

New Mexico Finance Authority
Oversight Committee
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Presenters

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Sanitary Projects Act

- Many of New Mexico's water systems are formed as **Mutual Domestic Water Consumers Associations (MDWCAs)**, a unique organization authorized by the Sanitary Projects Act;
- MDWCAs were first authorized by the State Legislature in 1947 as a solution to a public health, from the hazardous practices of use of water from ditches, rivers, and shallow wells;
- The Act was successful in bringing safe drinking water to rural New Mexico, however much of the language became outdated, irrelevant or inapplicable;
- Substantial revision of the Sanitary Projects Act was passed by the New Mexico Legislature in 2006.
- These revisions unequivocally made MDWCAs into public bodies and political subdivisions of the state

Small Rural Communities Water Project Needs and Challenges

- NM Public Water Systems
 - Approximately 650 Public Water Systems in NM
 - Approximately 300 are Mutual Domestic Water Systems
 - Majority of water systems have fewer than 500 connections



Small Rural Communities Water Project Needs and Challenges - Continued

- Majority of MDWCA's are voluntary boards
- Aging boards and limited capacity because of unpaid staff
- Regulatory Compliance
 - Compliance with seven state agencies
- Managerial & Operational Capacity
 - Provide safe drinking water 24/7
 - Technical, Managerial and Financial Capacity
 - Proactive Operation & Maintenance
 - Data Management
 - Debt Capacity & Financial Reserves

MDWCA's Funding Needs

- Secure funding for planning
 - Preliminary Engineering & Environmental Reports
- Secure funding for design
- Replace aging infrastructure
- Develop data management tools (Asset Management)
- Sustainability to fund aging infrastructure and operations

MDWCA's Funding Opportunities

- Nine funding opportunities
 - NMFA Local Govt Planning Fund
 - NMFA Water Trust Board
 - Community Dev Block Grant (CDBG)
 - Drinking Water Loan Fund (DWSRLF)
 - Clean Water Revolving Loan Fund (CWSRLF)
 - Rural Infrastructure Program (RIP)
 - USDA
 - Capital Outlay
 - Bonding Capacity – Water & Sanitation Districts

Small Rural Communities Water Project Needs and Challenges

Building Water System – 5 years to 10 years

- Example: Ancones MDWCA – Two communities; El Llanito and Ancones located in Rio Arriba County, north of Ojo Caliente
 - Between 2007 through 2018, after nine funding application cycles, they secured approximately \$2.6M to construct a water supply well, a 40,000-gallon water storage tank, and approximately 27,000 LF (5-miles) of waterline for approximately 60 service connections. Local match, approximately \$242,000, including five funding awards from the WTB.



Water Project Finance Act and Water Trust Fund History

- 2001 Legislature enacted the Water Project Finance Act, which created the Water Project Fund
 - Purpose:
 - NM is in a desert where water is scarce
 - The economy depends on reasonable and fair allocation of water for all purposes
 - The public welfare depends on efficient use and conservation of water
 - NM must comply with its delivery obligations under interstate compacts; and
 - Public confidence and support for water use efficiency and conservation is based on a reasonable balance of investments in water infrastructure and management.
 - To provide for water use efficiency, resource conservation and protection and fair distribution and allocation of NM's scarce water resources for beneficial purposes of use within the state.
- Original STB earmark
 - 10% of Severance Tax Bonds
 - Annual WTF allocation of \$4M

Water Project Finance Act and Water Trust Fund History – Continued

- Decline of Severance Tax Bond Funds to Water Project Fund in 2015
- HB 236 – 2015 Session - Changed the formula for STB debt service – Increased amount going into Severance Tax Permanent Fund and decreased amount available for debt service (resulting in less bonds being issued)
 - SB 1 2015 – Special Direct appropriation to EMNRD, NMED and OSE of \$6,420,000
 - Legislature pulls back approx. \$6.5M which results in loan repayments shoring up 2015 awards versus funding new projects in 2016-2018.
 - HB 219 2016 – Session Direct appropriation to EMNRD, NMED, OSE and Homeland Security of \$6,750,000
 - SB 8 Second Special Session – Reduced STB earmark from 10% to 9%.
 - SB 1 2017 Special Session – No 2017 STB Distribution to WTB, instead distributed \$9,360,000 OSE Adjudication
 - HB 306 2018 – Direct appropriation of \$5,825,000 to EMNRD, NMED, and OSE
 - Summary
 - 2013 - 9% net distribution (10% earmark less 10% adjudication)
 - 2014 – 9% net distribution (10% earmark less 10% adjudication)
 - 2015 - 7% net distribution (10% earmark less 10% adjudication, less \$6.42 million in direct appropriations)
 - 2016 - 5.33% net distribution (10% earmark less 10% adjudication, less \$6.75 million in direct appropriations)
 - 2017 –0% net distribution (no funds for water projects)
 - 2018 - 5.14% net distribution (9% earmark less 10% adjudication, less \$5.85 million in direct appropriations)

Impact to Rural Communities

– 2015

- Application received 128
- Funding requested \$113,516,939
- Applicants deemed eligible 127
- Funding awarded \$32,401,575 for 30 projects
- Insufficient funds \$81,115,364 for 97 projects

– 2016

- Applications received 77
- Funding requested \$73M
- Applicants deemed eligible 42 in the amount of \$40,870,803
- Funding awarded \$13,486,729 for 20 projects
- Insufficient funds \$14,186,714 for 15 projects

Impact to Rural Communities - Continued

- **2017**

- Applications received 62
- Funding requested \$60M
- Applicants deemed eligible 56 in the amount of \$49,750,333
- Funding award recommendations \$29,271,014 for 32 projects
- Insufficient funds Approximately \$13M suspended and transferred to general fund

- **2018**

- Applications received 61
- Funding requested \$58,314,454
- Applicants deemed eligible 21 in the amount of \$24,201,036
- Funding awarded \$17,305,000 for 14 projects
- Insufficient funds \$6,082,794 for 6 projects

**Total Impact to Local Communities -
\$28,355,000**

**Projects not Funded due to Insufficient
Funds –
150 Projects**

**Project Location by County –
Dona Ana, Sandoval, Harding, Rio
Arriba, Colfax, Sierra, Valencia,
Bernalillo, Curry, Mora, Santa Fe, Taos,
Lea, Eddy, Guadalupe, Luna, Quay,
Roosevelt, San Juan, San Miguel,
Torrance, Socorro and Grant**