

# DWSRF INTENDED USE PLAN (IUP) FOR NEW MEXICO

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**State Fiscal Year 2009  
(SFY 09)**



# Drinking Water State Revolving Loan Fund (DWRLF)

- 1997- NM established the Drinking Water State Revolving Loan Fund (DWRLF), in conjunction with the amendments to the federal *Safe Drinking Water Act (SDWA)*
  - For the purpose of providing local entities with low-cost financial assistance in the construction of necessary drinking water facilities and
  - To develop programs that support public water systems in achieving or remaining in compliance with primary drinking water regulations
- New Mexico is applying for the FFY08 capitalization grant allotment, which totals approximately \$8,146,000.

# IUP Grant Funding:

- Pursuant to the DWSRF, the capitalization grant allows for up to 31% of the award to be used for Set-Aside activities.
  - NMFA receives 4% of the capitalization grant for Set-Aside activities.
  - NMED receives 27% of the capitalization grant for Set-Aside activities.
  - The remaining 69% of the capitalization grant is used for loans.
- An Intended Use Plan (IUP) is required by the *SDWA* in order to receive the Drinking Water State Revolving Fund (DWSRF) EPA capitalization grant that funds the DWRLF.
- The IUP must describe the allocation of grant funds between the loan fund and the Set-Asides, and associated activities.

# Intended Use Plan (IUP):

The IUP describes how the Set-Asides funds will be used during State Fiscal Year (SFY) 2009 which spans the period of July 1, 2008 to June 30, 2009. The SFY 2009 IUP includes the following information:

- a description of the financial status of the DWRLF as required in section 1452(b)(2)(A);
- a description of the short-term and long-term goals and objectives of the DWRLF and Set-Aside Programs, including how capitalization funds will be used to ensure compliance and protect public health;
- a detailed description of the use of funds specified for Services to Public Water Systems (Set-Asides) for SFY 09;
- a discussion of the affordability criteria and assistance to disadvantaged communities;
- an explanation of the DWRLF Leveraging Plan and Financial Status;
- a discussion of the disbursement of project funds, including the criteria and process used;
- a description of the priority system to rank public water supply system projects;
- an explanation of the required environmental review;
- a detailed description of the public review process as required in section 1452(b)(1).

# LONG-TERM GOALS

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

- Support public water systems (PWS), using the set-aside activities outlined in the IUP and the approved work plan, to maximize *SDWA* compliance, public health protection, ensure affordable drinking water and system sustainability, particularly focusing on water systems serving populations of less than 10,000.
- Maintain the DWRLF, as a perpetual funding source with fiscal integrity, to support water systems in New Mexico.
- Maintain timely, accurate and complete administrative functions to sustain the DWRLF, including grant applications and reporting requirements.
- Provide training and direct assistance through contracts and in-house staff to enhance financial, technical and managerial capacity, to all PWS as resources allow. Ensure that training and services are designed to target small water systems serving a population of less than 10,000.
- Collaborate with organizations, agencies, universities and individuals in fostering a sustainable supply of healthy drinking water for the State through source water protection activities including management of water quantity and quality.
- Encourage the consolidation and/or regionalization of small public water systems that lack the capability to operate in a cost-effective manner and in accordance with *SDWA*
- Improve the capacity of surface water systems through the Area Wide Optimization Program (AWOP) including activities such as Comprehensive Performance Evaluations.
- **The Drinking Water Bureau and its' contractors, as well as other partners will be working with all water systems throughout the State to ensure that all water systems have an Asset Management Plan within the next five years. (NEW)**
- **The Drinking Water Bureau and its' contractors, as well as other partners will be working with all water systems throughout the State to ensure that all water systems have a rate structure in place to support normal operation and maintenance and replacement costs for infrastructure within the next five years. (NEW)**

# Short-Term Goals

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

- Post the SFY 2009 IUP for public review in May of 2008. Provide an opportunity for public participation by hosting a Drinking Water Advisory Group meeting and presenting the IUP for public comment.
- Prepare and submit the FFY 2008 Capitalization Grant Application by March of 2009, including the Intended Use Plan and the Fundable Priority List.
- Submit the SFY09 Set-Aside work plan detailing the use of SRF funds from on-going capitalization grants within 90 days of receiving the capitalization grant.
- Provide training, education, and in-house professional technical resources targeted to small water systems serving a population  $\leq 10,000$  to assist these systems in achieving and maintaining long-term compliance.
- Expand the Source Water Protection Program to encourage more communities to participate in the program by implementing their Source Water Protection Plan. These activities shall be completed through a combination of staff and contractor efforts.
- Provide loans to water systems listed on the Fundable Priority List to the extent possible and in accordance with federal and state laws.
- Provide low-cost loans to disadvantaged communities for eligible drinking water projects, as allowed by the *SDWA*.
- Execute three (3) binding commitments for SFY 2009.
- Meet the Objectives for each Set-Aside category, including “Outputs,” “Outcomes”.
- Complete and submit the SFY 2008 annual report in September 2008.

# SHORT TERM GOALS (cont.):

- Implement the Uniform Funding Application and process, to bring systems to the DWSRF program. Continue to review and revise the priority system ranking criteria to better reflect public health priorities and other capacity measures used for the establishment of the annual fundable priority list and comprehensive priority list.
- Provide technical assistance through the capacity development program to target water systems that are on the Comprehensive Priority List but are unable to qualify for the Fundable Priority List.
- Begin technical assistance for water systems to help them with the preparation and implementation of asset management plans, self sufficient rates, and long term planning.
- Develop and complete a Tier 2 SERP for the purpose of lending recaptured funds from principal and interest repayments into the loan fund. [Long-Term Goal 2]
- Revise the Tier 1 SERP, for the purpose of broadening the definition of Categorical Exclusions for construction projects in New Mexico. [Long-Term Goal 2]
- Improve upon the current DWSRF Fund Utilization Rate in New Mexico so that it exceeds 75% by the end of SFY 2009.
- NMFA will close a minimum of (4) DWSRF loans in SFY 2009.

Note: Yellow text denotes a new item

# Set-Aside Activity: Administration

## Activities

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

## Target Accomplishments

- Maintain the loan fund, as a perpetual funding source with fiscal integrity;
- Develop and maintain timely, accurate and complete administrative functions, including Project binders, grant application and reporting;
- NMFA will convert 3 loans from the 5 outstanding binding commitments which have been issued from previous years
- The NMFA anticipates entering into three (3) binding commitments during the SFY 09.
- NMFA will modify the State Environmental Review Process (SERP) to broaden the Categorical Exclusions list as well as develop and complete a Tier 2 SERP for monies that have been recaptured in the fund via principal and interest repayments .

# Set-Aside Activity: Small Systems Technical Assistance

## Activities

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

# State Programs Set-Aside: State Programs - Services to All Public Water Systems

## Activities

- Provide support to the administration of the Public Water Supply Supervision program.
- Assist water systems in complying with the SDWA, by seeking voluntary compliance or taking enforcement actions on violations identified through sanitary surveys, compliance or monitoring sampling, and other inspections. Routinely identify & provide information on the needs of public water systems that result in increased compliance.
- Coordinate, review and oversee the Capacity Development program administration.
- Coordinate, review and oversee Operator Certification program administration in conjunction with the Surface Water Quality Bureau.
- Implement administrative functions of the Source Water Protection Program.

# Set-Aside Activity: Local Assistance— Services to All Public Water Systems

## 1. State and Local Capacity Development Program

### Activities

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

# Set-Aside Activity: Local Assistance– Implementation of Wellhead Protection Program

## 2. Implementation of Wellhead Protection Program (WHPP)

### Activities

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

# NMFA LOAN PROGRAM



# DWRLF Process

- Community is Listed on the Fundable List
- Meeting with NFMA to learn about the Program
- Community meeting to discuss the project and approve the application
- Application filed with all the required Documents
- NMFA staff does financial analysis
- NMFA Board approves the project

# DWRLF Process Con't

- Preliminary Engineering Report
- Environmental Information Document Completed
- Closing Construction loan
- Construction
- Closing on the Final Loan

# DWRLF Interest Rates

- Disadvantaged Community 0%  
(In Some Cases principle may be forgiven)
- Non-Disadvantaged Community 2%
- Non-Profit Water Systems 3%
- Private for Profit Water Systems 4%

# Affordability Ratio

\*AFFORDABILITY RATIO =  $\frac{\text{Community's Annual Price of Water Service}}{\text{Median Household Income for Community}}$

## Two categories of disadvantaged communities:

1. Median household income (MHI) is less than 90% of the State's MHI and whose affordability ratio falls between .01 and .015. Interest rates on loans will be at 0% for a maximum loan term of 20 years.
2. MHI less than 90% of the State's MHI, and whose affordability ratio is greater than .015. Interest rates on loans will be at 0%, and the NMFA can provide the following assistance:
  - provision of planning, design and engineering services free of charge by the NMED from set-asides to reduce total project cost;
  - extension of the amortization period on the 0% disadvantaged community loan to a maximum of 30 years; and
  - forgiveness of principal payments on the disadvantaged community portion of the loan.

# DWRLF Leveraging Plan

- An entity may receive up to the first \$2 million of a drinking water project at the DWRLF interest rates (0% and 2%).
- Any project amount exceeding \$2 million will be financed 50% from the DWRLF, up to a maximum of 20% of the funds available in the Fund, and 50% from NMFA's Public Project Revolving Loan Fund.

# PRIORITY LIST



# DWRLF Priority Lists

- Each year, DWB sends all eligible water systems a Project Interest Form (PIF). Systems considering a DWRLF loan for a project submit this to DWB. The PIF contains a brief description of the project.
- A Tier 2 capacity assessment is conducted on all systems that submitted a PIF.
- Project information and some capacity data is used to create the Comprehensive Priority List (CPL) which ranks all submitted projects.
- Capacity data is then used to decide which systems are eligible for the Fundable Priority List (FPL). Only systems on the FPL can get DWRLF funding.

# CPL Priority Criteria

Comprehensive Priority List priority points are given for:

- Projects that address a public health threat
- Projects that address SDWA Compliance
- Projects that promote regionalization
- Projects that reduce water loss, streamline operations, enhance water supply
- Projects that address GWUDI
- Systems that meet affordability criteria
- Systems that have done emergency planning
- Smaller water systems

# FPL Criteria

Current criteria for getting on Fundable Priority List are:

- ❑ Technical Capacity:
  - System must have an appropriately certified operator
- ❑ Managerial Capacity (2 of the following):
  - Written operating procedures
  - Written job descriptions for all staff
  - A written preventative maintenance plan
  - A written emergency plan
  - An emergency source
  - A cross-connection control program
  - Security measures
  - An approved source-water protection plan

# FPL Criteria (Cont.)

Current criteria for getting on FPL are:

❑ Financial Capacity:

- A budget
- At least four of the following:
  - A written and adopted rate structure
  - Rates that cover operation and maintenance
  - Rates that cover infrastructure repair and replacement
  - Rates that cover staffing
  - Rates that cover emergency/reserve fund
  - More than 90% of customers paying water bills
  - Metering of customers (if the project does not include meters)

Questions

