



STATE OF NEW MEXICO DRINKING WATER STATE REVOLVING LOAN FUND



Village of Floyd – Drinking Water Treatment Facility to House Reverse Osmosis Unit

SFY 2011 Intended Use Plan July 2, 2010

SFY 2011 INTENDED USE PLAN

Table of Contents

Table of Contents

EXECUTIVE SUMMARY 1

I. INTRODUCTION 2

 A. New Mexico’s Drinking Water Revolving Loan Fund (DWRLF) 2

 B. Intended Use Plan Overview 2

 C. State Match 3

 D. Zero-to-Four Percent Interest Loans 3

 E. Disadvantaged Community Loans 4

 F. Drinking Water State Revolving Fund Set-Asides 4

 G. Public Input, Review and Comment Procedures 5

II. LONG-TERM AND SHORT-TERM GOALS OF THE DWRLF AND SET-ASIDE PROGRAMS 5

 A. Long-Term Goals for the DWRLF and Set-Aside Programs 5

 B. Short-Term Goals for the DWRLF and Set-Aside Programs 6

III. SOURCES AND USES OF FUNDS 8

IV. SET-ASIDE ACTIVITIES 9

 A. Drinking Water Revolving Loan Fund (DWRLF) Administration Expenses 9

 B. Small Systems Technical Assistance 12

 C. State Program Management 13

 Source Water Assessment and Protection Program 13

 Public Water System Supervision Program 13

 Operator Certification Program 14

 Capacity Development Program 14

 D. Local Assistance 15

 Capacity Development Program 15

 Operator Certification 16

 Implementation of Source Water Assessment and Protection Program 17

V. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS 18

 A. Distribution of Funds Analysis 18

 B. Federal Ranking Criteria for Water System Projects 18

 C. State Ranking Criteria for Water System Projects 21

 D. Disadvantaged Communities/Small Water Systems 22

 Disadvantaged Community Loan Eligibility 22

 Assistance to Disadvantaged Communities 24

 E. Priority Lists 24

 F. Small System Funding 26

 G. Emergency Conditions 26

 H. By-pass Procedure 26

 I. DWRLF Project Funding Summary 27

Appendix A. Public Outreach

Appendix B. New Mexico Environment Department Match for State Programs Category

Appendix C. Set-Aside Financial Tables

Appendix D. Priority Ranking System for DWSRF Projects SFY 2011

Appendix E. Comprehensive and Fundable Priority Lists SFY 2011

Appendix F. Disadvantaged Project List SFY 2011



EXECUTIVE SUMMARY

In State Fiscal Year (SFY) 2011, the New Mexico's Drinking Water State Revolving Loan Fund (DWRLF) continues to make significant strides that the State of New Mexico (State) is looking to capitalize on in the future through the use of this program. Some of the achievements include the following:

1. Maintaining the Fund Utilization Rate (FUR) at 94% in SFY 2010; and
2. Providing technical, managerial and financial assistance to hundreds of small water systems throughout the State through Drinking Water Bureau efforts funded with Set-Aside funds.

The New Mexico Finance Authority (NMFA) and New Mexico Environment Department – Drinking Water Bureau (DWB) are working with various funding agencies throughout the State in a collaborative effort in using a Uniform Funding Application Process (UFA) not only to solicit new projects but also to coordinate all the water funding in the State. This coordination effort is based on Executive Order 2007-050 that was signed by Governor Richardson in 2007. The UFA process involves all the water funders engaged in discussions to develop a complete funding package for each project submitted through the UFA. Those funders include USDA - Rural Utilities Service, NMFA, New Mexico Environment Department (NMED) and New Mexico Department of Finance Administration (DFA). Each agency has different loan or grant programs that in the past were in direct competition with the DWRLF and now each program is used to meet a need instead of competing with one another for water projects throughout the State. The UFA process continues to evolve and has the potential to increase the volume of DWRLF funding based on the needs of the State's water systems to find low-cost financing for water projects.

The NMFA also believes that this year there will be a great demand for the DWRLF because of the lack of State Capital Outlay Grants. In the past, these Grants have been in direct competition with the DWRLF program and with the UFA process; however, with the absence of these Grants, this should be a strong and successful year for the DWRLF. This SFY 2011 Intended Use Plan (IUP) provides information that outlines the potential that we see in the DWRLF for a prosperous SFY 2011.



I. INTRODUCTION

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

The Federal Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF), a low-cost loan program for 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 Environmental Protection Agency (EPA) allows states to utilize up to 31% of the annual DWSRF Capitalization Grant (Capitalization Grant) to fund programs in four different Set-Aside areas that include:

1. Administration of the DWRLF (4%);
2. Small System Technical Assistance (2%);
3. State Program Management (10%); and
4. Local Assistance and other State Programs (15%).

To date, the State has received approximately \$100.1 million in Capitalization Grants and has provided 20% in state matching funds (State Match) totaling approximately \$20 million. All of the State Match and 69% of Federal Capitalization Grants, totaling approximately \$89.1 million, have been deposited into the DWRLF. To-date, the NMFA has loaned approximately \$93.8 million. Of the \$93.8 million, the NMFA has loaned approximately \$26.3 million, or 36%, to small systems that serve a population of 10,000 or less. 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 a Capitalization Grant, pursuant to 40 CFR 35.3555. The Capitalization Grant funds the loan fund and the Set-Asides. The amount

of the Capitalization Grant allotted to the State is determined by Congress and administered by the EPA. The IUP contains information about the short and long-term goals of the programs funded by the Capitalization Grant. These goals are intended to continue the State's efforts to: (1) ensure public health protection; (2) identify and provide funding for maintaining and/or bringing the State's public water systems into compliance with the SDWA; (3) support affordable drinking water and system sustainability; and (4) maintain the long-term financial health of the DWRLF. The IUP describes how DWRLF funds will be used during SFY 2011. The time period covered by the IUP is July 1, 2010 through June 30, 2011. The IUP addresses the intended uses of the new Federal Fiscal Year (FFY) 2009 Capitalization Grant along with the unexpended Set-Aside and DWRLF balances from previous years' Capitalization Grants. In SFY 2011, the State will be applying for the FFY 2009 Capitalization Grant allotment in the amount of \$8,146,000, to further the water quality programs and provide funding for projects throughout the State. The State also intends to apply for the FFY 2010 Capitalization Grant allotment in the amount of \$13,570,000; however, the State anticipates that the funding will be awarded and expending in SFY 2012.

C. State Match

The FFY 2009 Capitalization Grant in the amount of \$8,146,000 and FFY 2010 Capitalization Grant will be applied for in SFY 2011. The 20% State Match, for the FFY 2009 Capitalization Grant, was authorized through House Bill 77, a \$2 million appropriation from the Public Project Revolving Loan Fund authorized in the New Mexico 2009 Regular Legislative Session. The 20% State Match, for the FFY 2010 Capitalization Grant was authorized through House Bill 108, a \$2,714,600 appropriation from the Public Project Revolving Loan Fund authorized in the New Mexico 2010 Regular Legislative Session.

D. Zero to Four Percent Interest Loans

The NMFA has established low interest rates for the DWRLF program to promote a low-cost viable source of money to address drinking water projects in the State. The NMFA will provide loans with interest rates ranging from 0% to 4%, depending on a water system's eligibility. If a water system is a public water system then it is eligible to receive a DWRLF loan at 0% or 2%. The State's Constitution limits NMFA's ability to offer below-market rates to non-

public bodies, including all private water systems; whether non-profit or for-profit. 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.

E. Disadvantaged Community Loans

The NMFA will provide 0% interest loans to disadvantaged communities. Water systems on the Fundable Priority List that are at or below 90% of the New Mexico Median Household Income (MHI) will be listed as “disadvantaged.” NMFA identifies a disadvantage community by the usage of the affordability criteria that takes into account both the price and the ability to pay and a ratio of average annual user charges that would result from the completion of a proposed project to the MHI of the water system service area. Pages 22-24 of the IUP provides a more detailed description on how the NMFA calculates the disadvantage status and the assistance that will be provided to disadvantaged communities.

F. Drinking Water State Revolving Fund Set-Asides

The SDWA designates that up to 31% of each Capitalization Grant may be designated for Set-Aside activities. The State uses the maximum Set-Aside allocation of 31% from all Capitalization Grants to ensure public health protection. The DWB uses 27% of the Capitalization Grant for eligible Set-Asides programs through which the DWB: (a) increases the technical, managerial, and financial capacity of local water systems; (b) assists entities in qualifying for loans; and (c) provides technical assistance targeted to small water systems serving a population of 10,000 or less. The NMFA uses 4% of the Capitalization Grant as Set-Aside funds to cover reasonable administrative costs of the DWRLF. The remaining 69% of each Capitalization Grant is deposited in the DWRLF along with the required State Match (equal to 20% of each Capitalization Grant). The NMFA can then loan DWRLF funds to public water systems (PWSs) for eligible water system improvements. The DWB and the NMFA are responsible for providing the administrative oversight of the Set-Asides.

The State must provide a process and rationale for distribution of funds between the DWRLF and Set-Aside accounts. The rationale for use of the maximum 31 % in Set-Asides is multiple in nature. Due to the combination of the dispersed nature of the State’s population and

the State's large geographic area, consolidated training and services do not optimally reach the majority of rural 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 Set-Aside funds.

G. Public Input, Review and Comment Procedures

The draft IUP will be made available to the public by posting on July 2, 2010, on both the NMFA and DWB web sites, as well as by presentation at the NMFA Board Meeting on July 22, 2010. A bulk mailing will also be sent out by DWB to all New Mexico PWSs notifying them of the availability of the draft IUP on the web sites and asking the PWSs to submit written comments on the IUP within 30 days. In addition, an email will be sent to all PWSs with known email addresses along with the laboratories, consultants, contractors and other interested parties, notifying them of the draft IUP and the 30-day comment period.

II. LONG-TERM AND SHORT-TERM GOALS OF THE DWRLF 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 the IUP and the approved Work Plan in order to maximize SDWA compliance and public health protection and to ensure affordable drinking water and system sustainability, with a particular focus on water systems serving populations of 10,000 or less.
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 Capitalization Grant applications and reporting requirements.

4. Provide training and direct assistance to all PWSs, as resources allow, through contracts and in-house staff to enhance financial, technical and managerial capacity and ensure that training and services are designed to target small water systems serving populations of 10,000 or less.

5. Collaborate with organizations, agencies, and individuals to ensure a sustainable supply of healthy drinking water for the State through Source Water Assessment and Protection (SWAP) activities.

6. Provide assistance to small PWSs that lack the capability to operate and maintain water systems in a cost-effective manner and in accordance with SDWA, including encouraging consolidation and/or regionalization.

7. Improve the capacity of surface water systems through assistance activities.

8. The DWB and its partners will work with PWSs throughout the State to ensure that each system has a rate structure in place to support normal operation and maintenance as well as infrastructure replacement costs.

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

1. Post the SFY 2011 IUP for public review in July 2010. Provide an opportunity for public participation by posting the IUP for public comment on the NMFA and DWB web sites and present the IUP at the July NMFA Board meeting.

2. Prepare and submit the FFY 2009 Capitalization Grant Application by July 18, 2010, including the IUP and the Fundable Priority List.

3. Submit the SFY 2011 Set-Aside work plan detailing the use of the DWRLF funds from open Capitalization Grants within 90 days of receiving the FFY 2009 Capitalization Grant.

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

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

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

7. Execute three (3) binding commitments during SFY 2011.

8. Meet the objectives for each Set-Aside category, including “Outputs” and “Outcomes” as they relate to the environmental benefits regulations that were established in January 2005.

9. Complete and submit the SFY 2010 Annual Report in September 2010.

10. Continue to actively participate in the UFA process in order to bring PWSs to the DWRLF program.

11. Review and revise the priority system ranking criteria to better reflect public health priorities and other capacity measures used for the establishment of the Fundable Priority List and Comprehensive Priority List.

12. Provide technical assistance through the capacity development program to target PWSs that are on the Comprehensive Priority List but are unable to qualify for the Fundable Priority List.

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

III. SOURCES AND USES OF FUNDS

DWSRF SOURCES AND USES OF FUNDS STATEMENT Balances thru 6/30/10 - Uses for SFY 2011

<u>Sources of Funds</u>	<u>Set-Asides</u> (Excluding Administration.)	<u>Administration</u>	<u>Loan Fund</u>	<u>Total</u>
Balances projected to expire ¹	\$0	\$0	\$4,336,026	\$4,336,026
Beginning balances from previous unexpired award:	\$4,421,250	\$655,000	\$11,298,750	\$16,375,000
Total Liquid Asset Balance from previous year	\$4,421,250	\$655,000	\$15,634,776	\$20,711,026
Federal Cap Grant Payments (FY09 award)	\$5,864,130	\$868,760	\$14,986,110	\$21,719,000
State Match (FFY 2009 & 2010 award)	\$0	\$0	\$4,343,800	\$4,343,800
Interest on Cash Assets	\$0	\$0	\$121,301	\$121,301
Leveraged Bond Proceeds	\$0	\$0	\$0	\$0
Loan repayments (both Principal & Interest)	\$0	\$0	\$2,328,167	\$2,328,167
Fees generated from lending or set-aside activity	\$0	\$0	\$161,541	\$161,541
Other cash inflows	\$0	\$0	\$0	\$0
	\$5,864,130	\$868,760	\$21,940,919	\$28,673,809
TOTAL SOURCES OF FUNDS	\$10,285,380	\$1,523,760	\$37,575,695	\$49,384,835
Uses of Funds				
Loans				
Unexpended amounts on existing loans	\$0	\$0	\$22,154,738	\$22,154,738
Current FY loans anticipated	\$0	\$0	\$8,634,996	\$8,634,996
Total for Loans	\$0	\$0	\$30,789,734	\$30,789,734
Set-Asides				
Administration (4%)	\$0	\$325,840	\$0	\$325,840
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	\$325,840	\$0	\$2,525,260
Other				
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	\$4,336,026	\$4,336,026
Ending Balances (Resources Carried Over to SFY 2011)	\$8,085,960	\$1,197,920	\$2,449,935	\$11,733,815
Total for Other	\$8,085,960	\$1,197,920	\$6,785,961	\$16,069,841
TOTAL USES OF FUNDS	\$10,285,380	\$1,523,760	\$37,575,695	\$49,384,835

¹ FFY 2006 grant expires at the end of September 30, 2011

NOTE: 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) (see [Appendix A](#)). 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 DWSRF administration as a Set-Aside activity (Administrative Set-Aside). Administration of the DWRLF is delegated by State statute to the NMFA. Administration of the DWRLF includes reporting activities; payment processing; pre-application activities; application review; engineering, construction and environmental review; portfolio, audit and cash management; and financial management. DWRLF programmatic administration costs also include contractual technical services for engineering and construction oversight, environmental reviews, and legal fees associated with closing DWRLF loans.

In accordance with 1452(g) of the SDWA, the Administrative Set-Aside will be utilized by the NMFA and is held in a separate account apart from the DWRLF and the three DWB Set-Asides (respectively, 2%, 10% and 15% of each Capitalization Grant). As allowed by the SDWA, the NMFA reserved and specified 4% of the FFY 2009 Capitalization Grant for the Administrative Set-Aside. The NMFA will use an estimated \$300,000 from Administrative Set-Aside funds in SFY 2011. Administrative Set-Aside funds available during SFY 2011 include the unexpended Administrative Set-Aside funds from previous Capitalization Grants. The Administrative Set-Aside will fund activities that allow NFMA to implement, administer, and operate the DWRLF program during SFY 2011. The NMFA estimates that fourteen of its employees will work on the DWRLF program, on a part-time basis, for an equivalent of approximately five full-time employees. NMFA staff charge time to the DWRLF based on actual hours worked. The estimated NMFA end-of-SFY 2010 Administrative Set-Aside fund balance is \$260,672. The NMFA contracts with the NMED's Construction Programs Bureau for engineering and construction oversight. The NMFA also contracts with other parties chosen through a competitive procurement process for other technical services that include environmental compliance reviews and legal services. The estimated SFY 2011 expenditures for these services are approximately \$110,000.

The NMFA charges a 1% cost-of-issuance fee to cover the legal and closing costs of each loan. This 1% fee is included in the loan as principal and is held in an account outside of the DWRLF. In addition, the NMFA builds into its DWRLF loan interest rate a 0.25%

administrative fee that is assessed on the outstanding balance of the loan. For disadvantaged borrowers whose loans carry a 0% interest rate, NMFA charges a 0.25% administrative fee, making the effective interest rate of a 0% loan 0.25%. These administrative fees are held outside of the DWRLF and are used to pay NMFA's overhead costs and are not used to cover program administration costs, which are already funded by the 4% Administrative Set-Aside. Administrative fees are used for eligible purposes under 40 CFR §35.3530(b)(2) and assessed cost-of-issuance fees included as principal in a loan are used in accordance with the limitations in 40 CFR §35.3530(b)(3)(i)–(iii).

Please see the below list for a further description of DWRLF Administration Expenses.

- **Reporting Activities** - This includes preparing Capitalization Grant applications; conducting annual solicitation of projects; preparing and submitting the annual IUP; preparing and submitting annual reports, annual financial reports, and audits; project tracking and reporting; reporting to the EPA National Information Management System; and participating in an annual EPA site visit.
- **Payment Processing** - This includes closing loans, processing requests for reimbursement, making wire transfers, processing cash draws from the automated clearing house (ACH), and preparing and submitting annual outlay reports.
- **Pre-Application Activities** - This includes contacting systems on the IUP Priority List to arrange for pre-application meetings, scheduling and conducting meetings with potential applicants, counseling and providing advice and information on preparation of financial applications, engineering feasibility reports and environmental information documents.
- **Application Review** - This includes conducting financial, engineering, environmental, financial, and legal reviews of financial assistance application materials; and preparing and presenting agenda items for NMFA Board approval of loan commitments.
- **Engineering, Construction and Environmental Review** - This includes conducting reviews/approvals of engineering and construction plans and contract documents, reviewing/approving bid documents and checking for compliance with federal cross-cutters, completing environmental reviews, preparing documents for loan closings, authorizing contract award and issuing notices to proceed, participating in contract pre-construction conferences, monitoring of construction progress, reviewing/approving contract change orders, and reviewing/approving project close-out documents.

- **Portfolio, Audit and Cash Management** - This includes audit monitoring to ensure finance-related legal and contractual compliance and ongoing financial stability of applicants; and managing program cash flows and related banking and investment activities in compliance with applicable laws, contracts and policies of the NMFA Board.
- **Financial Management** - This includes processing payments (loan closings, making wire transfers, processing cash draws from EPA, and administration), preparing accounting entries to the general ledger, preparing reports (Quarterly Federal Cash Transaction Report, Annual Financial Status Report, Annual Financial Report), preparing reconciliations and monitoring Federal Capitalization Grants.
- **Contractual Technical Services** – This includes contractual technical services for engineering and construction oversight, environmental reviews, and legal fees associated with closing DWSRF loans.

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 two loans from the outstanding binding commitments which have been issued from previous years	SFY 2011
Enter into new Binding Commitments	The NMFA will enter into three binding commitments from the SFY 2011 Fundable Priority List which can be found in <u>Appendix D</u> to the IUP.	SFY 2011

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 2011
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 2011

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 less (Small Systems Technical Assistance Set-Aside). The goal for the Technical Assistance Set-Aside is to enable small water 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 compliance staff in the twelve district and field offices across the State work to assist small water systems with questions and problems. Compliance staff provides guidance materials to small water systems as needed. When a small water system is in violation of the SDWA or New Mexico Drinking Water Regulations, compliance staff prepares a notification letter that details the violation(s) and procedures for compliance. Compliance staff can provide detailed explanations of the violation(s) and the recommended steps to correct deficiencies. Compliance staff works with small water systems to develop strategies to return to compliance as part of informal compliance agreements. If the violation(s) of a small water system rise to the level of formal enforcement, the water system is referred to the Enforcement Unit of the Technical Services Section for appropriate enforcement action. Small water systems under enforcement actions receive priority technical, financial and managerial assistance from the DWB staff and/or contractors. The contractors are funded through the Local Assistance Set-aside.

The goal for the Small Systems Technical Assistance Set-Aside is to provide technical assistance to small water systems to foster drinking water regulations compliance and to produce high-quality drinking water. 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 compliance section staff in each district will meet weekly and discuss water systems issues and refer any assistance needs to the technical services section.	SFY 2011

Environmental Activity	The compliance section staff, the technical services section staff and the technical contractor(s) will meet to discuss potential enforcement activities at least four times per year per district.	SFY 2011
------------------------	---	----------

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 quarterly basis to management.	SFY 2011
Environmental	The number of water systems in Significant Non-Compliance (SNC) will decrease from the SFY 2010 level by 5%.	SFY 2011
Environmental	DWB capacity development staff will provide capacity assistance to small water systems to assist them in maintaining compliance. Assistance will be provided to at least 80% of small water systems that are 1) facing formal enforcement actions, 2) referred by compliance section staff and/or 3) requesting assistance.	SFY 2011

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 ongoing state efforts to protect public drinking water supplies from contamination. Activities planned to administer the SWAP program include finalizing a statewide SWAP program implementation strategy, managing the state SWP activities, tracking and reporting SWAP program activities, and developing SWAP outreach and training materials.

Public Water System Supervision Program

This Set-Aside will be used by the State to support 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, providing appropriate violation documentation in support of formal enforcement actions taken by the State and responding 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 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 (CD) 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 CD program 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.

OUTCOMES/ENVIRONMENTAL RESULTS

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

Output Type	Quantitative/Qualitative Description of Output	Period of Performance
Programmatic	Modify the SWP Program Implementation Strategy to increase activity in the SWP program.	SFY 2011
Environmental	Complete more than 90% of sanitary surveys in the scheduled year. The current schedule of sanitary surveys for New Mexico is 3 years for CWS, 3 years for NCWS with a vulnerable population, and 5 years for remaining NCWS.	SFY 2011
Programmatic	Participate in all UOC Program meetings.	SFY 2011
Programmatic	Review and make necessary revisions to the Capacity Development Strategy and strengthen the capacity development review process for new water systems.	SFY 2011
Programmatic	Provide training to water system operators thru staff efforts.	SFY 2011

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

Outcome Type	Quantitative/Qualitative Description of Outcome	Period of Performance
Environmental	Percent of the population served by community water systems where risk to public health is minimized by source water protection will be increased to 55% (substantially implemented SWP Plans).	SFY 2011
Environmental	90% of the community water systems in the State will meet all applicable health-based drinking water standards.	SFY 2011
Programmatic	85% of community water systems will have a certified operator.	SFY 2011

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 Set-Aside involves: completion of capacity assessments to determine existing resources and inadequacies; general assistance and training of both water systems’ operators and board members by DWB staff and contractors; targeted assistance to water systems identified in the Significant Non-Compliance list; and development of educational materials. An important capacity development component will include the leveraging of resources. Funding from this Set-Aside will also be utilized to support engineering review of projects to ensure that new water systems and existing systems 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 public outreach efforts with new materials and increased participation in a broader scope of events and venues, conducting a minimum of two DWAG meetings, performing timely review of plans and specifications submitted to DWB engineering staff for review, providing direct assistance and training to water systems to address their technical, managerial and financial capacity deficiencies, and conducting capacity assessments in a timely manner in response to (1) a water

system's submittal of a DWSRF Project Interest Form or a Uniform Funding Application, (2) a water system's request for managerial/financial assistance, or (3) the DWB becoming aware of a new PWS.

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	Provide capacity assessments for all water systems that are identified by DWB's capacity targeting database	SFY 2011
Programmatic	Review plans and specifications for all new construction and major modifications for conformance with the State Drinking Water Regulations.	SFY 2011
Programmatic	Meet quarterly with EPA to review the water systems in violation and on the SNC List.	SFY 2011

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 30 days of identifying the need.	SFY 2011
Environmental	80% of all plans and specifications submitted for review will be reviewed and commented on within 30 days of receipt.	SFY 2011
Programmatic	90% of water systems identified during quarterly meetings as needing technical, managerial, or financial assistance will receive either staff or contractor assistance within 60 days of identifying the need.	SFY 2011

Implementation of Source Water Assessment and Protection Program

This Set-Aside will be used to implement the Source Water Assessment and Protection (SWAP) program. The SWAP program is a composite of the Well Head Protection Program (WHPP) and Source Water Assessment (SWA) elements. The DWB intends to hire a Source Water Coordinator during SFY 2011 to promote the SWAP program 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.

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

- Zoning and related land-use measures that prohibit or restrict uses (e.g., by overlay zoning or related actions);
- State or local health regulations (e.g., sanitary setbacks);
- Land acquisition/conservation easements;
- Enforceable (i.e., enforceable under state and/or local laws), or voluntary Best Management Practices;
- Public outreach, involvement and education programs related to each significant threat; and/or
- Other actions taken under federal or state statutes such as the Clean Water Act (e.g., TMDLs, NPS management).

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

Currently all sanitary surveys include a source water protection component. This source water protection component can be used by the system to update the SWP. If the system is in need of assistance with updating the SWP, it can contact the technical services section of DWB.

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

OUTCOMES/ENVIRONMENTAL RESULTS

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 2011
Environmental	DWB staff will evaluate water systems eligible for chemical monitoring flexibility	SFY 2011
Programmatic	DWB staff and/or contractor(s) will assist interested water systems in preparing and implementing SWP plans	SFY 2011
Environmental	DWB staff will evaluate suspected GWUDI water systems in order of priority and notify systems of results of testing.	SFY 2011

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

Outcome Type	Quantitative/Qualitative Description of Outcome	Period of Performance
Environmental	20% of community water systems will have substantially implemented SWP programs.	SFY 2011
Environmental	Water systems eligible for chemical monitoring flexibility will be evaluated and a decision rendered within 60 days of becoming eligible.	SFY 2011
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 2011
Environmental	90% of GWUDI evaluations will be analyzed and a determination made within 30 days of completing the evaluation.	SFY 2011

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 DWRLF Fundable Priority List in rank order, but reserves the right to by-pass certain projects, using a by-pass procedure, as described below in Section V.H. In such an instance a lower ranked project may be funded over a higher ranked project if, in the opinion of the NMFA 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 DWRLF capitalization, rather than the per-application limitation imposed in the leveraging plan. By doing so, the closing process required of borrowers with projects greater than \$2 million is simplified and there is greater impetus for borrowers to use the DWRLF program.

A PWS is eligible for DWRLF 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 PWS seek funding from other funding agencies. The NMFA is not the lender of last resort. Questions regarding the ranking process or the development of the DWRLF Fundable Priority List should be directed to NMFA or DWB. The NMFA can be reached at: (505) 984-1454 or toll free at (877) 275-6632, and the DWB can be reached at (505) 476-8620 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. Systems are also encouraged to apply through the UFA process;
- 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 or an application through the UFA;
- c) Water systems that submit a completed Project Interest Form or applied through

the UFA will be ranked through the DWB prioritization process and be included in the annual IUP Comprehensive Priority List (Appendix D);

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

The NMED and the NMFA may elect to implement monthly updates to the annual IUP Comprehensive Priority List described above. Such a process will be necessary for the inclusion of the UFA process which can direct new projects to the DWRLF on a monthly basis. 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] 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 and **(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 the NMFA. In all cases the NMED will calculate the population based on the water system inventory information in the Safe Drinking Water Information System (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 categorical exclusion eligibility. In all other instances, the NMED and the NMFA will negotiate and specify the population calculation to be utilized, as needed. Because of the potential for changes in a community's population over time, the IUP opening date in which a specific project is listed will serve as the date for all subsequent population determinations.

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 the IUP.

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 systems, and/or initiation of concrete measures to bring about regionalization of two or more water systems.

2. **WATER CONSERVATION AND ENERGY EFFICIENCY:** Including water conservation programs, renewable energy or energy conservation to reduce the amount of energy consumed on the grid to produce, treat and deliver water.

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 of 10,000 or less, based on the most recent U.S. Census (40 CFR 35.3525(a)(5) and 40 CFR 35.3525(b)). 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 ([Appendix E](#)). Please note that this preliminary designation will receive further analysis should the specified water systems apply 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 that 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 an MHI at 90% or less of the state MHI and with an affordability ratio greater than 0.01 and no more than 0.015. The interest rate on loans to this first group of disadvantaged communities will be 0% 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 were 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% of the state MHI and with an 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 0.015. An affordability ratio of 0.015 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 0.015, the project will be passed over until sufficient additional funding can be secured. This 0.015 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 the 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 Appendix E for a preliminary listing of the disadvantaged communities on the State's Fundable Priority List for SFY 2010.

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 [Appendix 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 10,001 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 IUP 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 systems respectively satisfy 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 [Appendix D](#). A water system with a project that appears on the Fundable Priority List, should it apply for a DWRLF loan, still must pass the more detailed financial review of the NMFA and is expected to close on the DWRLF loan within the fiscal year covered by this IUP.

A water system with a project on the Comprehensive Priority List that does not make the Fundable Priority List is sent a letter with an explanation of its capacity deficiencies and an offer for direct assistance to improve the system's capacity. In fact, as 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 water systems serving populations of 10,000 or less, based on the most recent U.S. Census. Currently, NMFA has provided 36% of all loans to those small systems that are 10,000 or less in population. NMFA continuously markets to these communities at different statewide conferences held by organizations such as the New Mexico Municipal League or New Mexico Rural Water Association, or at the New Mexico Infrastructure Finance Conference. The NMFA is striving to meet the needs of small system communities in the State and in SFY 2011 look to provide 30% of all loans to these small systems.

G. Emergency Conditions

Unforeseen or unanticipated conditions at a water system that include impact on the source, treatment, storage or distribution of water at an eligible public water system and that 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. By-pass Procedure

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

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

**The NMED Drinking Water Bureau invites you to
review and comment on the
SFY 2011
Drinking Water State Revolving Fund
Draft Intended Use Plan**

The Safe Drinking Water Act amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) program to assist public water systems to finance the cost of the infrastructure needed to achieve or maintain compliance with the SDWA requirements and protect public health. This Intended Use Plan (IUP) details the intended use for the State Fiscal Year 2011.

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

Please submit comments by August 2, 2010 to
Drinking Water Bureau 525 Camino de los Marquez, Suite 4
Santa Fe, NM 87505 Attn: Rob Pine

APPENDIX B

NNEW MEXICO ENVIRONMENT DEPARTMENT MATCH FOR STATE PROGRAMS CATEGORY

NMED State Programs 1:1 Match Formula

<i>DWRLF STATE PROGRAMS SET-ASIDE ELEMENT</i>	FY11 Operating Budget
	July 2010-June 2011
State Programs Budget	\$814,600.00

State Match Funds	FY11 Operating Budget
	July 2010-June 2011
Corrective Action Fund	\$0
Water Conservation Fee Fund	\$3,226,500.00
Available State Match-Current Year	\$814,600.00
Excess State Program Match	\$2,411,900.00

APPENDIX C
SET-ASIDE FINANCIAL TABLES

ADMINISTRATION SET-ASIDE (4%)

Awards Allocated to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Expected for FFY 2009 & 2010 Cap Grant	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures thru SFY 2010	Estimated Expenditures thru SFY 2011	Ending Balance thru SFY2010
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	\$65,168	\$260,672	\$260,672
FFY 09		\$325,840	\$325,840	\$0	\$0	\$0	\$325,840	\$325,840
FFY 10		\$542,920	\$542,920	\$0	\$0	\$0	\$542,920	\$542,920
TOTALS	\$4,005,620	\$868,760	\$4,874,380	\$0	\$0	\$3,744,948	\$1,129,432	\$1,129,432

SMALL SYSTEMS TECHNICAL ASSISTANCE SET ASIDE (2%)

Awards Allocated to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Expected for FFY 2009 & 2010 Cap Grant	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures thru SFY 2010	Estimated Expenditures thru SFY 2011	Ending Balance thru SFY2010
FFY97	\$255,196		\$255,196	\$0	\$0	\$255,196		\$0
FFY98-99	\$291,702		\$291,702	\$0	\$0	\$291,702		\$0
FFY00	\$155,140		\$155,140	\$0	\$0	\$155,140		\$0
FFY01	\$155,782		\$155,782	\$0	\$0	\$155,782		\$0
FFY02	\$161,050		\$161,050	\$0	\$0	\$161,050		\$0
FFY03	\$160,082		\$160,082	\$0	\$0	\$160,082		\$0
FFY 04	\$166,062		\$166,062	\$0	\$0	\$166,062		\$0
FFY 05	\$165,710		\$165,710	\$0	\$0	\$165,710		\$0
FFY 06	\$164,586		\$164,586	\$0	\$0	\$164,586		\$0
FFY 07	\$164,580		\$164,580	\$0	\$0	\$164,580		\$0
FFY 08	\$162,920		\$162,920	\$0	\$0	\$162,920		\$0
FFY 09		\$162,920	\$162,920	\$0	\$0	\$0	\$162,920	\$162,920
FFY 10		\$271,460	\$271,460	\$0	\$0	\$0	\$271,460	\$271,460
TOTALS	\$2,002,810	\$434,380	\$2,437,190	\$0	\$0	\$2,002,810	\$434,380	\$434,380

STATE PROGRAM MANAGEMENT SET-ASIDE (10%)

Awards Allocated to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Expected for FFY 2009 & 2010 Cap Grant	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures thru SFY 2010	Estimated Expenditures thru SFY 2011	Ending Balance thru SFY2010
FFY97	\$1,275,980		\$1,275,980	\$0	\$0	\$1,275,980		\$0
FFY98-99	\$1,458,510		\$1,458,510	\$0	\$0	\$1,458,510		\$0
FFY00	\$775,700		\$775,700	\$0	\$0	\$775,700		\$0
FFY01	\$778,910		\$778,910	\$0	\$0	\$778,910		\$0
FFY02	\$805,250		\$805,250	\$0	\$0	\$805,250		\$0
FFY03	\$800,410		\$800,410	\$0	\$0	\$800,410		\$0
FFY 04	\$830,310		\$830,310	\$0	\$0	\$830,310		\$0
FFY 05	\$828,550		\$828,550	\$0	\$0	\$828,500		\$0
FFY 06	\$822,930		\$822,930	\$0	\$0	\$822,930		\$0
FFY 07	\$822,900		\$822,900	\$0	\$0	\$822,900		\$0
FFY 08	\$814,600		\$814,600	\$0	\$0	\$688,386	\$126,214	\$126,214
FFY 09		\$814,600	\$814,600	\$0	\$0	\$0	\$814,600	\$814,600
FFY 10		\$1,357,300	\$1,357,300	\$0	\$0	\$0	\$1,357,300	\$1,357,300
TOTALS	\$10,014,050	\$2,171,900	\$12,185,950	\$0	\$0	\$9,887,786	\$2,298,114	\$2,298,114

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

Awards Allocated to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Expected for FFY 2009 & 2010 Cap Grant	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures thru SFY 2010	Estimated Expenditures thru SFY 2011	Ending Balance thru SFY2010
FFY97	\$537,990		\$537,990	\$0	\$0	\$537,990		\$0
FFY98-99	\$1,312,659		\$1,312,659	\$0	\$0	\$1,312,659		\$0
FFY00	\$698,130		\$698,130	\$0	\$0	\$698,130		\$0
FFY01	\$778,910		\$778,910	\$0	\$0	\$778,910		\$0
FFY02	\$805,205		\$805,205	\$0	\$0	\$805,205		\$0
FFY03	\$800,410		\$800,410	\$0	\$0	\$800,410		\$0
FFY 04	\$830,310		\$830,310	\$0	\$0	\$830,310		\$0
FFY 05	\$828,550		\$828,550	\$0	\$0	\$828,550		\$0
FFY 06	\$822,930		\$822,930	\$0	\$0	\$822,930		\$0
FFY 07	\$822,900		\$822,900	\$0	\$0	\$493,372	\$329,528	\$329,528
FFY 08	\$814,600		\$814,600	\$0	\$0	\$0	\$814,600	\$814,600
FFY 09		\$814,600	\$814,600	\$0	\$0	\$0	\$814,600	\$814,600
FFY 10		\$1,357,300	\$1,357,300	\$0	\$0	\$0	\$1,357,300	\$1,357,300
TOTALS	\$9,052,594	\$2,171,900	\$11,224,494	\$0	\$0	\$7,908,466	\$3,316,028	\$3,316,208

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

Awards Allocated to Set-Aside	Total Set-Aside Allocated	Total Set-Aside Expected for FFY 2009 & 2010 Cap Grant	Specified Amount	Unspecified Amount	Unspecified Amount Transferred to Loan Fund	Specified Expenditures thru SFY 2010	Estimated Expenditures thru SFY 2011	Ending Balance thru SFY2010
FFY97	\$1,375,980		\$1,375,980	\$0	\$0	\$1,375,980		\$0
FFY98-99	\$875,106		\$875,106	\$0	\$0	\$875,106		\$0
FFY00	\$465,420		\$465,420	\$0	\$0	\$465,420		\$0
FFY01	\$389,455		\$389,455	\$0	\$0	\$389,455		\$0
FFY02	\$402,670		\$402,670	\$0	\$0	\$402,670		\$0
FFY03	\$400,205		\$400,205	\$0	\$0	\$400,205		\$0
FFY 04	\$415,155		\$415,155	\$0	\$0	\$415,155		\$0
FFY 05	\$414,275		\$414,275	\$0	\$0	\$414,275		\$0
FFY 06	\$411,465		\$411,465	\$0	\$0	\$411,465		\$0
FFY 07	\$411,450		\$411,450	\$0	\$0	\$411,450		\$0
FFY 08	\$407,300		\$407,300	\$0	\$0	\$0	\$407,300	\$407,300
FFY 09		\$407,300	\$407,300	\$0	\$0	\$0	\$407,300	\$407,300
FFY 10		\$678,650	\$678,650				\$678,650	\$678,650
TOTALS	\$5,968,481	\$1,085,950	\$7,054,431	\$0	\$0	\$5,561,181	\$1,493,250	\$1,493,250

APPENDIX D

PRIORITY RANKING SYSTEM FOR DWSRF PROJECTS SFY 2011

ASSIGNMENTS OF PRIORITY POINTS: All eligible projects submitted by eligible public water systems will be ranked by the number of points received. The water system with the most points received will be assigned the highest priority ranking. 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	
<p>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.</p>	60
<p>2. Inadequate Water Supply. 60 points will be assigned if the wells or sources in the proposed project service area are unable to consistently provide an adequate amount of drinking water to customers and if the proposed project addresses this problem.</p>	60
B. Safe Drinking Water Act Compliance	
<p>1. Acute/Chronic Risk Contaminants. 130 points will be assigned if the system is in violation of a maximum contaminant level (MCLs) or acute treatment technique requirements, and if the proposed project will address the violations.</p>	130
<p>2. Treatment Technique Requirements. 60 points will be assigned if there have been at least 3 violations of non-acute treatment technique requirements within the past calendar year, and if the proposed project will address these violations.</p>	60
<p>3. Ground Water Under the Direct Influence of Surface Water (GWUDI). 80 points will be assigned to water systems that have received a formal GWUDI determination if the proposed project addresses the GWUDI problem.</p>	80

<p>C. Affordability</p> <p>Only community water system (CWS) projects will be assigned points under this section. The statewide annual median household income (MHI) must be determined from income data from the latest U.S. census. The MHI for a CWS will use the appropriate political subdivision(s) encompassing its service area. A maximum of 60 points will be assigned to a project from a CWS with an MHI below the state MHI. Up to 5% below MHI = 20 points; up to 10% below MHI = 40 points; and greater than 10% below MHI = 60 points.</p>	60
<p>D. Water System Regionalization/Consolidation</p> <p>1. Emergency Source. 50 points will be assigned to a project that addresses a need for an emergency source through interconnection with another public water system.</p>	50
<p>2. Regionalization Activities. 50 points will be assigned to a project that is part of a regionalization effort among two or more water systems that results in the consolidation of water systems and/or addresses a MCL violation.</p>	50
<p>E. Water Conservation and Energy Efficiency</p> <p>1. Water Conservation Program. 30 points will be assigned if project implements a water conservation program.</p>	30
<p>2. Energy Efficiency. 30 points will be assigned for a project that implements renewable energy or energy conservation to reduce the amount of energy consumed on the grid to produce, treat and deliver water.</p>	30
<p>F. Population</p> <p>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 (leaky line replacement, failing tanks, etc.) will receive 50 points.</p>	50
<p>2. Metering an unmetered system will receive 50 points.</p>	50
<p>3. Projects that streamline or improve operations (radio read meters, looping, SCADA, additional valves, etc.) will receive 50 points.</p>	50
<p>4. Projects that enhance water supply (new well drilled, additional water storage, treatment to reduce secondary contaminants, etc.) will receive 30 points.</p>	30
<p>5. Projects that upgrade or add new treatment for microbiological contamination (UV, flush hydrants, chlorination, improve tank turnover) will receive 50 points.</p>	50
<p>6. Projects that address water pressure problems will receive 30 points.</p>	30

7.	Projects that replace or rehabilitate failing or inadequate infrastructure (for reasons other than water loss) will receive 50 points.	50
8.	Projects that extend water service to existing homes not currently served by a centralized water system 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 3 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 the following	Metering of customers (if the project does not include meters). Rates must be based on metered use.
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:	A budget
PWS must have at least 4 of the following or a designated funding stream that sufficiently addresses all budgeted needs of the system:	<ul style="list-style-type: none"> 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

APPENDIX E

COMPREHENSIVE AND FUNDABLE PRIORITY LISTS SFY 2011

SRF FUNDABLE PROJECT PRIORITY LIST, SFY 2011

PWS	Priority	Population	Cost	Project Description	Anticipated Binding Commitment Date
Elephant Butte, City of	1	984	\$475,000	Drill a new well to replace an existing well with high Arsenic.	08/26/2010
Vista Redonda MDWCA	2	75	\$1,455,000	Replacement of approximately 3.5 miles of old 3 inch distribution, 5 hydrants, redirect water through new pipeline to tank to blend sources to address Uranium MCL exceedance.	08/26/2010
Eldorado WSD	3	8,114	\$250,000	Replace approximately 300 old residential and commercial manual water meters with radio read meters.	10/28/2010
Alto Lakes WSD	4	2,000	\$946,000	Phase II of water treatment project to reduce TDS and hardness by installation of an RO system and brine disposal facility.	04/28/2011
Village of Angel Fire	5	6,000	\$239,500	Reconstruct .6 mile of distribution which is currently susceptible to freezing.	12/16/2010
Eldorado WSD	6	8,114	\$185,000	Install a modular building to serve as administrative offices and as operations/field offices.	10/28/2010
Eldorado WSD	7	8,114	\$150,000	Install and interconnecting water line and booster station between water storage tanks.	10/28/2010
Eldorado WSD	8	8,114	\$200,000	Update outdated SCADA components.	9/23/2010
Alto Lakes WSD	9	2,000	\$400,000	Replace old 150,000 gal water storage tank with new 300,000 gal welded steel tank.	9/23/2010
Santa Fe, City of	10	70,001	\$4,000,000	Additional funding for the Buckman Diversion project.	08/26/2010
TOTAL COST: \$8,300,500					
TOTAL PROJECT COUNT: 10					

SRF COMPREHENSIVE PROJECT PRIORITY LIST, SFY 2011

PWS	Score	Priority	County	Population	Cost	Project Description	Anticipated Binding Commitment Date
Elephant Butte, City of	185	1	Sierra	984	\$475,000	Drill a new well to replace an existing well with high Arsenic.	08/26/2010
Vista Redonda MDWCA	181	2	Santa Fe	75	\$1,455,000	Replacement of approximately 3.5 miles of old 3 inch distribution, 5 hydrants, redirect water through new pipeline to tank to blend sources to address Uranium MCL exceedance.	08/26/2010
Eldorado WSD	114	3	Santa Fe	8,114	\$250,000	Replace approximately 300 old residential and commercial manual water meters with radio read meters.	10/28/2010
Alto Lakes WSD	80	4	Lincoln	2,000	\$946,000	Phase II of water treatment project to reduce TDS and hardness by installation of an RO system and brine disposal facility.	04/28/2011
Village of Angel Fire	80	5	Colfax	6,000	\$239,500	Reconstruct .6 mile of distribution which is currently susceptible to freezing.	12/16/2010
Eldorado WSD	64	6	Santa Fe	8,114	\$185,000	Install a modular building to serve as administrative offices and as operations/field offices.	10/28/2010
Eldorado WSD	64	7	Santa Fe	8,114	\$150,000	Install and interconnecting water line and booster station between water storage tanks.	10/28/2010
Eldorado WSD	64	8	Santa Fe	8,114	\$200,000	Update outdated SCADA components.	9/23/2010
Alto Lakes WSD	60	9	Lincoln	2,000	\$400,000	Replace old 150,000 gal water storage tank with new 300,000 gal welded steel tank.	9/23/2010
Santa Fe, City of	30	10	Santa Fe	70,001	\$4,000,000	Additional funding for the Buckman Diversion project.	08/26/2010
TOTAL COST: \$8,300,500							
TOTAL PROJECT COUNT: 10							

APPENDIX F

DISADVANTAGED PROJECT LIST, SFY 2011

(As of the date of the IUP, no disadvantage projects have been identified)