After receiving the application, the NMFA staff will perform a detailed financial analysis of the PWSs' ability to take on a loan. If the entity is deemed credit worthy, then NMFA staff takes the loan to the NMFA Board for approval.
5. Once approved by the NMFA Board for funding, the applicant will **have six months to provide necessary documents**, determined by NMFA, to close the loan. If a PWS does not submit the required documentation within the six month timeframe, then NMFA's commitment to fund the project may be withdrawn or extended at the sole discretion of the NMFA. In **no instance** will the commitment to fund a project **exceed eight months from the date of the NMFA Board approval.** Once the loan is closed, the borrower has **two years to complete construction.** On a case by case basis, the NMFA Board may approve a longer construction period. Applicants not meeting this timeframe will be removed from the Fundable Priority List and placed on the Comprehensive Priority List. Once the PWS completes the necessary documents, the PWS may be eligible, based on an analysis by NMED and NMFA, to be placed on the updated quarterly Fundable Priority List; and
6. To be eligible for a loan from the DWSRLF, PWS projects must:
 - a. be on the Fundable Priority List;
 - b. submit a loan application to the NMFA; and
 - c. be found by the NMFA to be credit-worthy (40 CFR 35.3555(c)(2)(i)).

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

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

The State of NM will publish the Fundable Priority List for the duration of the quarter. The Fundable Priority List will be published at <http://www.nmfa.net> and <http://www.nmenv.state.nm.us/dwb>. Below is a breakdown of the quarters and dates for posting:

| | |
|-----------|--------------------------------|
| Quarter 1 | July 1 to Sept 30, 2014, |
| Quarter 2 | October 1 to December 31, 2014 |
| Quarter 3 | January 1 to March 31, 2015 |
| Quarter 4 | April 1 to June 30, 2015 |



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

B. Disadvantaged Community Program

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

- **Disadvantaged communities** benefit from a 0% interest rate on the first \$600,000 of their loans, and when provided for in Capitalization Grants subsidy in the form of principal forgiveness up to 50% of the loan (see C. Subsidy below).
- **Severely disadvantaged communities** benefit from a 0% interest rate on the first \$600,000 of their loans, and when provided for in Capitalization Grants subsidy in the form of principal forgiveness up to 75% of the loan (see C. Subsidy below). Severely disadvantaged loans are eligible for terms up to 30 years.

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

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

C. Subsidy

The NMFA intends to provide subsidies to its DWSRLF borrowers when required by the EPA as part of its Capitalization Grant and from time to time as provided for under CFR §35.3525(b). The FFY 2014 Capitalization Grant requires a minimum not less than 20% but not more than



30% subsidy and at the state's discretion may offer subsidy for green infrastructure projects. New Mexico has opted to provide up to 30% of the 2014 Capitalization Grant as subsidy capitalized from federal funds at \$8,845,000. The total amount of available subsidy including Federal (\$2,653,500) and State (\$769,130) monies is equal to \$3,422,630 from the FFY 14 Capitalization Grant.

The State is updating the IUP prior to its submission to the EPA to provide additional available subsidy from the FFY 13 Capitalization Grant. The FFY 13 Capitalization Grant requires that a minimum of not less than 20% but not more than 30% of the Capitalization Grant be provided as subsidy. New Mexico previously indicated that it would provide the minimum subsidy requirement of 20% from the SFY 2013 Capitalization Grant and now seeks to update this amount to the maximum allowed by the FFY 13 Capitalization Grant. The additional subsidy from the FFY 13 Capitalization Grant, inclusive of the state match, will be \$1,086,187. This new subsidy, combined with carry-over FFY 2013 subsidy of \$94,598 from SFY 13 Fundable Priority Lists, brings the total amount of available subsidy to \$4,603,415 for SFY 15 quarter 1 Fundable List projects. The state is updating the subsidy provided to address the high amount of assistance requested from severely disadvantaged communities (71% of the Fundable List) on the SFY 15 first quarter fundable list.

Any subsidy not awarded will roll over to the next quarter fundable list. **Subsidy is based on available amounts and PWSs are not guaranteed subsidy as part of the loan package.** If a PWS is ranked below the available subsidy amounts, or not classified as disadvantaged or severely disadvantaged, they may not receive subsidy. If an entity that was awarded subsidy does not close its loan, or returns unutilized subsidy at the end of the construction period, the subsidy will be available to new entities on the current quarterly fundable list. The current DWSRLF Loan Management Policies provide subsidy to projects in the form of principal forgiveness using the following guidelines when funds are available:

1. Applicants required to document its compliance with Davis Bacon Wage Act will be offered a 25% subsidy.
 - a. Disadvantaged PWSs are provided an additional 25% principal forgiveness (e.g., 25% EPA regulations principal forgiveness plus 25% disadvantaged principal forgiveness, for a total of 50% principal forgiveness).
 - b. Severely disadvantaged PWSs are provided an additional 50% principal forgiveness (e.g., 25% EPA regulations principal forgiveness plus 50% severely disadvantaged principal forgiveness, for a total of 75% principal forgiveness).
2. "Green projects" include green infrastructure, water conservation, energy efficiency improvements, or other environmentally innovative activities. Green projects that are 100% green will be provided with an additional 25% principal forgiveness. Projects not considered "categorically green" (projects that clearly support the intent of the GPR, such as water meters, rain gardens, green roofs, and alternative energies such as solar panels and other water and energy efficiency infrastructure for new facilities) will require a Business Case Explanation to support the need for the project and to describe



how it meets the GPR requirement for water and/or energy efficiency. GPR projects and their Business Cases, where required, are submitted to the NMED and posted on the DWB's and NMFA's websites at: <http://www.nmenv.state.nm.us/dwb/> and <http://nmfa.net>, respectively.

3. No project will receive more than 75% in total principal forgiveness.
4. To the extent possible, the NMFA will use subsidy through the Capitalization Grant to help entities that are disadvantaged or severely disadvantaged that could not otherwise afford DWSRLF loans. PWS that are disadvantaged or severely disadvantaged are considered communities that could not otherwise take on a loan. PWS considered disadvantaged or severely disadvantaged will be given priority in the allocation of subsidy and to provide incentive to undertake projects that meet other priority EPA goals.

Under current policies there is not a maximum amount of subsidy that can be provided to any one entity, other than the limit on subsidy dollars.

D. Low Interest Loans

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

E. Small System Support

The DWSRF rules state that "of the total amount available for assistance from the Fund each year, a State must make at least 15% available solely for providing loan assistance to small systems to the extent such funds can be obligated for eligible projects." The State will provide at a minimum 15% of available loan funds for small PWSs (defined as water systems serving populations of 10,000 or fewer). Currently, the NMFA has provided 28.5% of the total value of its loans to PWSs with populations of 10,000 or fewer. The NMED with the support of NMFA reaches out to these communities on funding and assistance opportunities at different statewide conferences held by organizations such as the NM Municipal League, NM Association of Counties, NM Rural Water Association, or at the NM Infrastructure Finance Conference. The NMFA is striving to meet the needs of small PWSs in the State and in SFY 2015 looks to provide up to 20% of all loans to these small PWSs based on Fundable Priority lists.

F. Capacity Assessments and Project Reviews

The SDWA requires that a PWS applying for a DWSRF loan must demonstrate that it has the technical, managerial, and financial capacity to undertake the project. If a system does not have



adequate capacity, assistance will be provided to help the system achieve capacity. Assistance is used to support viable systems with long-term sustainability and should not be directed toward non-viable systems.

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

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

- **Technical Capacity** – PWSs must demonstrate that drinking water sources are adequate, that the system's source, treatment, distribution and storage infrastructure are adequate and that personnel have the technical knowledge and documentation to efficiently operate and maintain the system and have the technical capacity to operate and maintain all system improvements planned with project funding requests.
- **Financial Capacity** – PWSs must demonstrate that they have sufficient revenues to cover necessary costs, adequate fiscal controls, and engage in financial planning and asset monitoring to include savings for emergencies, routine maintenance and long term capital improvements. This financial capacity assessment is the same for systems with or without a proposed project. When the assessment is triggered by a PIF, DWB will also screen project cost documents and loan amounts to include in the debt capacity review as described above.
- **Managerial Capacity** – PWSs must show that management has written policies and procedures in place that outline water system management structure and function as well as their responsibilities in overseeing operations, meeting compliance requirements with all applicable state agencies such as NM Office of the Attorney General, Office of the State Auditor, Department of Finance and Administration, and the Taxation and Revenue Department , response for emergencies, transparency and accountability to customers, and plans for future needs of the water system.

G. Project Prioritization

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

A Comprehensive Priority List of ranked projects is required in an IUP and is, according to the DWSRF, a "list of projects that are expected to receive assistance in the future." All PWSs that submit a PIF for a DWSRF eligible project and all required supplemental information are placed



on the Comprehensive Priority List. Projects will remain on the Comprehensive List until making the Fundable Priority List or three (3) years, whichever is sooner. Systems are allowed the flexibility to adjust project scopes as needed on the comprehensive list, and DWB encourages systems not ready for construction to submit planning and design as a separate project to have more accurate funding timelines. The DWB will provide capacity development assistance to those on the Comprehensive List in order to help them become eligible for the Fundable Priority List.

A Fundable Priority List is also required in an IUP which, according to the DWSRF, is a “list of projects that are expected to receive assistance from available funds designated for use in the current IUP.” PWSs on the Comprehensive Priority List that meet the following three criteria are placed on the Fundable Priority List each quarter: 1) PWS has the technical, managerial and financial capacity to operate and maintain the new infrastructure in compliance with drinking water and other applicable state regulations 2) the project is ready to proceed, such that completion of project planning, design, regulatory approvals and environmental review will be complete and ready for construction within 6 months of placement on the Fundable List; and 3) financial ability to repay a loan as screened by DWB and fully analyzed by NMFA,.: After placement on the fundable list financial ability to repay a loan will be determined by NMFA.

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

H. Tie Breaking Procedure

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

I. Bypass Procedure

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

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



emergency conditions in its application. Such emergency projects will be identified in the Annual Report.

J. Refinancing Existing Loans

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

The NMFA is able to refinance existing loans if:

- The refinancing occurs in connection with a “new money” project;
- The loan proposed for refinancing must have been originated no earlier than 1993;
- The project financed by the original loan must have undergone a public review process that is consistent with the SERP, including concurrence by all requisite state and federal consulting agencies;
- The environmental effects of the project must have been analyzed and studied in a manner consistent with the SERP; and
- The project financed by the original loan must have been used for a purpose consistent with the eligible purposes defined by federal regulation and must have complied with all applicable state and federal regulations.

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

K. DWSRLF Project Funding Summary

Using the criteria and processes as set forth in this IUP, the NMFA will proceed through the quarterly Fundable Priority Lists 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.

L. Compliance with Special Grant Conditions

The State of New Mexico strives to comply with all grant conditions set forth in the Capitalization Grant agreement. The SFY 14 Capitalization Grant agreement has not been awarded at this date, but the State of New Mexico will comply with all requirements including but not limited to: a. Davis Bacon Wage Act and b. Federal Crosscutters. Two new requirements are expected to be added for SFY 15. The first requirement is the inclusion of American Iron and Steel provision. The second requirement is signage at awarded projects to notify the public that



financial support was provided by the EPA. All the financial agreements entered into by PWSs and NMFA contain the language found on Appendix G satisfying the grant conditions compliance.

a. Davis Bacon Wage Act

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

b. Federal Crosscutters

There are a number of federal laws, executive orders, and federal policies that apply to projects and activities receiving federal financial assistance, regardless of whether the federal laws authorizing the assistance make them applicable. These federal authorities are referred to as crosscutting authorities or crosscutters. The crosscutters apply to projects and activities whose cumulative funding equals the amount of the SRF Capitalization Grants. All projects assisted with funds equivalent to the amount of Capitalization Grants must comply with the crosscutter requirements.

The crosscutters can be divided into three groups: environmental; social policies; and, economic and miscellaneous authorities.

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

A complete list of crosscutting authorities can be found at the EPA web site www.epa.gov/safewater/dwsrf/xcuts.html



V. FINANCIAL MANAGEMENT

A. Sources and Uses of Funds

State Match Source

The SDWA requires states to provide a 20% match to the Capitalization Grants received from the federal government. The required State's match is \$1,769,000. The SFY 2014 State's match was secured prior to the Capitalization grant. Due to over appropriations from the State Legislature from past years allotments, this year's State's match is already in the loan fund. The DWSRLF had a State's match balance of \$1,841,038 that exceeded the 20% requirement for this year's Capitalization Grant.

Appendix D summarizes the sources and uses of funds.

Fee Income

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

Leveraging

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

Use of All Funds Available

The source and uses of the DWSRLF is presented in Appendix D. New Mexico anticipated the loan fund to be capitalized from federal the 2014 Capitalization Grant at \$8,845,000 with 69% going to the loan fund and 31% being used for set asides activities. The loan fund will also be capitalized from the 20% match state funds at \$1,769,000. The Federal and State March portion of the loan fund from the 2014 Capitalization Grant is equal to \$7,872,050 and a carryover of \$772,574 from the FFY13 cap grant is available. Additionally, in SFY 2015 loan repayments will add \$4,869,263 to the current Tier II balance of \$27,674,447 for a total of \$41,188,334 available to lend in SFY 2015.



Annually, Congress has the right to require additional subsidy to be used to help fund federal priorities. NMFA is anticipating that up to 30% or \$3,422,630 of the 2014 Capitalization Grant and the State Match of the DWSRF funding legislation will be additional subsidy in the form of principal forgiveness. This subsidy will allow for the pace of recent lending to continue while maintaining the financial perpetuity of the revolving loan fund (see Section IV. regarding the use of subsidy).

B. Financial Terms of Loans

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

| <u>Community Economic Status</u> | <u>Interest Rate</u> | <u>Terms</u> |
|----------------------------------|---|----------------|
| Regular* | 2%, 3%, 4% | up to 20 years |
| Disadvantaged | 0% on first \$600,000, regular rate for remainder | up to 20 years |
| Severely Disadvantaged | 0% on first \$600,000, regular rate for remainder | up to 30 years |

* Public systems receive 2%, private non-profit systems receive 3%, and for-profit systems receive 4%.

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

C. Loan Disbursements

As of June 30, 2014, the State of New Mexico has closed on 82 loans totaling over \$152 million. The loans are made in accordance with policies and are prorated between federal and state funds.

D. DWSRF-CWSRF Fund Transfers

The State of New Mexico reserves the right to transfer up to 33 percent of the DWSRF Capitalization Grant to the CWSRF, or an equivalent amount from the CWSRF to the DWSRF. New Mexico does not anticipate utilizing this right in SFY 2015.



VI. SET-ASIDE ACTIVITIES

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

A. DWSRLF Administration (4%)

The SDWA authorizes states to provide funding for DWSRF administration as a Set-Aside activity. The NMFA will reserve and specify 4% of the FFY 2014 Capitalization Grant for the Administration Set-Aside in an amount totaling \$353,800. Administration of New Mexico's DWSRLF program is delegated by state statute to the NMFA. The administration set-aside will be used to pay for salaries for staff working on the DWSRLF and conducting activities that include reporting, payment processing, pre-application activities; application review; engineering, construction and environmental review; portfolio, audit, and cash management; and financial management. DWSRLF programmatic administration costs also include contractual technical services for engineering and construction oversight, environmental reviews, and legal fees associated with closing DWSRLF loans.

B. Small Systems Technical Assistance (2%)

The SDWA authorizes states to use this Set-Aside to support a state technical team or to support contracts with outside entities and individuals in order to provide technical assistance to achieve the compliance levels required for an SRF loan. The DWB will reserve and specify 2% of the FFY 2014 Capitalization Grant for the Small Systems Technical Assistance Set-Aside totaling \$176,900. The DWB will respond to requests from small water systems directly or from compliance staff recommending a water system for assistance with compliance violations. Staff will target small water systems for assistance with a technical assessment for those that have administrative orders, are ranked at the top, or have remained for multiple quarters on the list of non-compliant water systems generated by EPA's Enforcement Tracking Tool (ETT). The DWB will also perform a technical capacity assessment for all water systems requesting funding. DWB will develop an assistance plan for water systems that need to increase technical capacity and provide technical trainings to operators of small systems.

C. State Programs Management (10%)

The SDWA authorizes states to use this Set-Aside to address additional program requirements of the Public Water Supply Supervision Program. The DWB will reserve and specify 10% of the FFY 2014 Capitalization Grant for the State Programs Management Set-Aside totaling \$884,500. This Set-Aside requires a one-to-one state match beyond the 20% state match for federal Capitalization Grants. New Mexico has provided this match through the Water Conservation Fee Fund as described in Appendix C.

Public Water System Supervision Program

The State Program Management Set-Aside will be used, in part, to support the Public Water System Supervision (PWSS) program. The activities planned to support the PWSS program include providing administrative support for the DWB staff, conducting sanitary surveys to



assess the needs and deficiencies of PWSs, implementing new and enforcing existing rules and regulations, providing an immediate response to confirmed acute contamination events and PWS problems that may impact public health.

Operator Certification Program

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

Set Aside Administrative Support

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

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

The Local Assistance and Other State Programs Set-Aside is used to support three DWB programs: the Technical Services Program, the Community Services Program, and the Source Water and Wellhead Protection Program. The DWB will reserve and specify 15% of the FFY 2014 Capitalization Grant for the Local Assistance and other State Programs Set-Aside totaling \$1,326,750

Technical Services Program

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

Community Services Program

The Community Services Team will assist water systems to develop managerial and financial capacity as well as provide direct funding assistance. The team will review all DWSRLF



supplemental documents, current rate structure, financial resources and managerial framework required to maintain financial capacity.

Financial assessments and assistance will be provided when necessary to bring capacity to a level where sufficient resources allow the system to maintain compliance with the SDWA and other state regulations, maintain revenues that support savings for emergencies and replacement costs, and to become fundable through the DWSRLF for infrastructure development.

Managerial capacity is assessed to determine ownership accountability through governance documents, water system board/oversight functionality, and current management plans. This managerial assessment will also review staffing and organization to ensure the system is meeting requirements. Managerial assistance varies from board operation trainings on complying with state regulations to individual attention and review of management plans.

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

Source Water and Wellhead Protection Program

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

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

Since source water protection plans are a voluntary responsibility for water systems under the SDWA, this team will also focus on public outreach and education demonstrating the importance of source water protection planning, promoting successful protection plans, and



encouraging cooperation with other agencies that can provide expertise and assistance in accomplishing the community's goals in protecting the local sources of drinking water.

VII. PUBLIC PARTICIPATION

To ensure the public has an opportunity to review and provide input on the IUP, the draft IUP will be made available to the public through notifications in at least three major newspapers and posting to both the DWB website at <http://www.nmenv.state.nm.us/dwb> and NMFA's website at <http://nmfa.net>. The public comment period will be open for a minimum of 30 days. A summary of the comments received will be included as part of Appendix F in the final version of this IUP. NMFA and NMED will post the updated IUP posted on their respective websites for 15 days and is asking the public to submit written comments by July 24, 2014.

VIII. AUDITS AND REPORTING

To ensure transparency and accountability the State agrees to submit an Annual Report and Annual Audit to the EPA Region VI on the actual uses of funds and how the State has met the goals and objectives for the previous fiscal years as identified in the IUP for the previous year. The scope of the Annual Report covers the DWSRLF and all approved Set-Aside activities funded by the DWSRLF program. The Annual Audit covers the financial transactions for the DWSRLF and Set-Aside drawdowns. The NMFA will arrange to have conducted an annual independent financial compliance audit including a signal audit as required of its DWSRLF program in accordance with generally accepted government accounting standards (GAGAs) issued by the Comptroller General of the United States. The audit report will contain an opinion on the financial statement of the DWSRLF; a report on internal controls; and a report on compliance with the SDWA. The audit report will be completed within one year of the end of the SFY that is audited and will be submitted to EPA's Office of Inspector General (OIG) within 30 days of completion.

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

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



(DWNIMS). The State agrees to comply with the reporting requirements included in the Procedure for the FFY 2013 Appropriation.

IX. AMENDMENTS TO THE PLAN

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



APPENDIX A

New Mexico's

SFY 2014

DWSRLF

Draft Comprehensive and Draft Fundable List



DWSRLF Comprehensive Priority List (SFY15 Quarter 1)

| Comprehensive Ranking | Name Number | Score | Population | Designation | County | Disadvantaged? | Project Description | Requested Funding | Sustainability Policy |
|-----------------------|--|-------|------------|--------------|------------|----------------|---|-------------------|-----------------------|
| 1 | Cuatro Villas MDWCA, NM3533526 | 56 | 150 | Small System | Santa Fe | Severely | Construction of arsenic treatment facility at two existing Santa Clara wells. Santa Clara will provide bulk water to Cuatro Villas MDWCA to augment its current supply. (NOTE: Project eligibility currently under review by USEPA.) | \$1,393,322 | N/A |
| 2 | Coyote Creek MDWCA, NM3500402 | 16 | 213 | Small System | Catron | Severely | Addressing EPA Administrative Order for exceedance of uranium, project will acquire and develop new wells or treat existing water source. | \$300,000 | N/A |
| 3 | Santa Cruz MDWCA, NM3572926 | 13 | 420 | Small System | Rio Arriba | Yes | Construction of two Uranium treatment plants for the 2 service wells; new water storage tanks. | \$900,000 | Fix It First |
| 4 | Algodones WUA, NM3535123 | 13 | 675 | Small System | Sandoval | No | Install Arsenic treatment system. System is under an Administrative Order. | \$400,000 | Fix It First |
| 5 | El Prado WSD, NM3515029 | 13 | 1,008 | Small System | Taos | Severely | Install 2.69 miles of 12" transmission line to connect the new Well #3 to system's water storage tanks, thus giving the system a backup source and the ability to periodically rest the existing well. | \$750,000 | N/A |
| 6 | Rio Rancho Water System, NM3509623 | 13 | 87,000 | Large System | Sandoval | No | Preconstruction costs for replacement of Well #13 (to include arsenic treatment and a new water tank), booster station at Tank #8, and transmission line from Tank 8 to Tank 13. | \$1,700,000 | Fix It First |
| 6 | Rio Rancho Water System, NM3509623 | 13 | 87,000 | Large System | Sandoval | No | Construction costs for replacement of Well #13 (to include arsenic treatment and a new water tank), booster station at Tank #8, and transmission line from Tank 8 to Tank 13. | \$14,970,000 | Fix It First |
| 7 | Albuquerque-Bernalillo County Water Utility Authority, NM3510701 | 13 | 601,983 | Large System | Bernalillo | No | Construct water lines for Phase 3 of the Carnuel project to serve an area impacted by nitrate contamination and currently unserved by a Public Water System. | \$2,500,000 | N/A |
| 8 | Santa Rosa Water System, NM3515010 | 12 | 3,000 | Small System | Guadalupe | Severely | Plan, design, and construct a bulk water filling station. The station would enable permanent metered access via account card and replaces existing system of attaching "portable" meters to hydrants or other means. | \$55,000 | N/A |
| 9 | Cordova MDWCA, NM3501221 | 11 | 325 | Small System | Rio Arriba | Severely | Construct an additional 50,000 gal water storage tank to provide additional service capacity; Replace existing two, three, and four-inch waterline with six-inch line; Loop existing sections of the waterline; Replace existing valves, flush hydrants and water meters; Install fire hydrants; Upgrade pump house to include SCADA system and level controller. | \$247,000 | Fix It First |
| 10 | Santa Rosa Water System, NM3515010 | 11 | 3,000 | Small System | Guadalupe | Severely | Upgrade the current SCADA system to serve four wells, three tanks, one booster station, and five remote meters. | \$295,650 | N/A |
| 11 | Las Vegas Water System, NM3518025 | 11 | 19,000 | Large System | San Miguel | Severely | Water line repair and replacement (construction funding). | \$2,410,000 | Fix It First |
| 12 | Las Vegas Water System, NM3518025 | 11 | 19,000 | Large System | San Miguel | Severely | Water distribution upgrades including looping system to provide adequate line pressure for fire hydrants (construction funding). | \$1,900,000 | Fix It First |
| 13 | Las Vegas Water System, NM3518025 | 11 | 19,000 | Large System | San Miguel | Severely | Peterson Dam structural and leak repair (construction funding). Pending eligibility determination. | \$1,210,000 | N/A |
| 14 | Las Vegas Water System, NM3518025 | 11 | 19,000 | Large System | San Miguel | Severely | New wells and rehabilitation of existing wells at Taylor well field (construction funding). | \$6,630,000 | Fix It First |



DWSRLF Comprehensive Priority List (SFY15 Quarter 1)

| Comprehensive Ranking | Name Number | Score | Population | Designation | County | Disadvantaged? | Project Description | Requested Funding | Sustainability Policy |
|-----------------------|--|-------|------------|--------------|------------|----------------|--|-------------------|-----------------------|
| 15 | Las Vegas Water System, NM3518025 | 11 | 19,000 | Large System | San Miguel | Severely | Taylor well field desalination (construction funding). | \$8,100,000 | N/A |
| 16 | Green Ridge MDWCA, Inc., NM3502401 | 10 | 130 | Small System | Bernalillo | No | Reverse osmosis treatment, treatment building, well completion, evaporative lagoon, and water line to connect new facilities. Project addresses Administrative Order for exceedance of Fluoride MCL. DWSRLF to supplement USDA funding. DWSRLF to supplement Capital Outlay and USDA funding. | \$326,000 | Fix It First |
| 17 | Jemez Springs Domestic Water Coop, NM3509123 | 10 | 1,500 | Small System | Sandoval | No | Water line and storage tank replacement. | \$500,000 | Fix It First |
| 18 | Riveras MDWCA, NM3566510 | 9 | 56 | Small System | Guadalupe | Yes | Plan, design, and construct waterline replacement with installation of a 6" master meter with vault, 6" main waterline, 4" service lines, water meters with backflow preventers. Three laterals stemming from the 6" main to the localized residences with 4" PVC and 2" PVC and 3/4" service lines to residences. | \$527,000 | Fix It First |
| 19 | Lower Arroyo Hondo MDWCA, NM3505429 | 9 | 180 | Small System | Taos | Yes | Design, bid and construction administration of radio read meter installation. | \$365,420 | N/A |
| 20 | El Valle Water Alliance, -NM350006 | 9 | 200 | Small System | San Miguel | Yes | Design, bid and construction administration of radio read meter installation (San Juan). | \$196,927 | N/A |
| 21 | Magdalena, Village of, NM3523528 | 9 | 900 | Small System | Socorro | Yes | Design and construction of second municipal well. | \$275,200 | N/A |
| 22 | Lower Rio Grande Public Works Authority, NM3502407 | 8 | 9,487 | Small System | Dona Ana | Severely | Purchase the Valle Del Rio Water System. The cost includes appraisal, due diligence inspection, legal expenses, developing planning documents (PER & environmental documents) and design for the system, and interconnection with the existing LRGPWWA water system. | \$1,000,000 | N/A |
| 23 | Las Vegas Water System, NM3518025 | 8 | 19,000 | Large System | San Miguel | Severely | Develop a Comprehensive Gallinas Watershed Restoration Plan in order to provide a long-term supply of high quality water for the City of Las Vegas and surrounding communities. | \$425,000 | N/A |
| 24 | Las Vegas Water System, NM3518025 | 8 | 19,000 | Large System | San Miguel | Severely | Effluent water reuse expansion (construction funding). | \$1,950,000 | N/A |
| 25 | Las Vegas Water System, NM3518025 | 8 | 19,000 | Large System | San Miguel | Severely | Water treatment plant oxidation system (construction funding). | \$3,210,000 | Fix It First |
| 26 | Rowe MDWCA, NM3518625 | 7 | 150 | Small System | San Miguel | No | Design, bid and construction administration of radio read meter installation. | \$146,375 | N/A |
| 27 | La Cueva MDWCA, NM3517625 | 7 | 158 | Small System | San Miguel | No | Planning and installation of water meters. | \$76,376 | N/A |
| 28 | Buena Vista MDWCA, NM3515418 | 7 | 216 | Small System | Mora | No | Radio read meters are needed for systems to charge the actual cost of water being used to members and to measure water diversions and losses. | \$254,959 | N/A |
| 29 | Corona, Village of, NM3512714 | 7 | 200 | Small System | Lincoln | No | Water transmission line reroute project. To plan, design, and construct a new 6" water transmission line from the southern part of the village to the dual 100,000 gallon water storage tank. This should stabilize pressure imbalances throughout the system. | \$369,709 | Fix It First |
| 30 | Fambrough MDWCA, NM3510403 | 7 | 450 | Small System | Chaves | Severely | Replace 6,600' of 1" and 2" waterline with 6" waterline, to include flush and fire hydrants. This project will also loop a currently unlooped section of the distribution. | \$441,000 | Fix It First |
| 31 | Cimarron Water System, NM3526204 | 6 | 987 | Small System | Colfax | Yes | Replace old leaky cast iron service lines. | \$350,000 | Fix It First |
| 32 | Eldorado W&SD, NM3537326 | 6 | 7,350 | Small System | Santa Fe | No | Design and construction of a project to increase water production (e.g. constructing a new well, rehabilitating existing wells, purchasing and upgrading a private well, or connecting to a proposed pipeline from the Santa Fe County water system). | \$1,000,000 | Fix It First |
| 33 | Los Lunas Water System, NM3525332 | 6 | 14,284 | Large System | Valencia | No | Construct a 5,000' transmission line across the Rio Grande to provide a looped system on the east side of the river. | \$2,300,000 | N/A |
| 34 | Bloomfield Water Supply System, NM3510124 | 5 | 7,433 | Small System | San Juan | No | Construction of 2MG concrete storage tank. | \$1,500,000 | N/A |
| 35 | Alto North Water Coop, NM3513414 | 3 | 200 | Small System | Lincoln | No | The Coop has two water storage tanks that are deteriorating and need to be replaced. The project will also repair or replace the concrete pad that the tanks are sitting on. | \$55,000 | Fix It First |
| 36 | Ruidoso, Village of, NM3513114 | 3 | 10,800 | Large System | Lincoln | No | Plan, design, renovate, repair, replace, equip, and construct improvements to the Village of Ruidoso water system. The project will focus on distribution line replacement where reoccurring water leaks have been identified. | \$1,500,000 | Fix It First |



DWSRLF Fundable Priority List (SFY15 Quarter 1)***

| Fundable Ranking | Name Number | Score | Pop. | Size | County | Dis-advantaged? | Project Description | Requested Funding | Anticipated Subsidy Percentage** | Anticipated Subsidy Amount | Expected Amount of Loan Assistance | Interest rate* | SFY 2015 Quarter Subsidy available | Sustainability Policy |
|------------------|---|-------|----------------|--------------|------------|-----------------|---|---------------------|----------------------------------|----------------------------|------------------------------------|----------------|------------------------------------|-----------------------|
| 1 | Dona Ana MDWCA, NM3554307 | 34 | 11,214 | Large System | Dona Ana | No | Fairview area and Dona Ana MDWCA District #5 (Picacho Hills) Water System Improvements including new water tank, water lines, and regional connection. | \$2,750,000 | 25% | \$687,500 | \$2,062,500 | 2% | \$687,500 | Fix it First |
| 2 | Lower Des Montes MDWCA, NM3574729 | 24 | 350 | Small System | Taos | Yes | Water storage, waterline replacement with flush hydrants, rehabilitate well house and radio read meters. | \$228,260 | 50% | \$114,130 | \$114,130 | 0% | \$114,130 | Fix it First |
| 3 | Santa Clara Water System, NM3522209 | 19 | 2,694 | Small System | Grant | Severely | The Village of Santa Clara proposes to complete the SCADA system; purchase and install electronic read meters and components; and install a solar power system for the wells and booster pumps. | \$724,665 | 75% | \$543,499 | \$181,166 | 0% | \$543,499 | N/A |
| 4 | Cimarron Water System, NM3526204 | 17 | 987 | Small System | Colfax | Yes | Final design and environmental and resource studies for a new microfiltration water treatment plant. The current system has been in violation for inadequate TOC removal. | \$350,000 | 50% | \$175,000 | \$175,000 | 0% | \$175,000 | Fix it First |
| 5 | Las Vegas Water System, NM3518025 | 14 | 19,000 | Large System | San Miguel | Severely | Enlargement of Bradner Reservoir and related raw water conveyance [pending approval of eligibility by EPA]. | \$20,000,000 | 75% | \$15,000,000 | \$5,000,000 | 0% | \$3,083,286 | Fix it First |
| 6 | Rainsville Water and Sanitation District, NM3510218 | 13 | 250 | Small System | Mora | Yes | Construction project includes repair Coyote Creek crossing, locate and repair existing gate valves, repair existing fire hydrants by installing extensions and locating and repairing isolation valves. Replace existing meters with new automatic read meters. | \$255,530 | 50% | \$127,765 | \$127,765 | 0% | \$0 | Fix it First |
| 7 | Hagerman Water System, NM3519903 | 12 | 1,265 | Small System | Chaves | Severely | Construct, equip, and install a potable water storage tank for Hagerman in Chaves County. | \$285,600 | 75% | \$214,200 | \$71,400 | 0% | \$0 | N/A |
| 8 | Upper La Plata MDWU, NM3510624 | 12 | 2,265 | Small System | San Juan | No | Construction of 8" water line loop. | \$779,737 | 25% | \$194,934 | \$584,803 | 2% | \$0 | Fix it First |
| 9 | Silver City Water System, NM3522609 | 9 | 15,745 | Large System | Grant | No | Chihuahua Hill Water System Improvements. The Town of Silver City proposes to perform waterline improvements consisting of water distribution lines, service lines, gate valves, fire hydrants, and all necessary appurtenances and system connections. | \$657,720 | 25% | \$164,430 | \$493,290 | 2% | \$0 | Fix it First |
| 10 | Lee Acres Water Users Assoc, NM3530224 | 8 | 5,078 | Small System | San Juan | No | Water line replacement | \$1,474,125 | 0% | \$0 | \$1,474,125 | 3% | \$0 | Fix it First |
| 11 | Roswell Water System, NM3520203 | 5 | 48,500 | Large System | Chaves | Yes | Replacement of aged large diameter water lines and large diameter water valves. | \$2,000,000 | 50% | \$1,000,000 | \$1,000,000 | 0% | \$0 | Fix it First |
| TOTALS | | | 107,348 | | | | | \$29,505,637 | | \$18,221,458 | \$11,284,179 | | \$4,603,415 | |

The dark line represents expected subsidy allocation limit of \$4,603,415 for FY15.

*0% interest rate applies to the first \$600,000 of the loan.

** Subsidy is shown as anticipated based on availability and is not guaranteed.

***All projects may be utilized to fulfill federal equivalency requirements and FFAATA requirements for the 2014 Capitalization Grant



APPENDIX B

RANKING SYSTEM FOR DWSRLF PROJECTS



New Mexico's DWSRLF Priority Ranking System

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

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

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

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



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



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

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



APPENDIX C

NEW MEXICO ENVIRONMENT DEPARTMENT MATCH FOR STATE PROGRAMS CATEGORY

| NMED State Programs 1:1 Match Formula | |
|--|---------------------------|
| <i>DWSRLF STATE PROGRAMS SET-ASIDE ELEMENT</i> | SFY15 Operating Budget |
| | July 2014-June 2015 |
| State Programs Budget | \$1,280,093 |
| | |
| State Match Funds | SFY15 Operating Budget |
| | July 2014-June 2015 |
| Water Conservation Fee Fund | \$2,835,200 |
| Available State Match-Current Year | \$1,280,093 |
| | |
| Excess State Program Match | \$1,555,107 |



APPENDIX D

DWSRLF Sources and Uses



DWSRLF SOURCES AND USES SFY 2015

| SOURCES | Cumulative Total through 6/30/2014 | 7/1/2014 - 6/30/2015(This IUP) | Cumulative Total through 6/30/15 |
|--------------------------------------|---------------------------------------|-----------------------------------|-------------------------------------|
| Federal Capitalization Grants | \$163,623,500 | \$8,845,000 | \$172,468,500 |
| 20% Capitalization Grant Match | \$29,734,700 | \$1,769,000 | \$31,503,700 |
| Investment Interest* | \$2,910,873 | \$51,413 | \$2,815,194 |
| Loan Repayments – Principal | \$23,796,010 | \$3,836,869 | \$27,632,879 |
| Loan Repayments - Interest | \$8,372,530 | \$1,032,394 | \$9,404,924 |
| Total Sources | \$228,437,613 | \$15,534,676 | \$243,825,197 |
| other | | | |
| Set Aside 1:1 Match | \$42,925,874 | \$2,835,200 | \$45,761,074 |
| Uses of Funds | | | |
| Assistance Activity | | | |
| Large System Commitments | \$107,845,372 | \$3,030,000 | \$110,875,372 |
| Small System Commitments | \$42,923,392 | \$2,955,430 | \$45,878,822 |
| Total Assistance | \$150,768,764 | \$5,985,430 | \$156,754,194 |
| Set-Aside Activity | | | |
| Administration | \$6,507,891 | \$353,800 | \$6,861,691 |
| Small System Technical Assistance | \$3,634,930 | \$176,900 | \$3,811,830 |
| State Programs Management | \$18,174,605 | \$884,500 | \$19,059,105 |
| Local Assistance | \$24,336,975 | \$1,326,750 | \$25,663,725 |
| Total Set-Asides | \$52,654,401 | \$2,741,950 | \$55,396,351 |
| Total Uses | \$203,423,165 | \$8,727,380 | \$212,150,545 |
| Carryover¹ | \$25,014,448 | \$6,807,296 | \$31,674,652 |

* investment interest is projected from the three year average, this past performance is no guarantee of future results

1. Carryover will be used to fund additional projects in the SFY.



APPENDIX E

DWSRF Set-Asides



| ADMINISTRATION SET ASIDE (4%) | | | | | | | | |
|---|----------------------------|--|-------------------------|---------------------------|--|--|--|---|
| Cap Grants with Allocations to Set-Aside | Set-Aside Allocated | Set-Aside Anticipated for FFY 2013 Cap Grants | Specified Amount | Unspecified Amount | Amount Transferred to Loan Fund | Specified Expenditures through SFY 2014 | Estimated Expenditures through SFY 2015 | Estimated Ending Balance as of end of SFY 2015 |
| FFY97 | \$510,392 | | \$510,392 | \$0 | \$0 | \$510,392 | | \$0 |
| FFY98-99 | \$583,404 | | \$583,404 | \$0 | \$0 | \$583,404 | | \$0 |
| FFY00 | \$310,280 | | \$310,280 | \$0 | \$0 | \$310,280 | | \$0 |
| FFY01 | \$311,564 | | \$311,564 | \$0 | \$0 | \$311,564 | | \$0 |
| FFY02 | \$322,100 | | \$322,100 | \$0 | \$0 | \$322,100 | | \$0 |
| FFY03 | \$320,164 | | \$320,164 | \$0 | \$0 | \$320,164 | | \$0 |
| FFY 04 | \$332,124 | | \$332,124 | \$0 | \$0 | \$332,124 | | \$0 |
| FFY 05 | \$331,420 | | \$331,420 | \$0 | \$0 | \$331,420 | | \$0 |
| FFY 06 | \$329,172 | | \$329,172 | \$0 | \$0 | \$329,172 | | \$0 |
| FFY 07 | \$329,160 | | \$329,160 | \$0 | \$0 | \$329,160 | | \$0 |
| FFY 08 | \$325,840 | | \$325,840 | \$0 | \$0 | \$325,840 | | \$0 |
| FFY 09 | \$325,840 | | \$325,840 | \$0 | \$0 | \$325,840 | | \$0 |
| FFY 09 (ARRA) | \$780,000 | | \$780,000 | \$0 | \$219,049 | \$560,951 | | \$0 |
| FFY 10 | \$542,920 | | \$542,920 | \$0 | \$0 | \$542,920 | | \$0 |
| FFY 11 | \$376,720 | | \$376,720 | \$0 | \$0 | \$309,887 | \$66,843 | \$0 |
| FFY 12 | \$359,000 | | \$359,000 | \$0 | \$0 | \$0 | \$241,880 | \$117,120 |
| FFY 13 | \$336,840 | | \$336,840 | \$0 | \$0 | \$0 | \$0 | \$359,000 |
| FFY 14 | | \$353,800 | \$353,800 | \$0 | \$0 | \$0 | \$0 | \$353,800 |
| TOTALS | \$6,726,940 | \$353,800 | \$7,080,740 | \$0 | \$219,049 | \$5,745,218 | \$308,713 | \$829,930 |



SMALL SYSTEMS TECHNICAL ASSISTANCE SET ASIDE (2%)

| Cap Grants with Allocations to Set-Aside | Set-Aside Allocated | Set-Aside Anticipated for FFY 2013 Cap Grant | Specified Amount | Unspecified Amount | Amount Transferred to Loan Fund | Specified Expenditures through SFY 2013 | Estimated Expenditures through SFY 2014 | Estimated Ending Balance as of end of SFY 2014 |
|--|---------------------|--|--------------------|--------------------|---------------------------------|---|---|--|
| FFY97 | \$255,196 | | \$255,196 | \$0 | \$0 | \$255,196 | | \$0 |
| FFY98-99 | \$291,702 | | \$291,702 | \$0 | \$0 | \$291,702 | | \$0 |
| FFY00 | \$155,140 | | \$155,140 | \$0 | \$0 | \$155,140 | | \$0 |
| FFY01 | \$155,782 | | \$155,782 | \$0 | \$0 | \$155,782 | | \$0 |
| FFY02 | \$161,050 | | \$161,050 | \$0 | \$0 | \$161,050 | | \$0 |
| FFY03 | \$160,082 | | \$160,082 | \$0 | \$0 | \$160,082 | | \$0 |
| FFY 04 | \$166,062 | | \$166,062 | \$0 | \$0 | \$166,062 | | \$0 |
| FFY 05 | \$165,710 | | \$165,710 | \$0 | \$0 | \$165,710 | | \$0 |
| FFY 06 | \$164,586 | | \$164,586 | \$0 | \$0 | \$164,586 | | \$0 |
| FFY 07 | \$164,580 | | \$164,580 | \$0 | \$0 | \$164,580 | | \$0 |
| FFY 08 | \$162,920 | | \$162,920 | \$0 | \$0 | \$162,920 | | \$0 |
| FFY 09 | \$162,920 | | \$162,920 | \$0 | \$0 | \$162,920 | | \$0 |
| FFY 09 (ARRA) | \$390,000 | | \$390,000 | \$0 | \$0 | \$390,000 | | \$0 |
| FFY 10 | \$271,460 | | \$271,460 | \$0 | \$0 | \$271,460 | | \$0 |
| FFY 11 | \$188,360 | | \$188,360 | \$0 | \$0 | \$71,804 | \$116,556 | \$0 |
| FFY 12 | \$179,500 | | \$179,500 | \$0 | \$0 | \$0 | \$121,544 | \$57,956 |
| FFY 13 | \$168,420 | | \$168,420 | \$0 | \$0 | \$0 | \$0 | \$168,420 |
| FFY 14 | | \$176,900 | \$176,900 | \$0 | \$0 | \$0 | \$0 | \$176,900 |
| TOTALS | \$3,363,470 | \$176,900 | \$3,540,370 | \$0 | \$0 | \$2,898,994 | \$238,100 | \$403,276 |



STATE PROGRAM MANAGEMENT SET-ASIDE (10%)

| Cap Grants with Allocations to Set-Aside | Set-Aside Allocated | Set-Aside Anticipated for FFY 2013 Cap Grant | Specified Amount | Unspecified Amount | Amount Transferred to Loan Fund | Specified Expenditures through SFY 2013 | Estimated Expenditures through SFY 2014 | Estimated Ending Balance as of end of SFY 2014 |
|--|---------------------|--|---------------------|--------------------|---------------------------------|---|---|--|
| FFY97 | \$1,275,980 | | \$1,275,980 | \$0 | \$0 | \$1,275,980 | | \$0 |
| FFY98-99 | \$1,458,510 | | \$1,458,510 | \$0 | \$0 | \$1,458,510 | | \$0 |
| FFY00 | \$775,700 | | \$775,700 | \$0 | \$0 | \$775,700 | | \$0 |
| FFY01 | \$778,910 | | \$778,910 | \$0 | \$0 | \$778,910 | | \$0 |
| FFY02 | \$805,250 | | \$805,250 | \$0 | \$0 | \$805,250 | | \$0 |
| FFY03 | \$800,410 | | \$800,410 | \$0 | \$0 | \$800,410 | | \$0 |
| FFY 04 | \$830,310 | | \$830,310 | \$0 | \$0 | \$830,310 | | \$0 |
| FFY 05 | \$828,550 | | \$828,550 | \$0 | \$0 | \$828,500 | | \$0 |
| FFY 06 | \$822,930 | | \$822,930 | \$0 | \$0 | \$822,930 | | \$0 |
| FFY 07 | \$822,900 | | \$822,900 | \$0 | \$0 | \$822,900 | | \$0 |
| FFY 08 | \$814,600 | | \$814,600 | \$0 | \$0 | \$814,600 | | \$0 |
| FFY 09 | \$814,600 | | \$814,600 | \$0 | \$0 | \$814,600 | | \$0 |
| FFY 09 (ARRA) | \$1,950,000 | | \$1,950,000 | \$0 | \$0 | \$1,950,000 | | \$0 |
| FFY 10 | \$1,357,300 | | \$1,357,300 | \$0 | \$0 | \$1,357,300 | | \$0 |
| FFY 11 | \$941,800 | | \$941,800 | \$0 | \$0 | \$512,780 | \$429,020 | \$0 |
| FFY 12 | \$897,500 | | \$897,500 | \$0 | \$0 | \$0 | \$851,073 | \$46,427 |
| FFY 13 | \$842,100 | | \$842,100 | \$0 | \$0 | \$0 | \$0 | \$842,100 |
| FFY 14 | | \$884,500 | \$884,500 | \$0 | \$0 | \$0 | \$0 | \$884,500 |
| TOTALS | \$16,817,350 | \$884,500 | \$17,701,850 | \$0 | \$0 | \$14,648,730 | \$1,280,093 | \$1,773,027 |



**LOCAL ASSISTANCE AND OTHER STATE PROGRAMS SET-ASIDE
CAPACITY DEVELOPMENT SUB-ELEMENT (10%)**

| Cap Grants with Allocations to Set-Aside | Set-Aside Allocated | Set-Aside Anticipated for FFY 2013 Cap Grant | Specified Amount | Unspecified Amount | Amount Transferred to Loan Fund | Specified Expenditures through SFY 2013 | Estimated Expenditures through SFY 2014 | Estimated Ending Balance as of end of SFY 2014 |
|--|---------------------|--|---------------------|--------------------|---------------------------------|---|---|--|
| FFY97 | \$537,990 | | \$537,990 | \$0 | \$0 | \$537,990 | | \$0 |
| FFY98-99 | \$1,312,659 | | \$1,312,659 | \$0 | \$0 | \$1,312,659 | | \$0 |
| FFY00 | \$698,130 | | \$698,130 | \$0 | \$0 | \$698,130 | | \$0 |
| FFY01 | \$778,910 | | \$778,910 | \$0 | \$0 | \$778,910 | | \$0 |
| FFY02 | \$805,205 | | \$805,205 | \$0 | \$0 | \$805,205 | | \$0 |
| FFY03 | \$800,410 | | \$800,410 | \$0 | \$0 | \$800,410 | | \$0 |
| FFY 04 | \$830,310 | | \$830,310 | \$0 | \$0 | \$830,310 | | \$0 |
| FFY 05 | \$828,550 | | \$828,550 | \$0 | \$0 | \$828,550 | | \$0 |
| FFY 06 | \$822,930 | | \$822,930 | \$0 | \$0 | \$822,930 | | \$0 |
| FFY 07 | \$822,900 | | \$822,900 | \$0 | \$0 | \$822,900 | | \$0 |
| FFY 08 | \$814,600 | | \$814,600 | \$0 | \$37,753 | \$776,847 | | \$0 |
| FFY 09 | \$814,600 | | \$814,600 | \$0 | \$0 | \$814,600 | | \$0 |
| FFY 09 (ARRA) | \$0 | | \$0 | \$0 | \$0 | \$0 | | \$0 |
| FFY 10 | \$1,357,300 | | \$1,357,300 | \$0 | \$0 | \$1,218,089 | \$139,211 | \$0 |
| FFY 11 | \$941,800 | | \$941,800 | \$0 | \$0 | \$0 | \$941,800 | \$0 |
| FFY 12 | \$897,500 | | \$897,500 | \$0 | \$0 | \$0 | \$38,446 | \$859,054 |
| FFY 13 | \$842,100 | | \$842,100 | \$0 | \$0 | \$0 | \$0 | \$842,100 |
| FFY 14 | | \$884,500 | \$884,500 | \$0 | \$0 | \$0 | \$0 | \$884,500 |
| TOTALS | \$13,905,894 | \$884,500 | \$14,790,394 | \$0 | \$37,753 | \$11,047,530 | \$1,119,457 | \$2,585,654 |



**LOCAL ASSISTANCE AND OTHER STATE PROGRAMS SET-ASIDE
WELLHEAD PROTECTION SUB –ELEMENT (5%)**

| Cap Grants with Allocations to Set-Aside | Set-Aside Allocated | Set-Aside Anticipated for FFY 2013 Cap Grant | Specified Amount | Unspecified Amount | Amount Transferred to Loan Fund | Specified Expenditures through SFY 2013 | Estimated Expenditures through SFY 2014 | Estimated Ending Balance as of end of SFY 2014 |
|--|---------------------|--|--------------------|--------------------|---------------------------------|---|---|--|
| FFY97 | \$1,375,980 | | \$1,375,980 | \$0 | \$0 | \$1,375,980 | | \$0 |
| FFY98-99 | \$875,106 | | \$875,106 | \$0 | \$0 | \$875,106 | | \$0 |
| FFY00 | \$465,420 | | \$465,420 | \$0 | \$0 | \$465,420 | | \$0 |
| FFY01 | \$389,455 | | \$389,455 | \$0 | \$0 | \$389,455 | | \$0 |
| FFY02 | \$402,670 | | \$402,670 | \$0 | \$0 | \$402,670 | | \$0 |
| FFY03 | \$400,205 | | \$400,205 | \$0 | \$0 | \$400,205 | | \$0 |
| FFY 04 | \$415,155 | | \$415,155 | \$0 | \$0 | \$415,155 | | \$0 |
| FFY 05 | \$414,275 | | \$414,275 | \$0 | \$0 | \$414,275 | | \$0 |
| FFY 06 | \$411,465 | | \$411,465 | \$0 | \$0 | \$411,465 | | \$0 |
| FFY 07 | \$411,450 | | \$411,450 | \$0 | \$0 | \$411,450 | | \$0 |
| FFY 08 | \$407,300 | | \$407,300 | \$0 | \$164,428 | \$242,872 | | \$0 |
| FFY 09 | \$407,300 | | \$407,300 | \$0 | \$0 | \$308,600 | | \$0 |
| FFY 09 (ARRA) | \$0 | | \$0 | \$0 | \$0 | \$0 | | \$0 |
| FFY 10 | \$678,650 | | \$678,650 | \$0 | \$0 | \$162,030 | \$516,620 | \$0 |
| FFY 11 | \$470,900 | | \$470,900 | \$0 | 0 | \$0 | \$226,595 | \$244,305 |
| FFY 12 | \$448,750 | | \$448,750 | \$0 | \$0 | \$0 | \$0 | \$448,750 |
| FFY 13 | \$421,050 | | \$421,050 | \$0 | \$0 | \$0 | \$0 | \$421,050 |
| FFY 14 | | \$442,250 | \$442,250 | \$0 | \$0 | \$0 | \$0 | \$442,250 |
| TOTALS | \$8,395,131 | \$442,250 | \$8,837,381 | \$0 | \$164,428 | \$6,373,383 | \$743,215 | \$1,556,355 |



APPENDIX F NMED

PUBLIC OUTREACH

Sample notice published in at least three newspapers statewide:

The New Mexico Finance Authority (NMFA) and the New Mexico Environment Department (NMED) Drinking Water Bureau (DWB) invite public review and comment on the ***State Fiscal Year 2015 Drinking Water State Revolving Fund Draft Intended Use Plan***. The Safe Drinking Water Act (SDWA) amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) program to assist eligible public water systems to finance the cost of the infrastructure needed to achieve or maintain compliance with the SDWA requirements and protect public health. This Intended Use Plan (IUP) details the intended use for the State Fiscal Year 2015. The draft IUP is available at <http://nmfa.net> and <http://www.nmenv.state.nm.us/dwb> or can be obtained by calling Danielle Shuryn at (505) 476-8637. Comments will be accepted until June 27, 2014 and should be addressed to:

New Mexico Environment Department - Drinking Water Bureau

P. O. Box 5469

Santa Fe, NM 87502-5469

Attn: Danielle Shuryn



Appendix G:

Compliance with Grant Conditions



1. Davis-Bacon Act

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

2. Compliance with Crosscutting Authorities

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

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

A complete list of crosscutting authorities can be found at the EPA web site www.epa.gov/safewater/dwsrf/xcuts.html

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

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



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

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

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

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

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

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

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

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



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

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

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

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

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



Appendix H:

Cash Draw Ratio and Grant Payment Schedule



| New Mexico Finance Authority -- FY 2014 Grant Application Draw Projections | | | | | | | | | |
|--|-------------|--------------------------|---|------------------------------------|--|----------------------|----------------------|-----------------------|-------------|
| Appropriation \$8,845,000 (Federal) | | | | | | | | | |
| Appropriation \$1,769,000 (State) | | | | | | | | | |
| Date | FFY -- QTR | Administrative Set-Aside | Small System Technical Assistance Set Aside | State Program Management Set-Aside | Local Assistance and other State Program Set Aside | Total Set aside | Loan Fund federal | Loan Fund State Match | Total |
| July - Sept 2014 | 2014 - 4th | | | | | | | | \$0 |
| Oct - Dec 2014 | 2015 - 1st | | | | | | | | \$0 |
| Jan - Mar 2015 | 2015 -- 2nd | | | | | | \$1,525,763 | \$442,250 | \$1,968,013 |
| Apr - June 2015 | 2015 - 3rd | | | | | | \$1,525,762 | \$442,250 | \$1,968,012 |
| July - Sept 2015 | 2015 - 4th | \$88,450 | \$44,225 | \$221,125 | \$331,688 | \$685,488 | \$1,525,763 | \$442,250 | \$2,653,501 |
| Oct - Dec 2015 | 2016 -- 1st | \$88,450 | \$44,225 | \$221,125 | \$331,687 | \$685,487 | \$1,525,762 | \$442,250 | \$2,653,499 |
| Jan - Mar 2016 | 2016 - 2nd | \$88,450 | \$44,225 | \$221,125 | \$331,688 | \$685,488 | | | \$685,488 |
| Apr - June 2016 | 2016 - 3rd | \$88,450 | \$44,225 | \$221,125 | \$331,687 | \$685,487 | | | \$685,487 |
| July - Sept 2016 | 2016 -- 4th | | | | | | | | \$0 |
| For Reference | | | | | | Max set-aside equals | Max loan fund equals | Cash Draw Ratio | |
| Max % - total award | | 4% | 2% | 10% | 15% | 31% | 69% | | |
| Max \$ -total federal award | | \$353,800 | \$176,900 | \$884,500 | \$1,326,750 | \$2,741,950 | \$6,103,050 | 77.53% | |
| Max \$ -total state award | | | | | | | \$1,769,000 | 22.47% | |
| Combined total | | | | | | \$2,741,950 | \$7,872,050 | 100.00% | |

