

STATE OF NEW MEXICO DRINKING WATER STATE REVOLVING FUND



SFY2009 Intended Use Plan



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EXECUTIVE SUMMARY

In State Fiscal Year (SFY) 08, New Mexico's Drinking Water State Revolving Loan Fund (DWSRF) made significant strides that the State of New Mexico (the State) is looking to capitalize on in the future through the use of this program. Some of the achievements include the following:

1. Eight binding commitments were executed totaling approximately \$22 million. This is the largest number of binding commitments done in one SFY;
2. Improved the Fund Utilization Rate (FUR) from 57% in SFY 07 to 75% in SFY 08, and we are projecting the FUR will increase to 97% in SFY 09;
3. Decreased the Unliquidated Obligations in the Set-Aside fund balances; and
4. Provided technical, managerial and financial assistance through contracts funded with set-aside funds and Drinking Water Bureau staff efforts to hundreds of small water systems throughout the State.

The New Mexico Finance Authority (NMFA) and New Mexico Environment Department – Drinking Water Bureau (DWB) along with guidance from the Environmental Protection Agency (EPA) Region 6 solicited the advice of Northbridge Environmental Management Consultants (Northbridge). Northbridge was asked to do an evaluation of the DWSRF program looking at all aspects of the program from the development of the loans using the DWSRF, competitor programs, the use of the set-asides and a community survey. Northbridge compiled a report which outlined suggestions that could improve the program and both Agencies are working on implementing some of those suggestions in SFY 09.

Finally, the State, has taken a significant step forward to provide even more assistance to the water systems in the State. The Executive Order (EO) 2007-050, signed by Governor Bill Richardson on October 31, 2007, was issued to coordinate the technical, managerial, financial, and construction oversight of water systems throughout the State. The EO also establishes an executive Water Cabinet to harmonize all water policy matters and align a unified funding approach for water and wastewater infrastructure needs through various state agencies including the New Mexico Environment Department (NMED) and the NMFA. Through the EO, the Construction Programs Bureau (CPB) and the DWB moved from their previous divisions to one housed within the Water and Wastewater Infrastructure Development Division (WWIDD) of the NMED. The overall charge of this new division is to lead the multi-agency effort to coordinate the funding process for all water and wastewater projects throughout the State utilizing a Uniform Funding Application (UFA) process. The implementation of the EO will include the UFA water and wastewater project requests beginning in SFY 09. The DWB will continue to provide regulatory oversight of the Federal Safe Drinking Water Act.

The State is primed to continually improve the water quality standards within the State and move forward with sustainable infrastructure into the future. SFY 08 was a successful year for the DWRLF program and we look forward to continue the success in SFY 09. The Intended Use Plan (IUP) will provide information that will springboard the DWRLF into a prosperous SFY 09.



I. INTRODUCTION

A. New Mexico's Drinking Water State Revolving Fund Program

The Federal Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF), a low-cost loan program for public water systems to finance the cost of repair and replacement of drinking water infrastructure, maintain or achieve compliance with the SDWA requirements and protect drinking water quality and public health. The State, through the NMED and the NMFA, established the DWRLF in 1997. The NMFA, as grantee, is responsible for the oversight of the financing loan component including binding commitments. The Federal SDWA Amendments of 1996 created several programs that help develop and sustain the State's drinking water programs such as source water protection, capacity development and training for operator certification. The DWB, as sub-grantee, is responsible for the oversight of these programs through a funding mechanism known as the DWSRF set-asides. The EPA allows states to utilize up to 31% of the annual Capitalization Grants to fund programs in four different set-aside areas that include:

1. Administration of the DWSRF;
2. Small System Technical Assistance;
3. State Program Management; and
4. Local Assistance and other State Programs.

To-date, the State has received approximately \$75.5 million in Federal Capitalization Grants from the EPA and has provided State Match grant funds totaling approximately \$15.1 million. All of the State Match and 69% of the \$75.5 million in Federal Capitalization Grants have been deposited into the DWRLF. Of this \$67.2 million, NMFA has loaned approximately \$29.9 million, or 44.5%, to small systems that serve a population of fewer than 10,000 people. Overall, the DWRLF is vital to the goal of providing safe drinking water to the citizens of the State.

B. Intended Use Plan Overview

An IUP is required by the SDWA in order to receive the DWSRF Capitalization Grant, pursuant to 40 CFR 35.3555. The Capitalization Grant funds the loan fund and the set-asides. The amount of the Capitalization Grant allotted to the State is determined by Congress and administered by the EPA. The IUP contains information about the short and long-term goals of the programs funded by the DWSRF. These goals are intended to continue the State's efforts to: 1) ensure public health protection; 2) identify and provide funding for maintaining and/or bringing the State's public water systems into compliance with the SDWA; 3) support affordable drinking water and sustainability; and 4) maintain the long-term financial health of the Fund. The IUP describes how the funds will be used during SFY 09. The time period covered is July 1, 2008 – June 30, 2009. The IUP addresses the intended uses of the new Federal Fiscal Year (FFY) 08 Capitalization Grant along with the remaining Set-Aside and DWRLF balances unexpended in previous fiscal years. In SFY 09, the State will be applying for the FFY 08 Capitalization Grant allotment in the amount of \$8,146,000, to further the water quality programs and provide funding for projects throughout the State.



C. Zero to Four Percent Interest Loans

The NMFA has established low interest rates for the loan program to promote a low cost viable source of money to take on drinking water projects in the State. The NMFA will provide loans from 0% to 4% depending on the eligibility of water system. If a water system is a public water system then they are eligible to receive the loans at 0% or 2%. The State's Constitution limits NMFA's ability to offer below-market rates to non-public bodies, including private non-profit water systems and private, for-profit water systems. As such, the NMFA charges a 3% market interest rate to private non-profit water systems and 4% to private, for-profit water systems. These rates are pegged to the 15-year tax-exempt rates at the time of approval by the NMFA Board of Directors and may be reviewed periodically.

D. Disadvantaged Community Loans

The NMFA shall provide 0% interest loans to disadvantaged communities. Water systems on the Fundable Priority List that are at 90% of Median Household Income (MHI) will be listed as disadvantaged. NMFA identifies a disadvantage community by the usage of the affordability criteria which takes into account both the price and the ability to pay and a ratio of average annual user charges which would result from the completion of a proposed project to the MHI of the water system service area. Page 18 of the IUP provides a more detailed description on how the NMFA calculates the disadvantage assistance and the assistance that will be provided to disadvantaged communities.

E. Drinking Water State Revolving Fund Set-Asides

By law, up to 31% percent of the annually allotted Federal Capitalization Grant is designated by the SDWA for "Set-Aside" activities. The State uses the maximum Set-Aside allocation to ensure public health protection. The DWB uses 27% of the grant for the eligible Set-Asides programs. The activities funded by this portion of the Set-Asides allow the DWB to: a) increase the technical, managerial, and financial capacity of local water systems; b) assist entities in qualifying for loans; and c) provide technical assistance targeted to systems serving 10,000 persons or less. The NMFA uses 4% of the Set-Asides to cover reasonable administrative costs of the DWRLF. The Federal Capitalization Grant, less the amount of Set-Asides, is deposited in the loan fund along with the required State Match. The NMFA can then utilize funds in the DWRLF to make loans to community water systems for eligible water system improvements. The DWB, and NMFA are responsible for providing the administrative oversight for the use of the Set-Asides to support public water systems (PWSs).

The State must provide a process and rationale for distribution of funds between the DWRLF and set-aside accounts. The rationale for the full use of the DWRLF Set-Asides is multiple in nature. Due to the dispersed nature of the population and the large geographic area of the State, consolidated training and services do not optimally reach the majority of the rural water systems. In order to effectively implement the Set-Aside programs, a high degree of individual water system training and assistance is required. These Set-Aside programs must allow for a greater percentage of individual or "small-cluster" trainings and interactions, which is more burdensome, costly



and time-consuming but is also more effective in assisting systems in complying with the SDWA. Thus, the DWB must utilize 27% of the available funds for non-administrative Set-Aside activities. Each year the NMFA and the DWB prepare a work plan that further defines the use of the Set-Asides and projects forward the spending of the Set-Aside funds.

F. Public Input, Review and Comment Procedures

The draft IUP will be made available to the public on May 30, 2008 at the Drinking Water Advisory Group (DWAG) meeting, on the DWB webpage, and on the NMFA webpage. This DWAG is comprised of a myriad of stakeholders that serve as the mechanism for initial participation in the public comment process. A DWAG meeting is held at a central location in the State at least twice per year. All public water systems are sent a postcard notifying them of the DWAG meeting approximately one month prior to the meeting. In addition an email is sent to all systems with known email addresses along with the laboratories, consultants, contractors and other interested parties. The IUP will be presented at the DWAG meeting and hard copies given out upon request. The audience will be informed that they have 30 days to submit written comments on the plan.

II. LONG-TERM AND SHORT-TERM GOALS OF THE DWSRF FUND AND SET-ASIDE PROGRAMS

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

1. Support PWSs, using the Set-Aside activities outlined in this document 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.
2. Maintain the DWRLF, as a perpetual funding source with fiscal integrity, to support water systems in the State.
3. Maintain timely, accurate and complete administrative functions to sustain the DWRLF, including grant applications and reporting requirements.
4. Provide training and direct assistance through contracts and in-house staff to enhance financial, technical and managerial capacity, to all PWSs as resources allow. Ensure that training and services are designed to target small water systems serving a population of less than 10,000.
5. Collaborate with organizations, agencies, universities and individuals to ensure a sustainable supply of healthy drinking water for the State through Source Water Protection (SWP) activities.
6. Encourage the consolidation and/or regionalization of small PWSs that lack the capability to operate and maintain water systems in a cost-effective manner and in accordance with SDWA.
7. Improve the capacity of surface water systems through the Area Wide Optimization Program (AWOP) including activities such as Comprehensive Performance Evaluations.
8. The DWB 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.

9. The DWB 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.

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

1. Post the SFY 09 IUP for public review in May of 2008. Provide an opportunity for public participation by hosting a DWAG meeting and presenting the IUP for public comment.
2. Prepare and submit the FFY 08 Capitalization Grant Application by March of 2009, including the IUP and the Fundable Priority List.
3. Submit the SFY 09 Set-Aside work plan detailing the use of the DWSRF funds from on-going Capitalization Grants within 90 days of receiving the Capitalization Grant.
4. 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.
5. Provide loans to water systems listed on the Fundable Priority List to the extent possible and in accordance with federal and state laws.
6. Provide low-cost loans to disadvantaged communities for eligible drinking water projects, as allowed by the SDWA.
7. Execute three (3) binding commitments for SFY 09.
8. Meet the Objectives for each Set-Aside category, including "Outputs," "Outcomes," as they relate to the environmental benefits regulations which were established in January 2005.
9. Complete and submit the SFY 08 annual report in September 2008.
10. Implement the UFA and process, to bring systems to the DWRLF 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.
11. 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.
12. 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.
13. Develop and complete a Tier 2 (State Environmental Review Process (SERP) for the purpose of lending recaptured funds from principal and interest repayments into the loan fund. [Long-Term Goal 2]
14. Revise the Tier 1 SERP, for the purpose of broadening the definition of Categorical Exclusions for construction projects in the State. [Long-Term Goal 2]



III. SOURCES AND USES OF FUNDS

DWSRF SOURCES AND USES OF FUNDS STATEMENT
Balances thru 6/30/08 - Uses for State FY09

Sources of Funds	Set-Asides (excludes admin.)	Administration	Loan Fund	Total
Balances projected to expire ¹	\$0	\$0	\$14,053,179	\$14,053,179
Beginning balances from previous unexpired awards ²	\$2,657,676	\$329,172	\$12,751,849	\$15,738,697
Total Liquid Asset Balance from previous year	\$2,657,676	\$329,172	\$26,805,028	\$29,791,876
Federal Cap Grant Payments (FY06 award)	\$2,559,945	\$411,456	\$6,813,736	\$9,785,137
State Match (FY06 award)	\$0	\$0	\$1,975,030	\$1,975,030
Interest on Cash Assets	\$0	\$0	\$763,246	\$763,246
Leveraged Bond Proceeds	\$0	\$0	\$0	\$0
Loan repayments (both Principal & Interest)	\$0	\$0	\$2,227,212	\$2,227,212
Fees generated from lending or set-aside activity	\$0	\$0	\$161,541	\$161,541
Other cash inflows	\$0	\$0	\$0	\$0
	\$2,559,945	\$411,456	\$11,940,765	\$14,912,166
TOTAL SOURCES OF FUNDS	\$5,217,621	\$740,628	\$38,745,793	\$44,704,042
Uses of Funds				
<u>Loans</u>				
Unexpended amounts on existing loans	\$0	\$0	\$12,608,192	\$12,608,192
Current FY loans anticipated	\$0	\$0	\$37,400,000	\$37,400,000
Total for Loans	\$0	\$0	\$50,008,192	\$50,008,192
<u>Set-Asides</u>				
Administration (4%)	\$0	\$465,000	\$0	\$465,000
Small Systems Tech Assistance (2%)	\$162,920	\$0	\$0	\$162,920
State Program Mgt (1452(g)(2)-10%)	\$814,600	\$0	\$0	\$814,600
Local Assistance/St Prog (1452(k)-15%)	\$1,221,900	\$0	\$0	\$1,221,900
Total for Set-Asides	\$2,199,420	\$465,000	\$0	\$2,664,420
<u>Other</u>				
Debt service on Leveraged and Match Bonds	\$0	\$0	\$0	\$0
Debt Service Reserve Funding	\$0	\$0	\$0	\$0
Other cash outflows	\$0	\$0	\$0	\$0
Funds that will be extended from previous awards ¹	\$0	\$0	\$14,053,179	\$14,053,179
Ending Balances (Resources Carried Over to Next Year)	\$3,018,201	\$275,628	(\$25,315,578)	(\$22,021,749)
Total for Other	\$3,018,201	\$275,628	(\$11,262,399)	(\$7,968,570)
TOTAL USES OF FUNDS	\$5,217,621	\$740,628	\$38,745,793	\$44,704,042

Note: 1. FFY 2001 and 2002 grant expires at the end of June 30, 2008 and FFY 2003 grant expires at the end of July 31, 2008

Note: 2. The required 50% match for State Programs is met by NMED, with existing expenditures from the Water Conservation Fee Fund (within the purposes of the fund)

This time and effort match is based on actual cash outlays by NMED.



IV. SET-ASIDE ACTIVITIES

A. Drinking Water Revolving Loan Fund (DWRLF) Administration Expenses

Section 1452(g) of the SDWA authorizes states to provide funding for the DWRLF Administration as a Set-Aside activity. The administration of the State DWRLF is delegated by statute to the NMFA. The administrative tasks include portfolio management; DWRLF programmatic administrative costs; support services; financial management; technical services for construction oversight and environmental reviews, as well as legal consulting fees.

In accordance with 1452(g) of the SDWA, this Set-Aside will be utilized by the NMFA. As allowed by the SDWA, the NMFA reserved and specified an amount equal to 4% of the FFY 08 Capitalization Grant for administrative support of the DWRLF. The NMFA will use an estimated amount of \$465,000 from Set-Aside funds for SFY 09. The funds available for the administration of the DWRLF program during SFY 09 include the unexpended administrative Set-Aside funds from previous years. This Set-Aside will fund activities that implement, administer, and operate the DWRLF program during SFY 09. The NMFA estimates that ten of its employees will work on the program, on a part-time basis, for an equivalent of approximately 3.25 Full-Time Employees. The NMFA staff charge their time based on actual hours worked on the DWRLF program. The NMFA end of SFY 09 balance for Administration is estimated at \$190,000. The NMFA may contract with the NMED’s Construction Programs Bureau for engineering and construction oversight. The NMFA may also contract with other parties chosen through a competitive procurement process for other technical services including environmental reviews. The NMFA SFY 09 estimated expenditures for these services are approximately \$110,000.

Outcomes/Environmental Results

Outputs¹ – to be documented in Mid-year/Annual Reports:

Output Type	Quantitative/Qualitative Description of Output	Period of Performance
Close on outstanding Binding Commitments	The NMFA will convert three loans from the five outstanding binding commitments which have been issued from previous years	SFY 09
Enter into new Binding Commitments	The NMFA will enter into three binding commitments from the SFY 09 Fundable Priority List which can be found in Attachment D to this report.	SFY 09
Modifications to the SERP	The NMFA will modify the 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.	SFY 09

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



Outcomes/environmental results¹ – to be documented in Mid-year/Annual Reports:

Outcome Type	Quantitative Description of Outcome	Period of Performance
Programmatic	Increase marketing efforts of the DWRLF which will help increase the understanding of the DWSRF program.	SFY 09
Environmental	Two Small PWSs will develop a binding commitment through the DWSRF program, which will assist in returning them to compliance with the SDWA.	SFY 09

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

B. Small Systems Technical Assistance

SDWA authorizes states to use this Set-Aside to support a state technical assistance team or to support contracts with outside entities and individuals in order to provide technical assistance to PWSs serving a population of 10,000 or fewer. The goal for the technical assistance is to enable such systems to achieve and maintain compliance with the SDWA and State regulations.

The DWB provides staff assistance to small water systems on a daily basis. The oversight staff in the many district and field offices from across the State work to assist the water systems with questions and problems. They provide guidance materials to the water systems as needed. When a water system receives a violation the oversight staff prepares a notification letter that details the violation/s and procedures for compliance. The oversight staff can provide detailed explanations of the violations and the recommended steps to correct deficiencies. Oversight staff will work with water systems to develop strategies to return them to compliance as part of informal compliance agreements. If the number of violations rises to the level of formal enforcement, the enforcement staff provides direction and uses the escalated enforcement policy to prepare the appropriate enforcement actions. Small systems under enforcement actions receive priority technical, financial and managerial assistance from the DWB’s contractors. The contractors are paid for out of the Local Assistance Set-aside.

The goal for the small systems technical assistance is to enable such systems to achieve and maintain compliance with the SDWA and State regulations. The DWB and the NMFA will provide technical assistance to small water systems, through both staff resources and/or technical assistance contractors.

Outcomes/Environmental Results

Outputs – to be documented in Mid-year/Annual Reports:

Output Type	Quantitative/Qualitative Description of Output	Period of Performance
Associated Work Product of Environmental Effort	The DWB staff in each District will meet weekly and discuss water systems issues and how staff and or contractors can assist the water systems in need of technical or other help.	SFY 09



Environmental Activity	The enforcement staff, the technical assistance contractors, and the district oversight staff will meet to discuss enforcement activities and needed assistance to small water systems at least four times per year per district.	SFY 09
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Outcomes/environmental results – to be documented in Mid-year/Annual Reports:

Outcome Type	Quantitative Description of Outcome	Period of Performance
Programmatic	All assistance actions will be entered into Safe Drinking Water Information System (SDWIS) and reported on a monthly basis to management.	SFY 09
Environmental	The number of water systems in Significant Non-Compliance (SNC) will decrease from the SFY 08 level by 5%.	SFY 09
Environmental	DWB staff will provide technical assistance to small water systems to assist them in maintaining compliance. Assistance will be provided to at least 80% of all small water systems requiring assistance during the fiscal year.	SFY 09

C. State Program Management

Source Water Assessment and Protection Program

This Set-Aside will be used to administer the Source Water Assessment and Protection (SWAP) Program. The SWAP program facilitates on-going state efforts to protect public drinking water supplies from contamination. Activities planned to administer the SWAP program include finalize a statewide SWP program implementation strategy, manage the state SWP activities, track and report SWP program activities, and develop SWP outreach and training materials.

Public Water System Supervision Program

This Set-Aside will be used by the State to administer the Public Water System Supervision (PWSS) program. The activities planned to support the PWSS program include implementation of new rules, conducting sanitary surveys to assess the needs and deficiencies of PWSs, provide appropriate enforcement documentation in support of formal enforcement actions taken by the State and respond to identified needs and regulatory deficiencies.

Operator Certification Program

The NMED has authority to administer the Utility Operator Certification (UOC) program pursuant to the SDWA. The UOC Program is organizationally located in the Facility Operations Team (FOT) of the Surface Water Quality Bureau (SWQB). The DWB coordinates reviews and oversees the UOC program administration in conjunction with the SWQB.



Capacity Development Program

The DWB’s Capacity Development Program strives to increase the level of knowledge of water system administrators, operators and customers. The State has a large number of small, community-administered water systems with board members that have little formal experience running a water system or a business. This situation presents a significant and ongoing challenge to the State. The DWB’s strives to increase the technical, managerial and financial capacity of water systems through the work of its staff and contractors to provide assistance, training and professional oversight. In SFY 09, the DWB intends to update its capacity development strategy including a description of the program to address new water systems capacity.

Area Wide Optimization Program

The DWB AWOP strives to improve the operation and performance of the State’s surface water treatment systems in an attempt to help them meet optimization goals. AWOP activities that are eligible for funding under the State Programs Set-Aside are planning and strategy development, tracking and compiling data, outreach materials development and staff training. In SFY 09, the DWB intends to continue collecting turbidity data from the State’s surface water systems and maintaining the status component (i.e. system ranking). In addition, it is intended that at least one AWOP staff planning meeting will be held in SFY 09.

Outcomes/Environmental Results

Outputs – to be documented in Mid-year/Annual Reports:

Output Type	Quantitative/Qualitative Description of Output	Period of Performance
Programmatic	Revise the SWP Program Implementation Strategy to increase activity in the SWP program.	SFY 09
Environmental	Perform 75% of the sanitary surveys required by regulation.	SFY 09
Programmatic	Participate in all UOC Program meetings.	SFY 09
Programmatic	Revise the Capacity Development Strategy and include capacity development for new water systems.	SFY 09
Programmatic	Provide training to water system operators thru staff efforts.	SFY 09

Outcomes/environmental results – to be documented in Mid-year/Annual Reports:

Outcome Type	Quantitative/Qualitative Description of Outcome	Period of Performance
Environmental	The population served by a water system with a substantially implemented SWP Plan will be increased to 45% in line with the National goal.	SFY 09
Environmental	88% of the community water systems in the State will meet all applicable health-based drinking water standards.	SFY 09
Programmatic	85% of community water systems will have a certified operator.	SFY 09
Programmatic	All capacity development reporting will be completed on time.	SFY 09
Environmental	All identifiable potential waterborne disease outbreaks at PWSs are investigated by NMED and the Department of Health and documented for future reference.	SFY 09

D. Local Assistance

Capacity Development Program

Capacity development is the process by which water systems acquire and maintain the technical, managerial and financial capacities necessary to consistently provide safe drinking water. The State is authorized to assist PWSs in developing and upgrading their technical, managerial, and financial capacities. This portion of the Set-Aside involves: completion of capacity assessments to determine existing resources and inadequacies; general assistance and training of both operators and the water board members by staff and contractors; targeted assistance to water systems identified as in SNC; and development of educational materials. An important capacity development component will include encouraging the consolidation and/or regionalization of small PWSs to enhance leveraging of resources. Funding from this Set-Aside will also be utilized to support engineering review of projects to ensure that new water systems and existing system who propose modifications have sufficient managerial, technical, and financial capacity. These activities are focused on assessing and assisting new and existing water systems to ensure they are able to meet the requirements of the SDWA at present and in the future.

Activities that will be pursued under this Set-Aside include enhancing the public outreach efforts with new materials and increased participation in a broader scope of events and venues, conducting a minimum of two DWAG meetings, timely review of plans and specifications submitted for review to the DWB engineering staff, direct assistance and offer training to water systems to address their technical, managerial and financial capacity deficiencies, and conduct capacity assessments in a timely manner in response to submittal of a DWSRF Project Interest Form, a request for managerial/financial assistance or upon becoming aware of a new PWS.

In SFY 09, the AWOP intends to conduct one Comprehensive Performance Evaluation (CPE) at a small surface water system. In addition, the DWB intends to offer training to surface water operators on topics such as the surface water regulations and CT (**identify**). AWOP staff will participate in EPA Region 6 AWOP activities as well as national AWOP activities to the extent funding will allow.



Operator Certification

The NMED staff will perform training for water system operators along with its contractors. The staff will assist water systems in need of a certified operator by providing a contact list of operators available.

Outcomes/Environmental Results

Outputs – to be documented in Mid-year/Annual Reports:

Output Type	Quantitative/Qualitative Description of Output	Period of Performance
Programmatic	Begin implementing capacity assessments for all water systems that have a sanitary survey completed in SFY 09 utilizing the new Sanitary Survey form.	SFY 09
Programmatic	Plans and specifications for all new construction and major modifications will be reviewed for conformance with the State Drinking Water Regulations.	SFY 09
Programmatic	DWB staff will meet bi-weekly along with the contractors and EPA to review the water systems in violation and on the SNC List.	SFY 09

Outcomes/environmental results – to be documented in Mid-year/Annual Reports:

Outcome Type	Quantitative/Qualitative Description of Outcome	Period of Performance
Programmatic	All water systems with completed capacity assessments identified in need of technical, managerial or financial assistance will receive an offer of assistance from DWB staff or its contractors within 90 days of identifying the need.	SFY 09
Environmental	80% of all plans and specifications submitted for review will be reviewed and commented on within 30 days of receipt.	SFY 09
Programmatic	90% of water systems identified during bi-weekly meetings as needing technical, managerial, or financial assistance will receive either staff or contractor assistance within 90 days of identifying the need.	SFY 09

Implementation of Source Water Assessment and Protection Program

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



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

Outcomes/Environmental Results

Outputs – to be documented in Mid-year/Annual Reports:

Output Type	Quantitative/Qualitative Description of Output	Period of Performance
Programmatic	DWB staff will identify and assist community water systems with the development of SWP plans that meet substantial implementation status.	SFY 09
Environmental	DWB staff will evaluate all eligible water systems eligible for chemical monitoring flexibility	SFY 09
Programmatic	DWB staff and contractors will assist interested water systems in preparing and implementation SWP plans	SFY 09
Environmental	DWB staff will evaluate suspected GWUDI water systems in order of priority and notify systems of results of testing.	SFY 09

Outcomes/environmental results – to be documented in Mid-year/Annual Reports:

Outcome Type	Quantitative/Qualitative Description of Outcome	Period of Performance
Environmental	12% of community water systems will have substantially implemented SWP programs.	SFY 09
Environmental	All water systems eligible for chemical monitoring flexibility will be evaluated and a decision rendered within 60 days of becoming eligible.	SFY 09
Environmental	Twelve SWP plans will be prepared with the assistance of DWB staff or contractors for water systems that did not have plans previously.	SFY 09
Environmental	90% of GWUDI evaluations will be analyzed and a determination made within 30 days of completing the evaluation.	SFY 09

V. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

A. Distribution of Funds Analysis

The NMFA will fund the DWRLF projects using the priority system established by the DWB. The State prefers to fund the projects on the DWSRF Fundable Priority List in rank order, but reserves the right to by-pass certain projects, using a by-pass procedure, as described below in Section V.G. In such an instance lower ranked



projects may be funded over higher ranked projects if, in the opinion of the NMFA and NMED, the higher ranked project meets the by-pass screening criteria.

In the past, the NMFA had a leveraging plan that required a borrower of the DWRLF to leverage any project over \$2 million with funds from the Public Project Revolving Fund (PPRF). This limited draws from the DWRLF and also created an unintentional competition between the two programs. Therefore, the NMFA has implemented a per borrower limitation of up to 20% of the total Fund capitalization, rather than the per application limitation imposed in the leveraging plan. By doing so, we simplify the closing process required of borrowers with projects greater than \$2 million, and provide greater impetus to have borrowers use the DWRLF program.

A public drinking water system is eligible for DWSRF project assistance if it is a community water system or a non-profit non-community water system (40 CFR 35.3520.) Priority point assignment and listing on the Fundable Priority List do not guarantee that all financial and project eligibility requirements have been met or will result in future project funding. The NMFA reserves the right to refuse funding to a PWS that is financially nonviable or to recommend such a water system seek funding from other funding agencies. The NMFA is not the lender of last resort. Questions regarding the ranking process or the development of the DWSRF Fundable Priority List should be directed to NMFA or DWB to obtain a detailed explanation. The NMFA can be reached at: (505) 984-1454 or toll free at (877) 275-6632, and the DWB can be reached at (505) 827-1400 or toll-free at (877) 654-8720.

The following narrative is an overview of the screening process that has been used for projects receiving funding from the DWRLF in the State. It is important to understand that the ranking and other screening processes will occur in a phased approach. These activities will contribute both to project ranking for the DWRLF and also to focus the resources of the DWRLF Set-Asides. The State's project ranking process is initiated and implemented in the following manner:

- a) Each October, the DWB will send all eligible water systems a Project Interest Form, which will allow interested systems to identify their proposed projects. A cover letter and DWRLF fact sheet is sent along with the Project Interest Form;
- b) The DWB will perform a capacity assessment (if a current one is not available) on water systems that have submitted a Project Interest Form;
- c) Water systems that submit a completed Project Interest Form will be ranked through the DWB prioritization process and be included in the annual IUP Comprehensive Priority List (Attachment D);
- d) Analysis by the DWB of the administered capacity assessments for technical, managerial and financial capacity will result in a Fundable Priority List (Attachment D); and
- e) To be eligible for a loan from the DWRLF, water system projects must:
 - be on the Fundable Priority List;
 - submit a loan application to NMFA; and
 - be found by the NMFA to be loan worthy (40 CFR 35.3555(c) (2) (i)).

Water systems currently unable to meet the criteria for inclusion on the Fundable Priority List will receive an explanation of the exceptions that have prevented their inclusion and recommended steps for addressing such



exceptions. The NMED and NMFA expect to use the resources of the Set-Asides to assist such water systems in addressing any exceptions, should they accept the offer for assistance. Thus, these water systems potentially will be able to meet all eligibility requirements for the DWRLF in the future.

With the changes resulting from the EO, as described in the Executive Summary, modifications to this process will result. It is not clear at this time which of these changes will be implemented fully within SFY 09. The following are the most significant changes affecting this process that will likely be implemented:

- Capacity assessment data will be collected during sanitary surveys. Due to sanitary surveys being on a 3-year frequency for CWS (identify) and 5-year frequency for non-community systems, the stand-alone capacity assessment will probably not be discontinued during SFY 09.
- Once the UFA process is functional, it will replace the Project Interest Form.
- The intention at this time is for projects that are placed on the Comprehensive Priority List to be those that are targeted for DWRLF funding by the UFA project funding recommendation process.
- Systems that don't meet the UFA capacity criteria will receive assistance to come up with a phased plan to meet the criteria. The plan will contain milestones that the system must meet in order to be eligible for funding.

The NMED and NMFA may elect to implement monthly updates to the annual IUP process described above. Such a process will be necessary for the inclusion of the new UFA process which can direct new projects to the DWSRF. Under these conditions and after a public review process, water systems will be added to the existing annual Comprehensive Priority List. These new projects will be evaluated and then ranked on the Fundable Priority List if the project meets all the criteria set forth under ranking criteria. If there any new projects added on to the Fundable Priority List, the IUP will be adjusted to accommodate the new project. Periodic review of the agencies' web sites [www.nmfa.net and/or www.nmenv.state.nm.us/dwb/whats_new/dwag.htm] will provide interested parties with information on monthly interim IUP status and of any related changes to the Comprehensive Priority List or the Fundable Priority List for a given year's annual IUP cycle. Any interim changes to the Fundable Priority List will not affect the eligibility of any project that has begun the application process.

The State's ranking and screening processes are described as the following: **a) federal ranking criteria** for water system projects; **b) state ranking criteria** for water system projects; and **c) other water system screening processes**. Through these program activities, items **a) and b)** are meant to rank the **specific water system project**. Item **c)** provides additional **screening of the water system** along with a **general policy** for allocation of a certain percentage of the fund to small water systems and a project by-pass procedure. In all cases of tied scores, the smaller water system will be ranked higher than the larger water system, based on the population served.

In the State, the water system population will be calculated differently for NMED and NMFA. In all cases the NMED will calculate the population based on the water system inventory information in the SDWIS. For example, any reference to population in the NMED capacity assessment or the NMED ranking document will refer to SDWIS for population information. NMFA will use the population information found in the most recent U.S.



census to calculate MHI and to determine the categorical exclusion eligibility. In all other instances, the agencies will negotiate and specify the population calculation to be utilized, as needed. Because of the potential for changes in a community's population over time, the IUP opening date in which a specific project is listed will serve as the date for all subsequent population determinations.

B. Federal Ranking Criteria for Water System Projects

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

C. State Ranking Criteria for Water System Projects

1. **WATER SYSTEM REGIONALIZATION:** Including source and storage reliability, mitigation of SDWA contaminants for one or more water system, and/or initiation of concrete measures to bring about regionalization of two or more water systems.
2. **EMERGENCY PLANNING:** Including development of a drought plan, emergency response plan, emergency source, or water conservation ordinance/policy/rate structure. This category also includes the implementation of water use restrictions.
3. **POPULATION:** Points are only available to community water systems. The population is based on SDWIS inventory information, as a part of NMED's ranking activity, and only water systems that serve populations up to 10,000 will be awarded points.
Formula: Points Awarded = 50 - (Population/200).
4. **PROJECT FACTORS:** Points will be awarded to projects that address water loss issues, streamline operations or enhance water supply.

D. Disadvantaged Communities/Small Water Systems

The State, through the NMFA shall provide 0% interest loans to disadvantaged communities. In addition, the State shall provide at a minimum 15% of available loan funds for small water systems, which are defined as serving populations less than 10,000, based on the most recent U.S. census (40 CFR 35.3525(a)(5) and 40 CFR 35.3525(b). For the purpose of developing an annual IUP's preliminary listing of water systems on the Fundable Priority List that are disadvantaged, the following procedure will be followed. Water systems on the Fundable



Priority List that are at 90% of MHI will be listed as disadvantaged (Attachment E). Please note that this preliminary designation will receive further analysis, should the specified water systems make application for a DWRLF loan. The preliminary designation of disadvantaged community in no way guarantees or implies that the IUP listed disadvantaged water systems ultimately will retain the disadvantaged community status when NMFA conducts the in-depth analysis described in Section V.

Disadvantaged Community Loan Eligibility

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

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

Assistance to Disadvantaged Communities

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

Loans to Disadvantaged Communities in amounts exceeding \$600,000 may be financed at 0% in the future. Currently the NMFA uses the market rate of 2% for DWRLF loans to non-disadvantaged public bodies. This market rate is modeled after the Clean Water Revolving Loan Fund (CWRLF), a similar, federally funded program for wastewater projects that requires a similar level of environmental documentation and public input. Also, the NMFA tied its interest rates to the CWRLF program because the NMFA's PPRF offers communities AAA-insured, tax-exempt rates to all of its public borrowers, regardless of their individual credit, without the high level of environmental documentation and public input. In the past several years, the interest rate for a 20-year PPRF loan has averaged approximately 4%. As a result, many borrowers choose the PPRF over the DWRLF because projects can be completed sooner at less cost if it was not for the 2% rate offered by the DWRLF. Providing the PPRF as a more viable option has created a competitive and conflicting situation. Additionally, the State's Constitution limits NMFA's ability to offer below-market rates to non-public bodies, including private non-profit water systems and private, for-profit water systems. As such, the NMFA charges a 3% market interest rate to private non-profit water systems and 4% to private, for-profit water systems. These rates are pegged to the 15-year tax-exempt rates at the

time of approval by the NMFA. Board of Directors; these rates may be reviewed periodically. The second group of disadvantaged communities is defined as those communities with a MHI less than 90 percent of the state MHI and with the affordability ratio (the ratio of annual water charges including the completion of the proposed project to the annual MHI of the water users) greater than .015. An affordability ratio of .015 will be treated as the maximum that any disadvantaged community should bear. In order to bring the affordability ratio down to this affordability cap, the NMFA will provide, to the extent available and necessary, the following, in this order:

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

If these cost reductions by NMFA fail to bring the affordability ratio down to .015, the project will be passed over until sufficient additional funding can be secured. This .015 cap may be waived at the request of the applicant. The goal to use 10% of available funds to finance disadvantaged communities may be waived if there is not a sufficient, ready demand. The final determination of disadvantaged status cannot be made until the NMFA is able to review the financial statements of the entity. Please see section V.D. of this IUP to review how NMFA determines disadvantaged entity status for purposes of the Priority List. The NMFA, either directly or through its technical assistance contracts, works with those systems on the Fundable Priority List of the Comprehensive Priority List, to determine the interest rate of the loan funding and the suitability of the applicant for the DWRLF. Please see Attachment E for a preliminary listing of the disadvantaged communities on the State's Fundable Priority List for SFY 09.

E. Priority Lists

The DWSRF rules state that the IUP "must include a priority system for ranking individual projects for funding" and that the prioritization i) address the most serious risk to human health; ii) ensure compliance with the requirements of the SDWA; and iii) assist systems most in need, on a per household basis, according to State affordability criteria. The project prioritization criteria are listed in Attachment D. It can be seen to give significant points if the project addresses a public health threat or violations of the SDWA, satisfying requirement in Section V.B.1 above. Points for addressing compliance issues with the SDWA address requirement Section V.B.2 above. The affordability points address requirement in Section V.B.3 above. Other point categories not specifically addressed in the DWSRF rules are given including points for specific types of projects, regionalization and water conservation planning.

The DWSRF rules state that "of the total amount available for assistance from the Fund each year, a State must make at least 15 percent available solely for providing loan assistance to small systems, to the extent such funds can be obligated for eligible projects." In the interest of meeting this goal, priority points are given to a water system in inverse proportion to the size of the population served by the system. A system serving a population of 50 will receive 50 population points whereas a system serving 10,000 or more will receive 0 population points. In



addition, population is used as a tie breaker in the prioritization: if two systems get the same number of points, the smaller system will get the higher ranking.

The ranked projects form the Comprehensive Priority List is required in the IUP, and is, according to the DWSRF rules, a “list of projects that are expected to receive assistance in the future.” NMED has interpreted this as a list of all submitted projects, whether the system meets the capacity requirements or not. The intent is to offer assistance to those systems that do not meet the capacity requirements in the hope of increasing the system capacity to the point where they would qualify for funding.

Also required in the Intended Use Plan is a Fundable Priority List which, according to the DWSRF rules, is a “list of projects that are expected to receive assistance from available funds designated for use in the current IUP”. A project must be on the Fundable Priority List in order to apply for a DWRLF loan. NMED has interpreted this as a list of all proposed projects where the water system satisfies a minimum set of capacity criteria. The capacity data is obtained from the capacity assessments. The capacity criteria are broken into technical, managerial and financial capacity criteria. The criteria can be found in Attachment D. A water system with a project that appears on the Fundable Priority List, should it apply for a DWRLF loan, still has to pass the more detailed financial review of the NMFA.

Water systems with projects on the Comprehensive Priority List that do not make the Fundable Priority List are sent a letter with an explanation of their capacity deficiencies and an offer for direct assistance to improve the system’s capacity. In fact, as the capacity assessments are completed, systems that appear to be minimally deficient are contacted at that time and asked to accept enough assistance to make them fundable.

F. Small System Funding

The State shall provide at a minimum 15% of available loan funds for small water systems, which are defined as serving populations less than 10,000, based on the most recent U.S. census. Currently, NMFA has provided 28% of all loans to those small systems that are under 10,000 in population. NMFA continuously markets to these communities at different statewide conferences such as the Municipal League or New Mexico Infrastructure Conferences. The NMFA is striving to meet the needs of these small system communities and in SFY 09 to provide 30% of all loans to small systems throughout the state.

G. Emergency Conditions

Unforeseen or unanticipated conditions at a water system which include impact on the source, treatment, storage or distribution of water at an eligible public water system and which will have a direct impact on public health may constitute an emergency condition. The proposed project must address the specified emergency conditions. Such projects and their related emergency conditions must be identified in the subsequent Biennial Report and during the annual review.

H. 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 “by-pass” certain projects using a by-pass procedure. The State reserves the right to fund lower priority projects over higher priority projects, if in the opinion of the DWB or the NMFA, the higher priority project does not meet the screening criteria discussed below. The following is the screening process, in order of its application, for the Fundable Priority List:

The water system must be willing to undertake a loan and be ready to proceed. The water system has three months to notify the NMFA of its intention to proceed. The water system must have taken the necessary steps to expeditiously prepare funding documentation and initiation of construction. If the community does not agree to undertake a loan or if it has not proceeded expeditiously to complete all funding documentation and move toward construction, then the community will be by-passed to allow other systems to take advantage of the loan program. If after a PWS has been notified in writing of its eligibility for DWSRF funding by the DWB and the NMFA, and the water system fails to express its intent to follow through with DWRLF funding, the DWB and the NMFA will continue with the next project on the DWRLF Fundable Priority List. Projects with current binding commitments will take priority over any new additions to the Fundable Priority List, during the program’s IUP yearly cycle.

I. DWRLF Project Funding Summary

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

Appendix A

PUBLIC OUTREACH
PUBLIC MEETING ANNOUNCEMENTS
MEETING MINUTES AND SUMMARY OF OUTSTANDING ISSUES
STATE RESPONSES TO OUTSTANDING ISSUES

Email announcement of DWAG meeting:

Greetings,

The Drinking Water Bureau of the New Mexico Environment Department would like to invite you to attend the next meeting of the Drinking Water Advisory Group (DWAG). The meeting will be held on Friday, May 30 in Albuquerque at the DOT facility located at 7500 East Pan American (the I-25 east frontage road). Attached you will find directions and a draft agenda. Please check the following web page for agenda updates:

http://www.nmenv.state.nm.us/dwb/whats_new/DWAG.htm

If you have any questions about the meeting, please call me at 476-8642. We hope to see you there.

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

<p style="text-align: center;">The Drinking Water Bureau Invites You to Attend</p> <p style="text-align: center;">A Drinking Water Advisory Group Meeting</p> <p>When: 9:00 am – 1:00 pm, Friday, May 30, 2008</p> <p>Where: Department of Transportation facility, 7500 East Pan American Hwy, Albuquerque,</p>
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Hear presentations on the Drinking Water State Revolving Fund Internal Use Plan, updates on the Water and Wastewater Infrastructure Development Division and the Uniform Funding Application, drinking water rule amendments and other topics affecting drinking water systems in New Mexico.

For more information, including a map and agenda, visit the following website: <http://www.nmenv.state.nm.us/dwb/dwag.html> or call (877) 654-8720.

Drinking Water Advisory Group Meeting Agenda

Friday, May 30, 2008
NM Department of Transportation
7500 East Pan American NE
Albuquerque, NM
9:00 am to 1:00 pm

9:00 am	Welcome & Opening Remarks	Mary E. Day, Chief, DWB
9:15 am	Update on NMED's new Water and Wastewater Infrastructure Development Division and the Uniform Funding Application	Mary E. Day, Chief, DWB
9:45 am	DWRLF Update	Michael Vonderheide, NMFA
10:00 am	SFY09 Intended Use Plan	Judi Kahl, Grants Manager, DWB John Brooks, NMFA
10:30 am	Break	
10:45 am	Drinking Water Rule Primacy & Amendments	Judi Kahl, DWB Darren Padilla, DWB
11:30 am	Lab Update	Eric Herrera, NMED
11:45 am	Operator and Sampler Certification update	Violette Valerio-Hirschfeld, DWB
12:15 pm	Training Update	Blanca Surgeon, RCAC Matt Holmes, NMRWA
12:30 pm	Water and Wastewater Alert Response Network	Jerry Lewis, DWB
12:45 pm	Questions/Open Discussion	

Appendix B

ENVIRONMENT DEPARTMENT MATCH FOR STATE PROGRAMS CATEGORY

NMED State Programs 1:1 Match Formula

<i>DWRLF STATE PROGRAMS SET-ASIDE ELEMENT</i>	FY09 Operating Budget
	July 2008-June 2009
State Programs Budget	\$687,100

State Match Funds	FY09 Operating Budget
	July 2008-June 2009
Corrective Action Fund	\$989,100
Water Conservation Fee Fund	\$2,230,200
Available State Match-Current Year	\$3,215,300
Excess State Program Match	\$2,528,200

Appendix C
SET-ASIDE FINANCIAL TABLES

ADMINISTRATION SET-ASIDE (4%)

Awards Allocated to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Expected in FFY 2008 Cap Grant for SFY 2009	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures thru SFY 2008	Estimated Expenditures thru SFY 2009	Ending Balance
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		\$135,840	\$190,000
TOTALS	\$3,350,620	\$655,000	\$4,005,620	\$0	\$0	\$3,350,620	\$465,000	\$190,000

SMALL SYSTEMS TECHNICAL ASISTNCE SET ASIDE (2%)

Awards Allocated to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Expected in FFY 2008 Cap Grant for SFY 2009	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures thru 06/30/07	Specified Expenditures thru 03/31/08	Ending Balance
FFY97	\$255,196		\$255,196	\$0	\$0	\$255,196	\$0	\$0
FFY98-99	\$291,702		\$291,702	\$0	\$0	\$291,702	\$0	\$0
FFY00	\$155,140		\$155,140	\$0	\$0	\$155,140	\$0	\$0
FFY01	\$155,782		\$155,782	\$0	\$0	\$155,782	\$0	\$0
FFY02	\$161,050		\$161,050	\$0	\$0	\$144,002	\$17,048	\$0
FFY03	\$160,082		\$160,082	\$0	\$0	\$0	\$160,082	\$0
FFY 04	\$166,062		\$166,062	\$0	\$0	\$0	\$56,518	\$109,544
FFY 05	\$165,710		\$165,710	\$0	\$0	\$0		\$165,710
FFY 06	\$164,586		\$164,586	\$0	\$0	\$0		\$164,586
FFY07								
FFY08								
TOTALS	\$1,675,310.00		\$1,675,310.00	\$0	\$0	\$1,001,821.61	\$233,647.55	\$439,840.84

STATE PROGRAM MANAGEMENT SET-ASIDE (10%)

Awards Allocated to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Expected in FFY 2008 Cap Grant for SFY 2009	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures thru 06/30/07	Specified Expenditures thru 03/31/08	Ending Balance
FFY97	\$1,275,980		\$1,275,980	\$0	\$0	\$1,275,980		\$0
FFY98-99	\$1,458,510		\$1,458,510	\$0	\$0	\$1,458,510		\$0
FFY00	\$775,700		\$775,700	\$0	\$0	\$775,700		\$0
FFY01	\$778,910		\$778,910	\$0	\$0	\$778,910		\$0
FFY02	\$805,250		\$805,250	\$0	\$0	\$805,250		\$0
FFY03	\$800,410		\$800,410	\$0	\$0	\$800,410		\$0
FFY 04	\$830,310		\$830,310	\$0	\$0	\$830,310		\$0
FFY 05	\$828,550		\$828,550	\$0	\$0	\$0	\$595,900	\$232,650
FFY 06	\$822,930		\$822,930	\$0	\$0	\$0		\$822,930
FFY07								
FFY08								
TOTALS	\$8,376,550.00		\$8,376,550.00	\$0	\$0	\$6,725,070.00	\$595,899.60	\$1,055,580.40

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

Awards Allocated to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Expected in FFY 2008 Cap Grant for SFY 2009	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures thru 06/30/07	Specified Expenditures thru 03/31/08	Ending Balance
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	\$399,146	\$429,404	\$0
FFY 06	\$822,930		\$822,930	\$0	\$0		\$697,540	\$125,390
FFY 07								
FFY 08								
TOTALS	\$7,415,094.00		\$7,415,094.00	\$0	\$0	\$6,162,760	\$1,126,944	\$125,390

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

Awards Allocated to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Expected in FFY 2006 Cap Grant for SFY 2008	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures thru SFY 2007	Estimated Expenditures thru SFY 2008	Ending Balance
FFY97	\$1,375,980		\$1,375,980	\$0	\$0	\$1,375,980		\$0
FFY98-99	\$875,106		\$875,106	\$0	\$0	\$875,106		\$0
FFY00	\$465,420		\$465,420	\$0	\$0	\$465,420		\$0
FFY01	\$389,455		\$389,455	\$0	\$0	\$389,455		\$0
FFY02	\$402,670		\$402,670	\$0	\$0	\$402,670		\$0
FFY03	\$400,205		\$400,205	\$0	\$0	\$74,044	\$326,161	\$0
FFY 04	\$415,155		\$415,155	\$0	\$0		\$118,724	\$296,431
FFY 05	\$414,275		\$414,275	\$0	\$0			\$414,275
FFY 06	\$411,465		\$411,465	\$0	\$0			\$411,465
FFY 07								
TOTALS	\$5,149,731.00		\$5,149,731.00	\$0	\$0	\$3,582,675.00	\$444,885.00	\$1,122,171.00

Appendix D

COMPREHENSIVE AND FUNDABLE PRIORITY LISTS SFY 2009
PRIORITY LIST PROJECT REVIEW CRITERIA

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DWSRF Comprehensive Project Priority List, FY09

PWS	Score	Priority	County	Population	Cost	Project Description
Jemez Springs Domestic Water	353	1	Sandoval	1,394	\$350,000	New well construction to increase water supply and decrease Arsenic content. A PER has already been performed by Souder Miller.
Elida	324	2	Roosevelt	189	\$950,000	Replace 11 miles of 3" and 4" water line with 6" water line (including valving) and a booster pump at one of the
Brazito MDWCA	303	3	Dona Ana	485	\$203,180	Install Radio Read metering for 960 customers to improve efficiency and held detect leaks.
Desert Sky Mountain Coop	269	4	Sandoval	114	\$200,000	Install an Arsenic treatment system to bring the system's drinking water into SDWA compliance for the Arsenic
Alto Lakes WSD	240	5	Lincoln	2,000	\$5,000,000	Replace undersized water line, re-zone, add storage, loop lines, add treatment to lower TDS
Cordova MDWCA	233	6	Rio Arriba	325	\$150,000	Replace valves, new master meter, flush hydrants, replace chlorinator, tank repair
Fort Seldon Water Company	225	7	Dona Ana	903	\$140,000	Replace failing supply well and water storage tank (50,000 gallon tank with booster pumps).
Hanover MDWCA	214	8	Grant	292	\$645,000	Install a 6" HDPE/PVC line from Hanover to Bayard for the purpose of establishing an Emergency
Hofheins/Marcel Thomas Assoc.	200	9	Sandoval	83	\$52,400	Replace a 30 year old 12,000 gallon storage tank with a new 15,000 gallon tank and install full residential
Carlsbad	190	10	Eddy	27,000	\$10,000,000	Installation of one or two Water Storage Tanks with a combined capacity of 5,000,000 gallons, and all necessary piping to provide connection to the existing distribution system. Project proposal will also enable (non-emergency) system interconnection to surrounding communities such as Otis, Loving, and La Huerta (combine population 15,000) addressing inadequate

PWS	Score	Priority	County	Population	Cost	Project Description
Chupadero MDWCA	189	11	Santa Fe	150	\$920,945	Replace two miles of 35 year old 2" and 3" water main line with new 6" line; inspect and repair the existing 35 year old storage tank; install an additional 50,000 gallon water storage tank for Fire Protection, and install 12 new fire hydrants. A PER has already been completed by
Cloudcroft Water System	181	12	Otero	750	\$550,000	New SCADA system and 1.5 miles of transmission line to the new plant
Flora Vista MDWCA	165	13	San Juan	4,092	\$300,000	Project involves either of two options: installing a backwash recovery system for an existing Ion Exchange Treatment System (softener), or the installation of a new treatment system capable of treating raw water for
Mountain Orchard WDWCA	140	14	Otero	40	\$250,000	Replace the following: old steel distribution lines, supply lines from spring to storage tanks, and storage tanks.
Bosque Gardens Water Coop	134	15	Valencia	140	\$71,829	Install 55 meters, refurbish 100,000 gallon steel tank, repair pump house (including new roof), install up to 10 4" control valves, and repair security fence.
Desert Ranch MDWCA	130	16	Curry	92	\$6,000	Rebuild well house for East Well, which is claimed to be literally falling apart, potentially exposing pipes to freezing temperatures and contamination.
Santa Fe Mobile Home Hacienda	118	17	Santa Fe	339	\$150,000	Interconnecting to the Santa Fe County Water System.
TOTAL PROJECT COUNT = 17						

DWSRF Fundable Project Priority List, FY09

PWS	Priority	Population	Cost	Project Description
Jemez Springs Domestic Water Coop	1	1,394	\$350,000	New well construction to increase water supply and decrease Arsenic content. A PER has already been performed by Souder Miller.
Elida	2	189	\$950,000	Replace 11 miles of 3" and 4" water line with 6" water line (including valving) and a booster pump at one of the wells.
Brazito MDWCA	3	485	\$203,180	Install Radio Read metering for 960 customers to improve efficiency and help detect leaks.
Desert Sky Mountain Coop	4	114	\$200,000	Install an Arsenic treatment system to bring the system's drinking water into SDWA compliance for the Arsenic MCL.
Alto Lakes WSD	5	2,000	\$5,000,000	Replace undersized water line, re-zone, add storage, loop lines, add treatment to lower TDS
Fort Seldon Water Company	6	903	\$140,000	Replace failing supply well and water storage tank (50,000 gallon tank with booster pumps).
Hanover MDWCA	7	292	\$645,000	Install a 6" HDPE/PVC line from Hanover to Bayard for the purpose of establishing an Emergency Interconnection.
Hofheins/Marcel Thomas Assoc. Coop	8	83	\$52,400	Replace a 30 year old 12,000 gallon storage tank with a new 15,000 gallon tank and install full residential metering.
Carlsbad	9	27,000	\$10,000,000	Installation of one or two Water Storage Tanks with a combined capacity of 5,000,000 gallons, and all necessary piping to provide connection to the existing distribution system. Project proposal will also enable (non-emergency) system interconnection to surrounding communities such as Otis, Loving, and La Huerta (combined population 15,000) addressing inadequate water supply issues for
Cloudcroft Water System	10	750	\$550,000	New SCADA system and 1.5 miles of transmission line to the new

PWS	Priority	Population	Cost	Project Description
Flora Vista MDWCA	11	4,092	\$300,000	Project involves either of two options: installing a backwash recovery system for an existing Ion Exchange Treatment System (softener), or the installation of a new treatment system capable of treating raw
Mountain Orchard WDWCA	12	40	\$250,000	Replace the following: old steel distribution lines, supply lines from spring to storage tanks, and storage tanks.
Santa Fe Mobile Home Hacienda	13	339	\$150,000	Interconnecting to the Santa Fe County water System.
TOTAL COST: \$18,790,580				
TOTAL PROJECT COUNT: 13				

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Priority Ranking System for DWSRF Projects

ASSIGNMENTS OF PRIORITY POINTS: All eligible water systems and their related projects will be ranked by the number of points received. The water system with the most points received will be assigned the highest priority ranking. System population is the value found in SDWIS for that system. In the event of tied scores, the smaller water system will be ranked higher than the larger water system, based on the population served. Table D1 below describes the point system.

Table D1: Comprehensive Priority Ranking System:

RANKING CATEGORIES AND SUBFACTORS		MAX. POINTS
A. Public Health Threat		
	1. Waterborne Disease Outbreak. 60 points will be assigned if a waterborne disease outbreak as declared by the Department of Health in collaboration with NMED, is attributable to the existing public water system, and if the proposed project will address these violations.	60
	2. Inadequate Water Supply. Points will be assigned if the wells or sources in the proposed project service area are unable to consistently provide an adequate amount of drinking water to customers and if the proposed project addresses this problem. The assignment is as follows: Two outages in the prior two calendar years = 20 points; Three or four outages in the prior two calendar years = 40 points; and five or more outages in the prior two calendar years = 60 points.	60
B. Safe Drinking Water Act Compliance		
	1. Acute/Chronic Risk Contaminants. 130 points will be assigned if the system is in violation of a maximum contaminant level (MCLs), and if the proposed project will address the violations.	130
	2. Treatment Technique Requirements. 60 points will be assigned if there have been at least 3 violations of treatment technique requirements within the past calendar year, and if the proposed project will address these violations.	60
	3. Anticipated Federal Regulations. 110 points will be assigned if the proposed project will enable the public water system to comply with new federal regulations.	110
	4. Ground Water Under the Direct Influence of Surface Water (GWUDI). 60 points will be assigned to water systems that have received a formal GWUDI determination if the proposed project addresses the GWUDI problem.	60

<p>C. Affordability</p> <p>1. Only community water system projects will be assigned points under this section. The statewide annual median household income (MHI) levels must be determined from income data from the latest census of the United States. A community water system will use the MHI for the appropriate political subdivision(s) encompassing its service area. A maximum of 60 points will be assigned a project from a community water system with an MHI below the state MHI. Up to 5% below MHI = 20 points; up to 10% below MHI = 40 points; and greater than 10% below MHI = 60 points.</p>	60
<p>D. Water System Regionalization/Consolidation</p>	
<p>1. Emergency Source. 30 points will be assigned to a project that addresses a need for an emergency source through interconnection with another public water system.</p>	30
<p>2. Share Source or Storage. 30 points will be assigned to a project that allows for interconnection to share existing source/storage.</p>	30
<p>3. Mitigation of Water Contamination. 30 points will be assigned to a project that addresses current or imminent SDWA acute or MCL violations through consolidation with another public water system.</p>	30
<p>4. Regionalization Activities. 20 points will be assigned to a project that is part of a regionalization effort among two or more water systems.</p>	20
<p>E. Water Conservation and Drought Preparedness</p>	
<p>1. Planning. 15 points will be assigned (30 points maximum) for each of the following: a) current drought plan; b) water conservation ordinance/policy/rate structure.</p>	30
<p>2. Implementation. 30 points will be assigned for current water use restrictions.</p>	30
<p>F. Population</p>	
<p>1. Based on Drinking Water Bureau inventory, community water systems up to 10,000 in population will be awarded up to 50 points. The following formula will be used: Points Awarded = 50 – Population/200. Example: A community with a population of 1,000: 50 – 1000/200 = 50 – 5 = 45 points awarded.</p>	50
<p>G. Project Factors</p>	
<p>1. Projects that address water loss issues (metering, line replacement, failing tanks, etc.) will receive 60 points.</p>	60
<p>2. Projects that streamline operations (radio read meters, looping, storage telemetry, SCADA, etc.) will receive 60 points.</p>	60
<p>3. Projects that enhance water supply (well replacement, well drilled, additional water storage, etc.) will receive 30 points.</p>	30
<p>4. Projects that add or upgrade treatment for microbiological contamination (UV,</p>	60

flush hydrants, chlorination) will receive 60 points.	
5. Projects that address water pressure problems will receive 30 points.	30
Maximum Possible Points	1000

FUNDABLE PRIORITY LIST CRITERIA: The public water systems that submit projects, and are ranked on the Comprehensive Priority List, are then evaluated to determine if they can be placed on the annual Fundable Priority List. The Tier 2 Capacity Assessment is used to make this determination. The system-specific detailed capacity assessment must demonstrate sufficient technical, managerial and financial capacities before being placed on the annual Fundable Priority List. The Fundable Priority List determination criteria are shown in table D2 below. The projects that qualify for the annual Fundable Priority List are placed on that list in the same order as they are ranked on the Comprehensive Priority List. Then, they are sequentially numbered starting with the number 1 to determine their fundable priority ranking value.

Table D2: Fundable Priority List Criteria:

TECHNICAL CAPACITY	
PWS must meet the following:	System has a certified operator appropriate for the system
MANAGERIAL CAPACITY	
PWS must have at least 2 of the following:	<ul style="list-style-type: none"> Written operating procedures Written job descriptions for all staff A written preventative maintenance plan A written emergency response plan An emergency source A written and implemented cross-connection control program Full security measures An approved and implemented source-water protection plan
FINANCIAL CAPACITY	
PWS must have the following:	<ul style="list-style-type: none"> A budget A written and adopted rate structure Rates that cover operation and maintenance Rates that cover infrastructure repair and replacement
PWS must have at least 4 of the following:	<ul style="list-style-type: none"> Rates that cover staffing Rates that cover emergency/reserve fund More than 90% of customers paying water bills Metering of customers (if the project does not include meters). Rates must be based on metered use.

Appendix E

DWSRF Disadvantaged System Project List, FY09

PWS	Priority	MHI (%)	Cost	Project Description
Elida	3	67	\$950,000	Replace 11 miles of 3" and 4" water line with 6" water line (including valving) and a booster pump at one of the wells.
Brazito MDWCA	4	88	\$203,180	Install Radio Read metering for 960 customers to improve efficiency and help detect leaks.
Hanover MDWCA	8	63	\$645,000	Install a 6" HDPE/PVC line from Hanover to Bayard for the purpose of establishing an Emergency Interconnection.
Carlsbad	9	90	\$10,000,000	Installation of one or two Water Storage Tanks with a combined capacity of 5,000,000 gallons, and all necessary piping to provide connection to the existing distribution system. Project proposal will also enable (non-emergency) system interconnection to surrounding communities such as Otis, Loving, and La Huerta (combined population 15,000) addressing
Fort Seldon Water Company	10	56	\$140,000	Replace failing supply well and water storage tank (50,000 gallon tank with booster pumps).
Disadvantaged System Total Cost:	\$11,938,180			
Disadvantaged System Project Count:	5			