

# Drinking Water State Revolving Loan Fund

New Mexico Finance Authority

Oversight Committee: Agenda Item # 6

August 26, 3013

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New Mexico Finance Authority



NEW MEXICO  
FINANCE AUTHORITY

# Authorization and Purpose

The Safe Drinking Water Act 1996 Amendments [40 CFR Section 1452] as supported with the Environmental Protection Agency (EPA) established the Drinking Water State Revolving Loan Fund (DWSRLF) to make funds available to drinking water systems to:

- finance infrastructure improvements; and
- provide assistance to public water systems.

The New Mexico Drinking Water State Revolving Loan Fund Act was enacted by the 1997 Legislature in response to action on the federal Safe Drinking Water Act.

There are three priorities of the DWSRLF program:

- protection of public health
- compliance with the Safe Drinking Water Act
- access to affordable drinking water infrastructure financial assistance

# Organization

- The State, through the New Mexico Finance Authority (NMFA) and the New Mexico Environment Department's (NMED) Drinking Water Bureau (DWB), cooperatively administer the DWRLF Program.
- NMED-DWB administers the technical aspect of the program:
  - developing the technical, managerial, and financial capacity for water systems
  - enforces the Safe Drinking Water Act
  - assists communities in qualifying for funding from the DWSRLF
  - provides assessments and prioritizes projects on both the Comprehensive Project List and the Fundable Priority List
- NMFA administers the financial aspects of the funds
  - providing low interest loans to qualified projects from the Fundable Priority List
  - monitor project construction: as secured through a Memorandum of Understanding with NMED's Construction Programs Bureau
    - Environmental Review
    - Federal Regulation

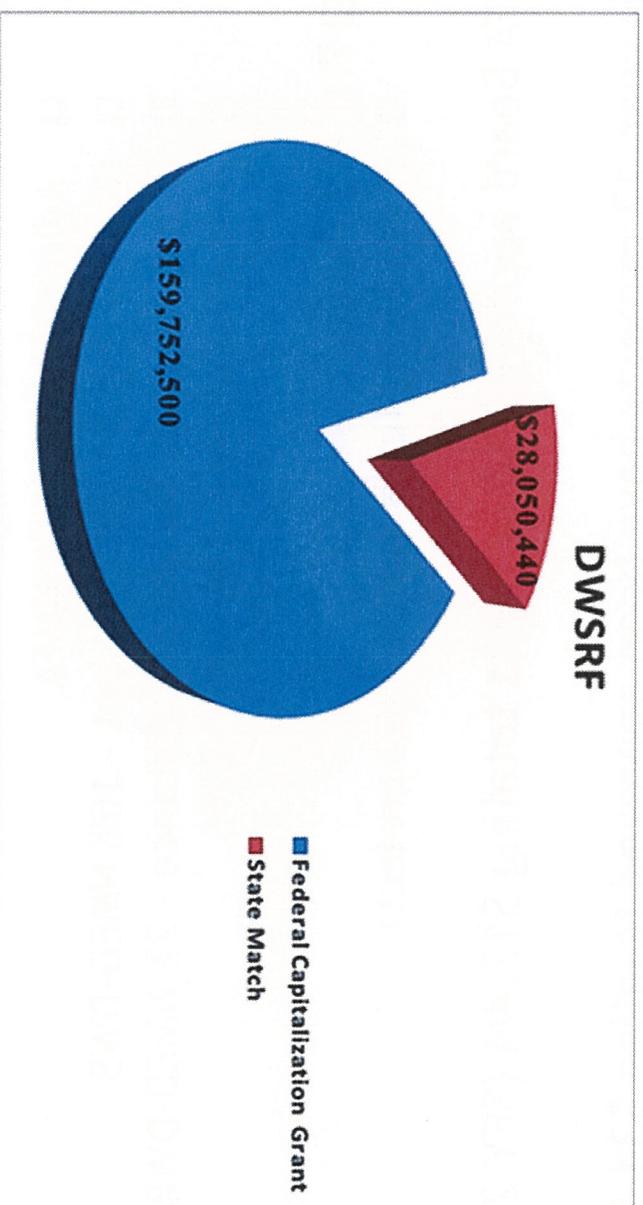
# Federal Capitalization Grant:

## Sources

- Annual Federal Allotment [40 CFR Section 1452(a)(1)(D)]
  - Anticipated \$8,421,000 for 2013
- State Match Requirements - 20% [40 CFR Section 1452(e)]
  - Through the Public Project Revolving Loan Fund upon receipt of federal capitalization grant the State Match is \$1,684,200
  - The entire 20% state match is deposited into the DWSRF
  - NMFA then makes loans to community water systems for eligible water system improvements.

In 2013 legislative session, HB 18 sponsored by Representative Roberto “Bobby” J. Gonzales secured the State Match through the NMFA Public Project Revolving Loan Fund as a nonrecurring expense.

# Federal Capitalization Grant:



To date, New Mexico has received \$159.75 million in capitalization grants from the EPA with a state match of \$28 million

# Federal Capitalization Grant:

## Uses

- ❑ Set-Asides [40 CFR Section 1452(g)(2)]
  - ❑ Administration - 4% NMFA
  - ❑ State Program Management - 10% NMED-DWB
  - ❑ Small Systems Technical Assistance - 2% NMED-DWB
  - ❑ Local Assistance - 15% NMED-DWB
- ❑ Project Funds
  - ❑ All remaining funds available for projects

NMFA Board approved 10 projects totaling \$17.4M (SFY 2012)

This year, 12 projects have been approved totaling \$34.59M (SFY 2013)

In the pipeline, 9 projects totaling \$9.85M expected for the NMFA Board's review this September.

# Application: Process Overview

- Community Outreach
- Capacity Assessment
- Application Submitted
- Financial Analysis
- Funding Consideration by NMFA Board
- Environmental Review
- Project Construction

# Project Solicitation: Eligibility

## Eligible Systems

- ❑ Public Water Systems - as defined by EPA that are:  
*[a system for the provision to the public of water for human consumption through pipes or other constructed conveyances, if such system has at least 15 service connections or regularly serves at least 25 individuals]*
  - ❑ Community water systems, or
  - ❑ Non-profit non-community water systems

## ❑ Eligible Projects

- ❑ New and replacement water sources
- ❑ Treatment
- ❑ Storage
- ❑ Transmission and distribution lines
- ❑ Distribution (Source, Piping, Service Connections including Meters)
- ❑ Regionalization (Infrastructure to interconnect or regionalize water systems)

# Project Solicitation: Prioritization

- ❑ Public Health Threat
- ❑ Safe Drinking Water Act Compliance
- ❑ Readiness to Proceed
- ❑ Affordability
- ❑ Conservation and Energy Efficiency
- ❑ Regionalization/Consolidation
- ❑ Population Served

# Fundable Priority List

- ❑ From a Comprehensive List, NMED-DWB reviews prioritizes systems for the Fundable Priority List
  - ❑ Capacity to maintain compliance with federal and state drinking water regulation
  - ❑ Demonstrate readiness to proceed with the project in a reasonable timeframe
  - ❑ Financial ability to take on debt and repay the loan
- ❑ Systems must be on the Fundable Priority List to apply for a loan with NMFA
- ❑ The Fundable Priority List is updated each quarter allowing for greater accessibility for technical assistance and funding.

# Application: Financial Analysis

## DWSRF Interest Rates

- Disadvantaged Community - 0%
  - Disadvantaged - (1) Community has a Median Household Income (MHI) less than 90% of the State's MHI and (2) an Affordability Ratio between 0.010 and 0.015
  - Severely Disadvantaged - Community has (1) an MHI less than 90% of the State's MHI and (2) an Affordability Ratio greater than 0.015
- Non-disadvantaged Community - 2%
- Private Non-profit Water System - 3%
- Private For-Profit Water System - 4%

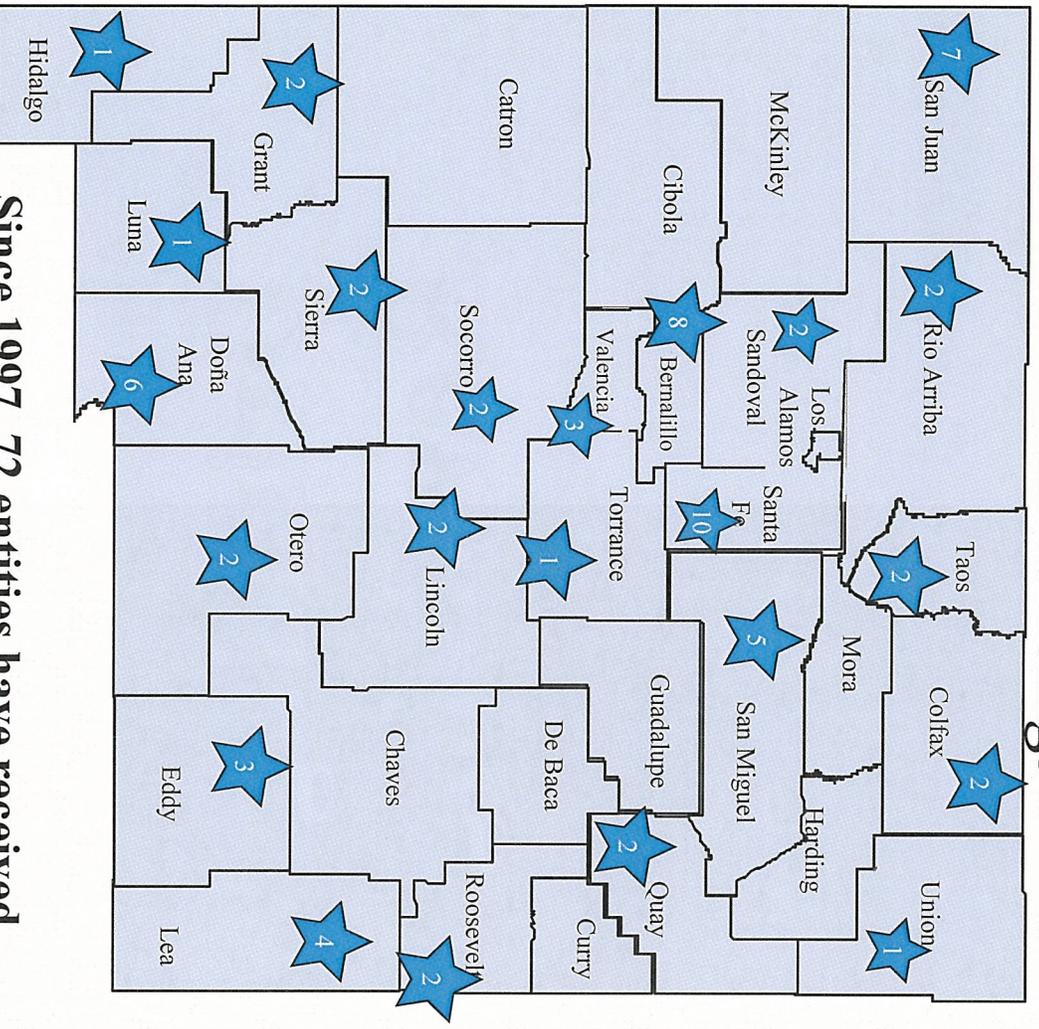
## □ Affordability Ratio

Community's Projected Annual Price of Water Service  
\_\_\_\_\_ (based on proposed project financed with a 20-year DWSRF loan)  
Median Household Income (MHI) for Community \_\_\_\_\_

# Project Oversight

- Environmental Review and Assessment
- Requisition and Invoicing Review
- Ensuring project and water system compliance with applicable federal regulations
- EPA project and financial reporting
- Minority- and Women-Owned Business Fair Share Reporting
- Loan servicing

# Drinking Water State Revolving Loan Fund Closings



Since 1997, 72 entities have received  
financial assistance totaling

**\$124,090,156**



Projects closed 1998 - 6/30/2013		
County	Projects	Amount
Bernalillo	8	\$20,318,533
Colfax	2	\$192,655
Dona Ana	6	\$9,466,987
Eddy	3	\$2,832,374
Grant	2	\$1,313,000
Hidalgo	1	\$744,472
Lea	4	\$13,811,750
Lincoln	2	\$4,210,206
Luna	1	\$222,309
Otero	2	\$6,762,981
Quay	2	\$2,956,773
Rio Arriba	2	\$1,488,000
Roosevelt	2	\$547,710
San Juan	7	\$14,669,612
San Miguel	5	\$6,440,126
Sandoval	2	\$2,012,853
Santa Fe	10	\$23,208,250
Sierra	2	\$2,140,274
Socorro	2	\$1,336,230
Taos	2	\$118,250
Torrance	1	\$550,000
Union	1	\$100,000
Valencia	3	\$8,646,811
<b>TOTAL</b>	<b>72</b>	<b>\$124,090,156</b>

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