

2016 Water Trust Board Report

Presentation to the
New Mexico Finance Authority
Oversight Committee

July 11, 2016

Policy Amendments Overview

- ▶ Amended rules were finalized April 30, 2015 to provide for projects to be evaluated prior to recommending projects to the Legislature
- ▶ In October 2015, the Water Trust Board approved significant policies revisions which:
 - Streamlined the format of the policies
 - Provided category specific requirements
 - Eliminated requirements deemed onerous, duplicative, or too broad to ensure consistent implementation
 - Focused on elements of project benefits
 - Increased transparency by including criteria and loan structuring practices in policies, rather than in separately adopted documents



Policy Amendments Overview

- ▶ The October 2015 amendments also established category-specific evaluation criteria developed by WTB task forces
- ▶ Following the 2016 application cycle, the WTB reviewed the Policies and on July 6, 2016 adopted amendments that clarify requirements:
 - clarify requirements for planning documents;
 - modify slightly the targeted annual funding percentages;
 - adjust the weighting of the criteria; and
 - establish preliminary expenditure targets that must be met prior to a project being recommended to the Legislature



Policy Amendments Overview

Planning Documents:

- ▶ In 2013 was the requirement that beginning with the 2015 application cycle, applications must be accompanied by a planning document
- ▶ In 2016, there were a few questions as to whether all planning documents needed to be produced within the last five years and whether planning documents accepted within the last five years would meet the Policies
- ▶ The amendments clarify that the WTB requires non-watershed planning documents to be accepted within the last five years and that watershed planning documents be updated and current, but not be subject to the five-year mark



Policy Amendments Overview

Targeted Percentage of Funding by Project Category

- ▶ Since 2007, the Policies have provided targeted percentages of funding by category type
- ▶ Based upon the recent history of applications, the Policies were changed to decrease the range of funding for Endangered Species Act (“ESA”) projects and increase the range of funding for Watershed project
 - Storage, Conveyance or Delivery of Water projects 50% - 75%
 - Water Conservation, Recycling, Treatment or Reuse projects 15% - 30%
 - Watershed Restoration and Management projects 10% - 20%
 - Flood Prevention projects Up to 10%
 - ESA Implementation projects Up to 5%



Project Evaluation Criteria

- ▶ Evaluation criteria was based upon statutory direction (72-4A-5 (A)) to the WTB to prioritize projects that:
 - “have been identified as being urgent to meeting the needs of a regional water planning area that has a completed regional water plan that has been accepted by the interstate stream commission”
 - “have matching contributions from federal or local funding sources available”
 - “have obtained all requisite state and federal permits and authorizations necessary to initiate the project”
- ▶ State Water Plan direction to fund regional projects; and
- ▶ Health and safety



Overview Policy Amendments

- ▶ Given where some critical health and safety projects were prioritized in 2016, the Policies were amended to provide greater weight to health and safety factors
- ▶ Under newly revised criteria, health and safety constitute 50% of the evaluation criteria and the remainder is 40% from statutory direction and 10% from the State Water Plan

<u>Criterion</u>	<u>New Weight</u>	<u>Direction</u>
◦ Urgent for ISC-accepted Plan	5%	Statutory
◦ Local Contribution	15%	Statutory
◦ Readiness	10% (from 15%)	Statutory
◦ Regionalization	10% (from 15%)	State Water Plan
◦ Health and Safety	25% (from 20%)	Health & Safety
◦ Planning/Design	10%	Statutory
◦ Emergency	25% (from 20%)	Health & Safety



Project Evaluation Criteria

- ▶ Generally, the criteria itself was not changed, only the relative weights. The Local Contribution criterion was broadened substantially with a goal of more even distribution of points
- ▶ Under the former criteria, the maximum score for leverage occurred when the secured leverage exceeded 30%. This resulted in applications receiving either very high scores (53% of applicants) or very low scores (40% of applicants)
- ▶ The new criteria gives the maximum points when more than three times the required match is contributed and provides two additional levels of criteria points within the category
- ▶ The broadened leveraging criterion and new universal weighting resulted in a more even distribution of points for leveraging, eliminated some of regional bias and increased the ranking of projects considered critical for health and safety



New Expenditure Criteria

Preliminary Expenditure Targets

- ▶ Over the past several years, the WTB has been subject to criticism because of the perception that there were large available balances in the Water Project Fund
- ▶ These balances were cited as reasons the Legislature directly appropriated funds from the Water Project Fund in 2015 & 2016
- ▶ To incentivize projects to expend funds more quickly, the Water Trust Board approved new criteria that requires applicants to expend a certain percentage of prior awards as a condition of being recommended to the Legislature
- ▶ Applicants meeting the preliminary targets in the fall will still be subject to meeting final targets in the spring



New Expenditure Criteria

- ▶ Specifically, the Policies include as new *Section 2.1, Recommendation to the Legislature*, which requires that the preliminary expenditure target be met at the time of submission of the Project Application, which for 2017 cycle is October 3rd
- ▶ Applicants not able to meet this expenditure target will need to include a waiver request with their applications. The Board is expected to consider any waiver requests at its November 2nd and 3rd Board Meetings
- ▶ Applications not meeting the preliminary expenditure targets and not granted waivers, will not be evaluated



New Expenditure Criteria

Prior Award Expenditure Requirements*

<i>Type of Project</i>	Preliminary Project Application	Final Readiness Application
State Sponsored Regional Infrastructure Projects	35%	50%
Regional Water Association Projects	60%	80%
All Other Projects	70%	95%

**The calculation excludes funds awarded as part of the most recent (2016) application cycle*



Approved 2017 WTB Application Timeline

Activity	Action	Timeline	Deadlines for Nov. 2016 Recommendation
Water Trust Board Meeting	Vote on changes to policies and procedures prior to opening application cycle		July 6, 2016
Applicant Training	Training on policies and new application system	4 weeks	August 1, 2016
Notice of Intent to Apply Due	Applicant's Notice of Intent to File a Project Application	3 weeks	August 8th – August 26, 2016
Project Application	Project Application	4 weeks	September 6 – October 3, 2016
<i>Deadline for Preliminary Expenditure of Money</i>	<i>Section 2.1 of the amended WTB Project Management Policies provides that applicants expend a minimum amount of funds prior to being recommended to the Legislature for authorization</i>		October 3, 2016
Application Evaluations	Technical Evaluation of Applications	4 weeks	October 12 – November 9, 2016
Water Trust Board Meeting	Project Presentations		November 2nd & 3rd
Water Trust Board Meeting	Approval of Projects recommended for Legislative Authorization; Notice to Applicants moving forward to Readiness Application		November 30, 2016
NMFA Oversight Committee Meeting	Legislature to Consider Authorization for Recommended Projects		December 1st and 2nd
Readiness Application	Projects recommended for Legislative Authorization	6 weeks	December 15, 2016-January 26, 2017
2017 Legislative Session Governor's Deadline to Enact Legislation			January 17 - March 18, 2017 April 7, 2017
Compliance Certifications Due	Regulatory Agencies to provide compliance certification to NMFA	4 weeks	February 23, 2017
Non-Compliance Notifications	Applicants notified of non-compliance items (pass/fail)	3 weeks	February 27, 2017
Final Compliance Certifications/Waiver Request	Submission of waiver requests to the Project Management policies and/or regulatory compliance.		March 16, 2017
Water Trust Board Meeting	Policy Waiver Determinations		April 26, 2017
Water Trust Board Meeting	Final Funding Recommendations		May 10, 2017
NMFA Meeting	Final Approval of Water Trust Board awards		May 25, 2017

