

Drinking Water State Revolving Fund

# INTENDED USE PLAN

State Fiscal Year 2023

**DWSRF Base and General Supplemental Funding**



New Mexico Environment Department

&

New Mexico Finance Authority

**Drinking Water State Revolving Fund**  
**DWSRF Base and General Supplemental (BIL) Funding**  
**Capitalization Grant Intended Use Plan State Fiscal Year 2023**  
**July 1, 2022 – June 30, 2023**

Draft Submitted to U.S Environmental Protection Agency (EPA) Region 6: May 20, 2022

Public Comment Period: June 16, 2022, through July 16, 2022

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## State Fiscal Year 2023 Update Summary

The State of New Mexico will apply for the two-year Environmental Protection Agency (EPA) 2022 Capitalization Grant (base funds) in June 2022; this draft Intended Use Plan (IUP) is submitted as a required component of the application. Prior to the award a revised IUP will be submitted in July to the EPA for approval after a 30-day public comment period. New Mexico is requesting a grant project period of July 1, 2022 – June 30, 2023, this application so grant funding may be used during the State Fiscal Years (SFY) 2023 and 2024.

**This IUP covers SFY 2023 and is updated annually with each annual DWSRF Capitalization Grant application. Public Comment Period: June 16, 2022, through July 16, 2022**

New this year is the inclusion of additional funds to the DWSRF program. The Bipartisan Infrastructure Law (BIL) passed by the U.S. Congress in November 2021 provides a historic influx of water and wastewater infrastructure funding through the Clean Water and Drinking Water State Revolving Funds; this IUP covers only the DWSRF. BIL will provide these additional appropriations to the DWSRF each year from Federal Fiscal Year (FFY) 2022 – FFY 2026. New Mexico will apply for the BIL DWSRF Supplemental Funds through EPA's grant program in June 2022 with the same IUP and project dates as the Base Funds shown above.

### **SFY 2023 DWSRF and Bipartisan Infrastructure Law Appropriations for New Mexico**

*Funding sources for New Mexico represented in this IUP:*

- **DWSRF Capitalization Grant – Base Funds = \$7,283,220**
- **DWSRF General Supplemental Funds (BIL) = \$17,955,000**

*Funding sources for New Mexico NOT represented in this IUP:*

- *DWSRF Emerging Contaminants Funds = \$7,540,000 (IUP to be developed later)*
- *DWSRF Lead Service Line Replacement Funds = \$28,275,000 (IUP to be developed later)*

In SFY 2023, the DWB will continue to focus on promoting the public health aspects of the SDWA, provide capacity assistance to those communities most in need. The NMFA will continue to ensure that loan funds move expeditiously and responsibly. Both agencies will continue to review and improve the fund distribution policies and process.

## I. Introduction

This Intended Use Plan documents how the State of New Mexico intends to use the funds provided by the Drinking Water State Revolving Fund (DWSRF) Capitalization Grants in order to ensure that its citizens and guests are provided safe, clean drinking water.

### A. Drinking Water State Revolving Fund and EPA Capitalization Grants

The Federal Safe Drinking Water Act (SDWA) Amendment of 1996 authorized the Drinking Water State Revolving Fund in order to help states manage and protect their drinking water systems, and thereby protect public health. The DWSRF aids communities and non-profit non-community public water systems (PWSs) in financing the cost of repair, replacement, and compliance of their drinking water infrastructure systems.

Drinking Water State Revolving Fund budget is allocated to states through the U.S. Environmental Protection Agency's (EPA) Capitalization Grant (Cap Grant). The maximum amount each state can apply for through the annual Cap Grants is determined by Congress and administered by the EPA. The SDWA allows each state the discretion to utilize up to 31% of each annual DWSRF Capitalization Grant to fund four different Set-Aside categories, with the remainder of the Capitalization Grant directed to the state's loan funds. NMED manages and utilizes the DWSRF Set-Asides within the Drinking Water Bureau; these funds support various bureau assistance and compliance programs.

➤ *Federal Statute: Section 40 CFR Subchapter B Part 35 Subpart L (§§35.3500-35.3585)*

#### **EPA's DWSRF Capitalization Grant Components**

*a breakdown of a state's annual grant allocation:*

- **Financial assistance to systems – loans & subsidies** (at least 69%)
- **Set-Aside funds** (up to 31%)
  - Loan Fund program administration and assistance ( $\leq 4\%$ )
  - Small System Technical Assistance ( $\leq 2\%$ )
  - State Program Management ( $\leq 10\%$ )
  - Local Assistance ( $\leq 15\%$ )
    - Capacity Development & Assistance (10%)
    - Source Water Protection (5%)

**MORE INFO:** Learn more about how the DWSRF and Cap Grants work [here on EPA's website](#).



## B. New Mexico’s Drinking Water State Revolving Loan Fund Program

In response to the SDWA amendments of 1996, the State of New Mexico passed the Drinking Water State Revolving Loan Fund Act (the Act) in 1997 which created a self-sustaining revolving loan program. Under the Act, the New Mexico Finance Authority (NMFA) serves as the State’s grantee for Cap Grants allotted to the State, and it administers the New Mexico Drinking Water State Revolving Loan Fund program (DWSRLF) in cooperation with the New Mexico Environment Department (NMED) Drinking Water Bureau (DWB). This loan fund program consists of the annual Cap Grant from the EPA and the 20% State-funded Match required by the SDWA.

The NMFA, as grantee, is responsible for the administration of DWSRLF financing and related functions funded by the Administration and Technical Assistance Set-Aside of the Capitalization Grant. The DWB, as the State’s primacy agency, is responsible for the oversight and implementation of the Small Systems Technical Assistance, State Program Management, and Local Assistance and Other State Programs Set-Asides.

### NM DWSRLF Program Components

*a breakdown of program financial resources:*

- Annual EPA Capitalization Grant to NMFA
- State match approved by NM Legislature (20% of Cap Grant)
- Loan principal, interest, and other payments (“Tier II” funds)
- Transfers from other State Revolving Funds (as applicable)

## C. DWSRF Intended Use Plan

Federal regulations require that states prepare an Intended Use Plan (IUP) each year they apply for the DWSRF Cap Grant. This plan outlines how the state intends to utilize grant funding throughout the year to support the overall goals of the Safe Drinking Water Act (SDWA). Although each Cap Grant is issued for a two-year period, the IUP is updated annually with each new Cap Grant application. This includes outlining short and long-term goals for the Drinking Water State Revolving Loan Fund (DWSRLF) program funded by these grants. Also included is an annual Priority List of projects in line for DWSRLF funding. Federal guidelines require each state to seek meaningful public review and comment during the development of the IUP. Following public comment, the IUP is submitted to the EPA for approval.

The State publishes a DWSRF project Priority List in the IUP (Appendix A) which contains projects to be funded in the current funding cycle (Fundable) and projects to be funded at a later time

(Comprehensive). A water system or other qualifying entity must meet eligibility criteria such as managerial, financial, and technical capacity in order to move forward in the DWSRLF process and be placed on the Priority List. This Priority List is updated on a quarterly basis throughout the state fiscal year to reflect additional projects which are ranked through a scoring system ensuring projects with the greatest need will be offered DWSRLF assistance first. The DWB maintains the Priority List for multiple years if an applicant is not able to move forward in the current funding cycle.

### **Intended Use Plan Components**

*Federal statute requires an IUP to contain:*

- Short and long-term program goals
- Criteria for a loan fund priority ranking system
- Priority List – a combined list of application status:
  - “Fundable” = projects expected to receive funds in the current funding cycle
  - “Comprehensive” = projects expected to receive funding in a later funding cycle
- Criteria for distribution of loan funds & loan fund financial status
- DWSRF Set-Aside activities and budget
- Disadvantaged community assistance
- Transfer process between DWSRF and CWSRF

*NOTE: The IUP and/or Priority Lists can be updated throughout the year.*

## **D. Implementation of New Mexico’s DWSRF Program**

New Mexico accomplishes the DWSRF Capitalization Grant goals through two primary uses:

- Drinking Water State Revolving Loan Fund for infrastructure funding
  - Primarily administered by NMFA in cooperation with NMED
- DWSRF Set-Asides for public water system assistance and compliance
  - Primarily administered by NMED in cooperation with NMFA

## **E. Drinking Water State Revolving Loan Fund (DWSRLF) Program Structure**

### ***Funding of Capital Planning, Design, and Construction Projects for Public Water Systems***

Drinking Water State Revolving Loan Fund (“DWSRLF”) is operated in partnership with the New Mexico Environment Department (“NMED”) to provide low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and the public health. This federally funded program, managed by the NMFA on behalf of the State of New Mexico, is funded through a federal capitalization grant of approximately \$8 million annually. The BIL supplemental will provide approximately \$18 million in SFY 23. The State is required to match the federal grant by 20 percent for the base program and 10 percent for the BIL supplemental program. The primary use of the funding is for below market rate loans (0-4%) to drinking water systems to fund vital water quality projects.

Community water systems and nonprofit non-community water systems are eligible to apply for DWSRLF funding. Projects that protect drinking water quality and public health are eligible for the DWSRLF, including new and replacement water sources, treatment, transmission and distribution lines, storage, supervisory control and data acquisition (SCADA) systems, and infrastructure to interconnect or regionalize water systems. In addition to funding costs needed for project construction, the DWSRLF can also finance planning, design and associated pre-project costs, and land acquisition needed for locating project components.

The NMFA has established low interest rates for the DWSRLF program to promote a low-cost viable source of funding to address drinking water projects in the State.

The NMFA will provide loans with interest rates ranging from 0% to 4%, depending on a PWS’s ownership and Median Household Income. If a PWS is publicly owned, then it is eligible to receive a DWSRLF loan at 0% or .01% (lowered from 1%). The NMFA uses available subsidy from the Capitalization Grant to assist entities that are Disadvantaged or Severely Disadvantaged (see Section IV, Part E) that could not otherwise afford DWSRLF loans, and to provide incentive to undertake projects that meet other EPA priority goals. New this year, the NMFA is reviewing its disadvantage definition and subsidy policies.

## **F. DWSRF Set-Aside Programs**

### ***Assistance and Compliance Supervision for Public Water Systems***

New Mexico utilizes DWSRF Cap Grant Set-Aside funds to support a number of programs. These programs help to administer the DWSRLF at NMFA; assist water systems to build and maintain technical, managerial, and financial capacity; achieve and maintain compliance with federal and state drinking water regulations; and to optimize their operations.



NMFA uses:

- **Administration Set-Aside (4%)** for support the operation and management of the DWSRLF.

NMED Drinking Water Bureau uses:

- **Small Systems Technical Assistance (2%)** for assisting small systems with fewer than 10,000 people with an emphasis on helping systems return to regulatory compliance.
- **State Program Management (10%)** for supporting the Public Water System Supervision (PWSS) Group overseeing compliance and enforcement activities and for supporting the Sustainable Water Infrastructure Group (SWIG) administrative, engineering review, and operator certification activities.
- **Local Assistance (15%)** for supporting capacity development, engineering review, operator certification, and source water protection activities

## II. 2022 Drinking Water State Revolving Loan Fund Disadvantaged Community Program and Proposed Changes

### **Background:**

Pursuant to the Drinking Water State Revolving Loan Fund Act (the “Act”), the New Mexico Finance Authority (“NMFA”) and the New Mexico Environment Department (“NMED”) established in 1997 affordability criteria for “disadvantaged communities.” The federal Safe Drinking Water Act (“SDWA”) required the state to establish, with meaningful public review, affordability criteria for its disadvantaged community assistance program prior to the state accepting any capitalization grants. The state uses the affordability criteria to determine access to enhanced loan terms and technical assistance as outlined in the annual Intended Use Plan (“IUP”) published by the state.

On November 15, 2021, the President signed the Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act (IIJA) of 2021. Among its provisions are amendments to the SDWA that provide changes to the Drinking Water State Revolving Loan Fund (“DWSRLF”), including a requirement to provide a minimum of 12% of federal funds in additional subsidy to state-defined disadvantaged communities through the Base DWSRLF Program. The BIL also creates three new DWSRLF funds that include General Supplemental, Lead Service Line Replacement, and Emerging Contaminants funding with appropriations authorized through 2026. As such, the BIL has a 5-year implementation period. The BIL mandates that 49% of the federal funds made available through the DWSRLF General Supplemental and Lead Service Line Replacement funding be provided in the form of additional subsidy to water systems that meet the State’s disadvantaged community criteria. The BIL also requires that not

less than 25% of funds provided through the Emerging Contaminants funding be provided as forgivable loans or grants to disadvantaged communities or public water systems serving fewer than 25,000 people.

### **Current Affordability Criteria**

NMFA provides by policy two levels of disadvantaged entity status: Disadvantaged and Severely Disadvantaged. The affordability criteria used to determine disadvantaged entity status considers a community's Median Household Income (MHI).

#### **Median Household Income (MHI)**

- **Disadvantaged Entities** – to be considered a Disadvantaged entity, the applicant's Median Household Income must be greater than 80% but less than 100% of the **State's Median Household Income**, based on the most recent 5-year average of Median Household Income from census data or through a survey acceptable to NMFA.
- **Severely Disadvantaged** - to be considered a Severely Disadvantaged entity, the applicant's Median Household Income must be 80% or less of the **State's Median Household Income**, based on the most recent 5-year average of Median Household Income from census data or through a survey acceptable to NMFA.

### **Proposed Affordability Criteria**

NMFA would continue to provide by policy two levels of disadvantaged entity status: Disadvantaged and Severely Disadvantaged. The affordability criteria used to determine disadvantaged entity status would still consider a community's Median Household Income (MHI) but would be in comparison to the most recent **National 5-year average** rather than the State's.

#### **Median Household Income (MHI)**

- **Disadvantaged Entities** – to be considered a Disadvantaged entity, the applicant's Median Household Income must be greater than 75% but less than 100% of the **National Median Household Income**, based on the most recent 5-year average of Median Household Income from census data or through a survey acceptable to NMFA.
- **Severely Disadvantaged** - to be considered a Severely Disadvantaged entity, the applicant's Median Household Income must be 75% or less of the **National Median Household Income**, based on the most recent 5-year average of Median Household Income from census data or through a survey acceptable to NMFA.

### **Current Assistance to Disadvantaged Communities**

- **Disadvantaged Entities** – receive an interest rate of 0% on the first \$1,000,000 of the loan and 1% for amounts greater than \$1 million. When provided for in Capitalization Grants, subsidy in the form of principal forgiveness up to 50% of the loan.

- Severely Disadvantaged Entities – receive an interest rate of 0% on the first \$1,000,000 of the loan and 1% for amounts greater than \$1 million. When provided for in Capitalization Grants, subsidy in the form of principal forgiveness up to 75% of the loan.

### **Proposed Assistance to Disadvantaged Communities**

- Disadvantaged Entities – receive an interest rate of 0% with no cap. When provided for in Capitalization Grants, subsidy in the form of principal forgiveness up to 50% of the loan.
- Severely Disadvantaged Entities – receive an interest rate of 0% with no cap. When provided for in Capitalization Grants, subsidy in the form of principal forgiveness up to 75% of the loan.

### **Current Regionalization Incentives**

Applications for proposed regionalization projects may use the Median Household Income of the regionalized community to be incorporated into the water system’s service area for purposes of determining disadvantaged entity status.

These applications will be limited in scope to project elements related to the provision of water to the regionalized community and all assets funded by the loan must be owned and maintained by the borrower.

The following table list the regionalization criteria for scoring projects.

|  |
|--|
| <u>Regionalization Activities</u> : Project is a regionalization effort among two or more public water systems that results in the consolidation or physical connection of the public water systems that will begin to operate as one system, full time. |
| <u>Provide regulated water service to areas not currently served</u> : Project extends water service to existing homes or businesses not currently served by a centralized water system.   |
| <u>Emergency Interconnection</u> : Project addresses the need for an emergency or back up source through an interconnection with another public water system.  |
| <u>Regional Resource Coordination</u> : System participates in a regional sharing of resources with other water system(s).   |

### **Proposed Regionalization Incentives for Disadvantaged Communities**

Applications for proposed regionalization projects may continue to use the Median Household Income of the regionalized community to be incorporated into the water system’s service area for purposes of determining disadvantaged entity status.

For disadvantaged communities, NMFA will consider loans with 90% principal forgiveness for regionalization projects related to the provision of water to a regionalized community when all assets funded by the loan will be owned and maintained by the borrower.

#### **Current Amortization Terms**

Amendments to the SDWA in 2018 extended the maximum-authorized DWSRLF loan amortization period up to 30 years (from 20 years) for any DWSRLF eligible recipient or up to 40 years for state-defined disadvantaged communities. NMFA revised its policies in 2019 to allow any DWSRLF eligible recipient loan amortizations of up to 30 years.

There are no proposed changes to the current amortization terms.

#### **Current Cap on Additional Subsidy**

No single applicant may receive more than 50% of the total additional subsidy available for disadvantaged communities in any given year.

There are no proposed changes to the 50% cap.

### III. Short-Term and Long-Term Goals

The State of New Mexico is committed to providing safe, clean drinking water to all of its citizens and visitors. These short- and long-term goals are used to meet the needs of the Public Water Systems (PWS) in our state and this framework guides the decision-making

New Mexico's DWSRLF and Set-Aside work plans contribute to achieving EPA's Strategic Goal 2, sub-objective 2.1 – Protect Public Health. EPA's strategic measure for this goal is for ninety-two (92) percent of community water systems to provide drinking water that meets all applicable health-based drinking water standards through approaches which include effective drinking water treatment, and source water protection. New Mexico's DWSRLF program provides funding to help achieve this federal performance standard.

#### **Bipartisan Infrastructure Law (BIL) Funding 2022-2026**

In addition to the DWSRF Cap Grant "Base" funding, the DWSRF program is supported for the next five years with additional funding source from BIL. The short-term and long-term goals in this IUP address uses for DWSRF Base Funding and DWSRF General Supplemental Funding.

#### **A. DWB Short-Term Goals (2022-2023):**

1. DWB will provide targeted assistance to systems that have applied to the DWSRLF but are unable to qualify for funding and move forward in the process because of capacity deficiencies.
2. DWB will develop comprehensive outreach and assistance for DWSRF and BIL funding to include multiple stakeholders.
3. DWB will continue to review the Priority Ranking Criteria and work with NMFA to develop policies and program processes that increase benefit to water systems. This will include any new policies or goals for BIL funding.
4. DWB will continue to work with NMED financial staff to develop quarterly invoices to NMFA in a timely manner. NMED leadership is working to address process issues in the Administrative Services Division that affect the timeliness of invoices.
5. DWB will work with internal administrative support to fill multiple vacancies in the PWSS and SWIG programs. These positions support work critical to public water systems and reaching DWSRF program goals. This staffing activity includes filling three new positions for the Sustainable Water Infrastructure Group that will be supported by a combination of state and federal DWSRF funds. These positions form the new Regionalization and Sustainability team that will focus on regionalization assistance, planning, and policy; system sustainability through long-term planning and climate change resiliency; and emergency response and planning.

6. DWB will work with NMFA and other entities such as New Mexico Councils of Government and counties to create innovative and effective pathways for providing assistance and funding to small community water systems throughout the state. Approaches such as developing supportive regional assistance hubs through public entities and regional planning and collaboration between small systems.

**B. DWB Long-Term Goals (ongoing):**

1. DWB will regulate and assist PWSs in New Mexico to provide safe, clean, and affordable drinking water to the citizens and visitors of New Mexico. The DWB will support PWSs using the set-aside funds to maximize SDWA compliance, promote public health protection, affordable drinking water, PWSs' sustainability, and PWSs' capacity with a focus on PWSs serving populations of 10,000 or fewer and particular emphasis on those serving 3,300 or fewer.
2. DWB provides online and in-person training and individual assistance to PWS board members and operators through internal staff and contractors. This training serves to increase the technical, managerial, and financial (TMF) capacity of the PWS, preparing them to handle the demands of operating a new and more efficient water system, as well as planning to protect quantity and quality of source water, and assistance to meet funding requirements for capital improvements.
3. DWB and its partners work with community PWSs throughout the State to encourage and assist systems to have a rate structure in place which supports normal operation, maintenance, emergency replacements, and planned infrastructure replacement costs. DWB will collaborate with other agencies and assist PWSs in need of funding for infrastructure improvements with funding requirements, building the capacity to manage the new infrastructure project, becoming ready to proceed to construction, and gaining the debt capacity to be fundable for a project.
4. DWB will develop methods for assessing the needs and risk of community water systems in order to help prioritize federal and state funds and to address system issues before they result in an emergency type of situation.
5. DWB will collaborate with organizations, agencies, and individuals to develop sustainable supplies of healthy drinking water for the PWSs of the State through Source Water Protection Program (SWPP) planning activities. This includes the work of the PFAS Technical Work Group and a focus on sampling for PFAS throughout the state.

**C. DWB/NMFA Collaborative Short-Term Goals (2022-2023):**

1. NMFA and DWB will continue to expend and process invoices for DWSRF grant funds in the order awarded, using a first-in-first-out (FIFO) method. NMFA and DWB will strive to keep only two DWSRF Cap Grants open at any given time, banking excess funds ahead of time as necessary.



2. DWB and NMFA will provide an opportunity for public comment by posting this IUP for public comment on the NMFA and DWB websites from June 16, 2022, through July 16, 2022, and will accept comments throughout this period.
3. DWB and NMFA will complete and submit the SFY 2022 Annual Report by September 30, 2022.
4. DWB and NMFA will ensure supplemental conditions are up to date with the annual appropriation guidance.
5. DWB and NMFA will collaboratively develop goals and priorities for DWSRLF that meet the environmental needs of the State of New Mexico.

**D. DWB/NMFA Collaborative Long-Term Goals (ongoing):**

1. In accordance with EPA timelines, NMFA and DWB will strive to complete 100% of all reports accurately and timely, maintain efficient administrative functions, and find innovative ways to utilize the DWSRLF to its full potential.
2. NMFA and DWB will submit the Intended Use Plan, Capitalization Grant application, Fundable Priority Lists, and Annual Report to EPA within the established deadlines.
3. DWB and NMFA will review and update the Memorandum of Understanding (MOU) and clarify roles and responsibilities to ensure efficient program implementation and collaboration.

**E. NMFA Short-Term Goals:**

1. NMFA will provide at least 20% of all loans (contingent on Fundable Priority List) in SFY 2023 from the FFY 2022 Capitalization Grant and the BIL supplemental Capitalization grant as low-cost loans to PWSs in Disadvantaged Communities and 20% to small PWSs for eligible projects, as allowed by the SDWA.
2. NMFA will execute 100% of binding commitments during SFY 2023, contingent on applicant willingness to take on a loan and the submission of required ready to proceed documents.
3. NMFA will close 10% of loans to communities that make the ready to proceed deadlines outlined in the binding commitments during SFY 2023, contingent on community willingness to take on a loan.
4. NMFA will approve drawdowns for a minimum of \$12 million on planning, design, and construction projects during SFY 2023.
5. NMFA will approve requisitions from loan entities within 10 calendar days of complete submission to both NMED Construction Programs Bureau and NMFA.
6. NMFA will allocate the loan portion of the 2022 Federal Capitalization Grant of \$7,008,000 and State Match of \$1,401,600 and the BIL supplemental capitalization grant of \$17,955,000 and

State Match of \$1,795,500 for a combined loan fund allocation of \$28,160,100 contingent on the Fundable Priority List.

7. NMFA will increase the pace of DWSRF funds going to NM communities with a Tier II loan in SFY 2023.
8. NMFA will ensure that all appropriate federal requirements are addressed in each loan agreement (ex: Suspension and Debarment, American Iron and Steel, Davis Bacon, Build America Buy America Act, etc.).
9. NMFA will continue to keep the EPA current on the status of its audit, including during the SFY Annual Program Evaluation Review.
10. NMFA will review the Operating Agreement with the EPA, dependent on the MOU with NMED DWB.
11. NMFA will enter into binding commitments with entities equal to 120% of the federal Capitalization grant and BIL supplemental funding in SFY 2023, as contingent on the Fundable Priority List.
12. NMFA will report on the following: Federal Funding Accountability and Transparency Act (Sub award reporting system “FFATA”), Office of Water State Revolving Funds database (OWSRF), fund utilization rate (FUR), Single Audit Report, Federal Financial Reports,) and Minority Business Enterprise/Women’s Business Enterprise (MBE/WBE).

**F. NMFA Long-Term Goals:**

1. NMFA will monitor its loans to mitigate any loan defaults.
2. NMFA will work with loan recipients to complete construction within two years of closing the loan.
3. NMFA will ensure the DWSRLF will be a perpetual funding source with fiscal integrity to support PWSs in the State as shown by the cash flow model.

## IV. Criteria and Method for Distribution of Funds

**A. Criteria for Project Selection**

All project applications (with the exception of declared emergencies IV F. Emergency Condition) are required by DWSRF federal regulation to be ranked using a state’s priority system and to go through a public review process prior to receiving funding.

**Eligible Borrowers**

A Public Water System is eligible for DWSRF project assistance if it is a privately or publicly owned community water system, or a non-profit non-community PWS (40 CFR 35.3520). A public water system is a system for the provision of water for human consumption to the public through pipes or other constructed conveyances, if such system has at least fifteen service connections or regularly serves at least twenty-five individuals. Tribal systems are included as public community water systems and subject to the same requirements, even though they are not regulated by DWB. Only Public Water Systems are eligible to apply for DWSRF and must meet the minimum criteria for technical, managerial and financial capacity. Eligible borrowers are:

- A community water system is a public water system that serves at least 15 service connections used by year-round residents of the area served by the system or regularly serves at least 25 year-round residents. A community water system may be privately or publicly owned.
- A non-profit non-community water system is a public water system that is not a community water system and is owned and operated as a non-profit entity such as a school. The non-profit entity could be government owned.
- New community water systems that represent cost-effective solutions to existing public health problems with serious risks caused by:
  - Unsafe drinking water provided by individual wells or surface water sources, with the scope of the service area limited to the specific geographic area affected by contamination.
  - Technical, managerial, and/or financial difficulties that can be addressed by consolidation into a new regional community water system with the scope of the service area limited to that of the systems involved.

To receive assistance from the DWSRF, systems must have the technical, managerial and financial (TMF) capacity to ensure compliance with the SDWA.

- Technical: Obtain an adequate and reliable source of water; establish and maintain an adequate infrastructure; employ operators with technical knowledge.
- Managerial: Accountability over system; responsive to system demands; ability to work with jurisdictional, regulatory and other governmental agencies, trade organizations, and persons served by the system.
- Financial: Established user rates that cover maintenance, operations, debt service, and required reserves; maintain creditworthiness; establish and maintain adequate fiscal controls and accounting methods required for the operation of the system and ability to repay a DWSRF loan.

If DWB determines that a system lacks technical, managerial and financial capability, that system may be eligible to receive assistance if it agrees to undertake feasible and appropriate changes in

operations (including ownership, management, accounting, rates, maintenance, consolidation, alternative water supply, or other procedures). DWB must determine that such changes by the system are necessary to ensure that the system has the capacity to comply with the SDWA over the long term.

Systems in significant noncompliance with any requirement of a national primary drinking water regulation are not eligible to receive DWSRF assistance unless it is determined that the assistance will ensure compliance.

Multiple community water systems can join together in a consortium to apply for a single loan for a mutually beneficial project or set of projects.

### **Ineligible Borrowers**

The SDWA identifies the following types of water systems as ineligible to receive financial assistance from DWSRF loan fund:

- Federally-owned public water systems
- For-profit non-community water systems
- Systems that lack the technical, managerial and financial capability to ensure compliance with the requirements of the SDWA, unless the assistance will ensure compliance and the owner or operator of the system agrees to undertake feasible and appropriate changes in operation to ensure compliance over the long term
- Systems that have enforcement priority with any national primary drinking water regulation or variance, unless:
  - The purpose of the assistance is to address the cause of significant non-compliance and the assistance will ensure that the system returns to compliance
  - The purpose of the assistance is unrelated to the cause of the significant non-compliance and the system is on an enforcement schedule (for maximum contaminant level and treatment technique violations) to return to compliance

### **Eligible Projects**

The SDWA provides that DWSRF financial assistance may be used by an eligible public water system only for expenditures of a type or category which the EPA Administrator has determined will facilitate compliance with national primary drinking water regulations or otherwise significantly further the health protection objectives of the Act. There are eight categories of projects are eligible to receive DWSRF assistance. These categories and examples of projects within them are:

- Treatment: Projects to install or upgrade facilities to improve drinking water quality to comply with Safe Drinking Water Act (SDWA) regulations

- Transmission and distribution: Rehabilitation, replacement, or installation of pipes to improve water pressure to safe levels or to prevent contamination caused by leaky or broken pipes
- Source: Rehabilitation of wells or development of eligible sources to replace contaminated sources
- Storage: Installation or upgrade of finished water storage tanks to prevent microbiological contamination from entering the distribution system
- Consolidation/Regionalization: Interconnecting two or more water systems
- Creation of new systems: Construct a new system to serve homes with contaminated individual wells or consolidate existing systems into a new regional water system
- Rehabilitation of Dams and Reservoirs (July 14, 2021, national deviation was signed, must connect to the water system)
- Purchase of water rights (December 2019, national deviation was signed, cannot be for growth)

In addition, other activities eligible for an assistance agreement could include planning and design, water utility audits, leak detection studies, identification of service line materials, optimization studies, drought contingency plans, and other evaluations that might results in a capital project or in a reduction in demand to alleviate the need for additional capital investment. Details on fundable project categories can be found on the EPA website in the DWSRF eligibility handbook:

<https://www.epa.gov/dwsrf/drinking-water-state-revolving-fund-eligibility-handbook>

### **Ineligible Projects**

The following projects are ineligible for DWSRF assistance. Deviations are possible for any except those projects explicitly prohibited by statute, as discussed further below.

- Construction or rehabilitation of non-water system of dams or for growth.
- Purchase of water rights for growth, unless the water rights are owned by a system to be purchased for consolidation as part of a capacity development strategy
- Construction or rehabilitation of reservoirs that are primarily for growth, except for finished water reservoirs and those reservoirs that are part of the treatment process and are on the property where the treatment facility is located
- Projects needed primarily for fire protection
- Projects needed primarily to serve future population growth (prohibited by statute -- see below for further explanation)

- Projects that have received assistance from the national set-aside for Indian Tribes and Alaska Native Villages under the SDWA §1452(i) (prohibited by statute)

## **B. Application Process**

### **Drinking Water Bureau**

1. Fill out the preliminary eligibility form on the DWB funding page website ([https://www.env.nm.gov/drinking\\_water/infrastructure-projects-and-funding/](https://www.env.nm.gov/drinking_water/infrastructure-projects-and-funding/)). The DWSRF preliminary eligibility form is accepted, reviewed, and scored year-round project. Scored projects are ranked for placement on the Priority List on a quarterly basis.
2. After submitting the preliminary eligibility form an automatic email will be sent to the email entered with a list of supplemental documents required to evaluate your project for inclusion on the DWSRF priority list. The list of documents along with the descriptions can be found here: (Need to add the descriptions and list of needed items to the website and a link here) All documents must be received to rank the projects and place them on the priority list.
3. The projects will be ranked and prioritized based on the DWB established ranking criteria (Appendix B and link to webpage). The priority list will be combined with the comprehensive list and updated on a quarterly basis. PWSs can stay on the comprehensive list for up to three years and when all DWSRF requirements are met, and the project is deemed fundable can stay on the list for 12 months. PWSs must make a request in writing to DWB to keep the same project on the list beyond 12 months, including an explanation of why the project did not move forward the prior year.
4. If the PWS is determined to have adequate managerial and technical capacity, and the project is determined ready-to-proceed, the DWB will recommend that NMFA perform a preliminary financial analysis of the PWS's ability to repay the loan, in order to be updated on the Priority List to fundable status. The Priority List will include systems that are ranked and waiting to proceed along with fundable projects and will be published on the NMFA's and NMED's websites. If the dollar amount of projects submitted by the submission date does not equal project costs equivalent to the Capitalization grant amount, the NMED and NMFA may extend the deadlines, at the discretion of the two agencies.

Projects are reviewed at the following schedule:

Quarter 1-ends March 31 (January, February, March)

Quarter 2-ends June 30 (April, May, June)

Quarter 3-ends September 30 (July, August, September)

Quarter 4-ends December 31 (October, November, December)



### **New Mexico Finance Authority**

5. Projects that are moved to fundable on the priority list will be submitted to NMFA by DWB. NMFA will provide a link to the NMFA loan application via email. NMFA will work with PWSs for maximum of 45 days from the publishing of the updated Fundable Priority List to submit a loan application. After receiving the application, NMFA staff will perform a detailed financial analysis of the PWSs' ability to repay the loan. If the entity is deemed to meet coverage requirements, then NMFA staff takes the loan in the following month to the NMFA Board for approval. After NMFA Board approval, NMFA staff will send a binding commitment letter to the entity. The binding commitment letter is an EPA requirement to provide the entity with the loan terms, and the ready-to-proceed items needed to close the loan.
6. Once approved by the NMFA Board, the applicant will have six months to provide necessary documents, as determined by NMFA as noted in the binding commitment letter, to close the loan. If a PWS does not submit the required documentation within the six-month timeframe, then NMFA's commitment to fund the project may be withdrawn or extended, at the sole discretion of the NMFA. The commitment to fund a project is not expected to exceed eight months from the date of NMFA Board approval. Once the loan is closed, unless agreed upon before Board approval, the borrower has two years to complete construction.

#### **To be eligible for a loan from the NMFA DWSRLF, public water system projects must:**

- be in the Fundable status section of the Priority List;
- submit a loan application to the NMFA and accept a loan;
- submit a letter of approval for DWSRF debt parity (if applicable) (for example, if the water system has a loan with USDA/NMED, etc. a letter of consent to take on new debt is required); and
- be found by the NMFA to be credit-worthy (40 CFR 35.3555(c)(2)(i))

Applicants not meeting the timeframe or the eligibility criteria will be removed from the Fundable status on the Priority List and placed back on the Comprehensive section of the Priority List.

Each PWS currently unable to meet the criteria for inclusion on the fundable section of the Priority List, or on the quarterly updates of this list, will receive follow up from the DWB capacity program staff explaining any deficiencies that prevented its inclusion, including recommended steps for addressing such deficiencies. The DWB expects to use the resources of the Set-Asides to assist such PWSs in increasing their capacity should they accept the offer for assistance. Thus, these PWSs potentially will be able to meet all eligibility requirements for the DWSRLF in the future.

The DWB and NMFA will supplement the Priority list quarterly to add/subtract projects in the Fundable section of the Priority List based on the criteria described above or by the request of the applicant. The State of New Mexico will publish the Priority List for the duration of the active period. The Fundable Priority List will be published on both the NMFA and NMED websites at:

<https://www.nmfinance.com/water-project-fund/drinking-water-state-revolving-loan-fund/>

and [https://www.env.nm.gov/drinking\\_water/infrastructure-projects-and-funding/](https://www.env.nm.gov/drinking_water/infrastructure-projects-and-funding/) . Questions regarding the ranking process or the development of the Fundable Priority List should be directed to the DWB at (505) 231-2120. Questions on financial eligibility or the loan application process should be directed to the NMFA at: (505) 984-1454 or toll free at (877) 275-6632.

### **C. Project Prioritization**

The DWSRF regulation state that an IUP must include a priority system for ranking individual projects for funding and that the prioritization should (i) address the most serious risk to human health; (ii) ensure compliance with the requirements of the SDWA; and (iii) assist PWSs most in need, on a per-household basis, according to State affordability criteria. The State's project ranking system is found in Appendix B and is used to score and rank eligible projects for the Priority List.

- The Priority List (a consolidated Fundable and Comprehensive list as allowed by federal regulation) is updated quarterly.
- Projects ready to proceed with funding through the NMFA application process will be listed as "Fundable" status.
- Projects not ready to proceed with funding through the NMFA application process will be listed as "Comprehensive" status and can remain on the list for up to 3 years unless or until moving forward in the funding process.

### **D. Tie Breaking Procedure**

When two or more projects score equally under the project priority ranking system, a tie breaking procedure will be used. The project with the smallest number of existing customers served will receive the higher ranking.

### **E. Bypass Procedure**

The DWB and the NMFA expect to fund the projects on the Priority List in order of rank but reserve the right to bypass certain projects using the 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 did not submit its application in the allowed 45 days to NMFA. The State further reserves the right to by-pass certain projects if during the period there is no financial impact to the by-passed PWS, i.e., the available subsidy is fully allocated and there are adequate reserves to fund all Fundable status projects on the Priority List.

### **F. Emergency Condition**

Unforeseen or unanticipated conditions that impact the source treatment, storage, or distribution of an eligible PWS that will have a direct impact on public health, may constitute an emergency condition. The emergency must be declared by the President of the United States, the Governor of New Mexico, a Cabinet Secretary, or the County. A proposed project must specify any such

emergency conditions in its application. Such emergency projects will be identified in the Annual Report.

### **G. Distribution of Funds Analysis**

The NMFA will fund the DWSRLF projects using the priority system established by the DWB. The State prefers to fund projects on the Fundable Priority List, as updated throughout the year, in rank order, but reserves the right to bypass certain projects using a bypass procedure, as described above. In such an instance, a lower ranked project may be funded over a higher ranked project if the lower ranked project meets the bypass screening criteria. The NMFA will limit DWSRLF awards so that total loans to any one borrower does not comprise more than 20% of the cumulative value of the loan fund.

### **H. Disadvantaged Communities Support**

NMFA and DWB are directed by the DWSRLF Act (Laws of 1997, Chapter 144) to establish procedures to identify affordability criteria for disadvantaged communities and to extend a program to assist those communities. The programs offered to New Mexico PWSs are designed to maximize the eligibility of disadvantaged communities. By policy, NMFA provides two levels of disadvantaged status; Disadvantaged and Severely Disadvantaged. The below information has been updated to the potential new disadvantage definition subject to public comments. The below information describes the benefits offered to each community:

- **Disadvantaged Communities** benefit from 0% interest rate of their loan portion, and subsidy in the form of principal forgiveness up to 50% of the loan when provided for in Capitalization Grants (see C. Subsidy below) for construction projects.
- **Severely Disadvantaged Communities** benefit from 0% interest rate of their loans, and subsidy in the form of principal forgiveness up to 75% of the loan when provided for in Capitalization Grants (see C. Subsidy below) for construction projects.

In order to determine the level of disadvantaged status of a community, NMFA utilizes the percentage of the **National Median Household Income (MHI)**. Both levels are included in the State's disadvantaged definition.

- **Disadvantaged Entities** – to be considered a Disadvantaged entity, the applicant's Median Household Income must be greater than 75% but less than 100% of the National Median Household Income, based on the most recent 5-year average of Median Household Income from census data.
- **Severely Disadvantaged** - to be considered a Severely Disadvantaged entity, the applicant's Median Household Income must be 75% or less of the National Median Household Income, based on the most recent 5-year average of Median Household Income from census data.

## I. Subsidy

The NMFA provides subsidies to DWSRLF borrowers as part of the EPA's Capitalization Grants (base program and BIL supplemental), and as provided for under SWDA (section 1452 (d)). The FFY 2022 Capitalization Grant requires 14% of the funds available as additional subsidy assistance for projects on the fundable list, and at the state's discretion, for green infrastructure projects.

The SDWA (Section 1452(d)) requires not less than 12% and up to 35% of the Capitalization Grant to be used to subsidize Disadvantaged Projects as described in section b. New Mexico opts to allocate the maximum of both pools of subsidy, totaling 49% of the FFY 2022 Capitalization. The total amount of available subsidy is \$3,433,920 from the FFY 2021 Capitalization Grant and \$8,797,950 of the FFY 2022 BIL Capitalization Grant. Available subsidy will be distributed in the ranking order on the Fundable Priority List, subject to the bypass procedure.

Subsidy that is not awarded, will roll over to the next Fundable Priority List. Subsidy is based on available amounts, and applicants are not guaranteed subsidy as part of the loan package. An applicant ranked below the available subsidy amounts, or not identified as Disadvantaged or Severely Disadvantaged, may not receive subsidy. Subsidy will be available to new entities on the current Fundable List if an applicant returns unutilized subsidy at the end of the construction period or fails to close on the loan.

Current DWSRLF Loan Management Policies can be viewed online at

<https://www.nmfinance.com/wp-content/uploads/2020/07/DWSRLF-Loan-Management-Policies-Amended-6.27.19.pdf> and define additional subsidy as principal forgiveness which is the amount of principal that does not require repayment using the following guidelines when funds are available. minor changes are being proposed to these guidelines at this time (in bold).

### Subsidy policy

1. NMFA will provide the capitalization grant and the disadvantage subsidy following the same policies. The subsidy will go by the Priority ranking on the Fundable List, and by eligible Disadvantaged status. Applicants will receive subsidy, when available, through the following policies:
  - a. Compliance with federal statute and capitalization grant requirements (see L. Compliance with Special Grant Conditions for more details) will be offered a 25% subsidy.
  - b. Disadvantaged PWSs undertaking construction are provided an additional 25% principal forgiveness (e.g., 25% federal requirements principal forgiveness plus 25% disadvantaged principal forgiveness, for a total of 50% principal forgiveness).
  - c. Severely Disadvantaged PWSs are provided an additional 50% principal forgiveness (e.g., (25% federal requirements principal forgiveness, plus 25% Disadvantaged principal forgiveness plus 25% severely disadvantaged principal forgiveness, for a total of 75% principal forgiveness).

- d. “Green projects” include green infrastructure, water conservation, energy efficiency improvements, or other environmentally innovative activities. Green projects that are 100% green will be provided with an additional 25% principal forgiveness. Projects not considered “categorically green” (projects that clearly support the intent of the GPR, such as water meters, rain gardens, green roofs, and alternative energies such as solar panels and other water and energy efficiency infrastructure for new facilities) will require a Business Case Explanation to support the need for the project and to describe how it meets the GPR requirement for water and/or energy efficiency. GPR projects and their Business Cases, where required, are submitted to the NMED and posted on the DWB’s and NMFA’s websites at: [https://www.env.nm.gov/drinking\\_water/wifunding/](https://www.env.nm.gov/drinking_water/wifunding/) and <http://nmfa.net>, respectively.
  - e. Applications for proposed regionalization projects may continue to use the Median Household Income of the regionalized community to be incorporated into the water system’s service area for purposes of determining disadvantaged entity status. **For disadvantaged communities, NMFA will consider loans with 90% principal forgiveness for regionalization projects related to the provision of water to a regionalized community when all assets funded by the loan will be owned and maintained by the borrower.**
2. To the extent possible, the NMFA will use subsidy through the Capitalization Grant to help entities that could not otherwise afford a DWSRLF loan, and to help provide incentive to projects that meet other priority EPA goals. NMFA may blend or offer one subsidy type to allow for the highest number of projects to receive subsidy. PWSs that are severely disadvantaged are considered communities that could not otherwise take on a loan. PWS considered Severely Disadvantaged will be given priority in the allocation of disadvantaged subsidy.
  3. No single applicant may receive more than 50% of the total additional subsidy available for disadvantaged communities in any given year. Any additional funds required to complete the proposed project will be financed at the terms offered to non-disadvantaged communities. This limitation may be waived if there is not sufficient demand among disadvantaged communities.

## **G. Refinancing Existing Loans**

Loan Refinancing is an allowable use of the DWSRLF since certain high-cost debt can hinder essential new water improvement projects and limit the long-term financial health and capacity of the water system. Under limited circumstances, and by law, DWSRLF loans are eligible for refinancing. Private entities are not eligible for loan refinancing.

The NMFA is able to refinance existing loans if:

- The refinancing occurs in connection with a “new money” project;
- The loan proposed for refinancing must have been originated no earlier than 1993;

- The project financed by the original loan must have undergone a public review process consistent with the SERP, including concurrence by all requisite state and federal consulting agencies;
- The environmental effects of the project must have been analyzed and studied in a manner consistent with the SERP; and
- The project financed by the original loan must have followed federal and state regulations.

#### **H. Compliance with Special Grant Conditions**

The State of New Mexico strives to comply with all grant conditions set forth in the Capitalization Grant agreements including Davis Bacon Wage Act, Federal Crosscutters, Signage, American Iron and Steel, and Buy America Build America (BABA). All financial agreements entered into between the PWSs and NMFA contain language found in Appendix F, which satisfies the grant condition's compliance.

#### **Davis Bacon Wage Act**

Recipients of SRF funding are required to comply with 40 CFR Part 31 and the full language of the Federal appropriation contained in the Annual Capitalization Grant, the Davis Bacon Act, and the U.S. Department of Labor (DOL) implementing regulations. The DOL provides all pertinent information related to compliance with labor standards, including prevailing wage rates and instructions for reporting. Requirements in section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) apply to any construction project, carried out in whole or in part, with assistance made available as authorized by section 1452 of that Act (42 U.S.C. 300j-12).

#### **Federal Crosscutters**

A number of federal laws, executive orders, and federal policies apply to projects receiving federal financial assistance, regardless of whether the federal laws authorizing the assistance make them applicable. These federal authorities are referred to as crosscutting authorities or crosscutters. Federal Crosscutters apply to projects whose cumulative funding equals the amount of the SRF Capitalization Grants. Projects receiving federal assistance funds must comply with the crosscutter requirements in an amount equivalent to the Capitalization Grant.

Crosscutters are divided into three groups: environmental, social policies, and economic and miscellaneous authorities.

- Environmental crosscutters include federal laws and executive orders that relate to preservation of historical and archaeological sites, endangered species, wetlands, and



agricultural land, etc. This crosscutter requirement includes a National Environmental Policy Act compliant environmental review.

- Social policy crosscutters include requirements such as minority and women’s business enterprise participation goals, equal opportunity employment goals, and nondiscrimination laws. This crosscutter requirement includes compliance with the Disadvantaged Business Enterprise program, as stated in the loan agreement.
- Economic crosscutters directly regulate the expenditure of federal funds such as the prohibition against entering into contracts with debarred or suspended firms, and the American Iron and Steel provision.

A complete list of crosscutting authorities can be found at the EPA website:

<https://www.epa.gov/sites/production/files/2015-08/documents/crosscutterhandbook.pdf>

## **Signage**

The recipient agrees to comply with the SRF Signage Guidelines in order to enhance public awareness of EPA assistance agreements. See memo, “Guidelines for Enhancing Public Awareness of SRF Assistance Agreements,” June 3, 2015 for more information.

## **American Iron and Steel**

Borrowers shall comply with federal requirements applicable to the loan, including the 2014 Appropriations Act and related SRF Policy Guidelines. All iron and steel products used in the Project will be produced in the United States (“American Iron and Steel Requirement”) unless (i) the borrower has requested and obtained a waiver from the Finance Authority or (ii) if the Finance Authority, or its contractor, has otherwise advised the borrower in writing that the American Iron and Steel Requirement is not applicable to the Project. See memo, “AIS final guidance 3-20-14” for more information.

## **Build American Buy American Act**

On November 15, 2021, President Joseph R. Biden Jr. signed into law the Infrastructure Investment and Jobs Act (“IIJA”), Pub. L. No. 117-58, which includes the Build America, Buy America Act (“the Act”). Pub. L. No. 117-58, §§ 70901-52. The Act strengthens Made in America Laws and will bolster America’s industrial base, protect national security, and support high-paying jobs. The Act requires that no later than May 14, 2022—180 days after the enactment of the IIJA—the head of each covered Federal agency shall ensure that “none of the funds made available for a Federal financial assistance program for infrastructure, including each deficient program, may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the

project are produced in the United States.” (Build America, Buy America (BABA) Act, P.L. 117-58, Secs 70911 - 70917).

## V. Financial Management and Status

### A. Sources and Uses of Funds

#### State Match Source

The SDWA requires states to provide a 20% match to Capitalization Grants received from the federal government. The BIL requires states to provide a 10% match to the BIL Supplemental Capitalization Grant. The required State matches are \$1,401,600 for SFY 2022 and \$1,795,500 for the BIL supplemental. NMFA will provide the 20% state match through an appropriation from the Public Project Revolving Fund to the Drinking Water State Revolving Loan Fund, or by issuing state match bonds as allowed under the Safe Drinking Water Act. Appendix C summarizes the sources and uses of funds.

#### Fee Income

The NMFA charges borrowers a cost-of-issuance fee to cover legal fees and closing costs of each DWSRLF loan when required by the capitalization grant. This 1% fee is included in the loan as principal and is held in an account outside of the DWSRLF as allowed by EPA policy. NMFA builds into its DWSRLF loan interest rates a 0.25% administrative fee that is assessed on the outstanding principal balance of each loan. For disadvantaged borrowers whose loans carry a 0% interest rate, the NMFA charges a 0.25% administrative fee, making the effective interest rate of a 0% loan 0.25%. The administrative fees are held outside of the DWSRLF and are used to pay the NMFA’s overhead costs and other program administration costs not funded by the 4% Administration Set-Aside. Administration Set-Aside fees are used for eligible purposes under 40 CFR §35.3530(b)(2), and cost-of-issuance fees included as principal in loans are assessed and used in accordance with the limitations set forth in 40 CFR §35.3530(b)(3)(i)–(iii).

#### Transfers from Set-Asides to the Loan Fund

The State reserves the right to make transfers from the set-asides to the loan fund to ensure timely and expeditious spending of federal capitalization grants.

#### Leveraging

The State of New Mexico does not currently leverage the DWSRLF.

### Use of All Funds Available

The source and uses of the DWSRLF is presented in Appendix C. New Mexico anticipates the loan fund to be capitalized from the federal 2022 Capitalization Grant to be \$7,008,000 with 69% going to the loan fund and 31% being used for set-asides, and \$17,955,000 from the BIL Supplemental capitalization grant with 69% going to the loan fund and the remaining 31% being used for set asides. The loan fund will also be capitalized with the 20% match state funds of \$1,401,600 and the 10% BIL state match of \$1,795,500. Additionally, in SFY 2022, estimated loan and interest repayments of \$7,000,000 will be available for a total of \$27,421,570 of new money available to lend in SFY 2023.

Annually, Congress has the right to require additional subsidy to help fund federal priorities. NMFA anticipates up to 49% of the 2022 Capitalization Grant, 49% of the BIL supplemental Capitalization Grant from DWSRF funding legislation to be additional subsidy in the form of principal forgiveness. For SFY 2023, there is an additional \$5,000 carrying over from SFY 22 for a total amount of subsidy of \$12,236,870 available for projects in SFY 23. This subsidy will allow for the pace of recent lending to continue and maintain the financial perpetuity of the revolving loan fund (see Section I. regarding the use of subsidy).

### **B. Financial Terms of Loans**

Section III details the financial terms of loans as proposed in the policy changes. All loans are provided to entities at below-market interest rates. The table below provides the interest and terms associated with each type of PWS. In 2019, the State of New Mexico lowered the public non-disadvantaged interest rate from 2% to 1 %. For FY 23, the State of New Mexico is lowering the interest rate from 1% to .01% for non-disadvantaged communities.

| Community Economic Status   | Interest Rate | Terms          |
|---|---------------|----------------|
| Regular*  | 0.01%, 3%, 4% | up to 30 years |
| Disadvantaged   | 0%            | up to 30 years |
| Severely Disadvantaged  | 0%;           | up to 30 years |
| * Public systems receive 0.01%, private non-profit systems receive 3%, and for-profit systems receive 4%. |               |                |

From the date of closing, entities have up to two years to draw the awarded DWSRLF funds on a reimbursement basis. During this time, the entity will pay interest and administration fees only on amounts drawn for incurred costs. Once an amortization schedule is finalized, after the project is

certified complete by the engineer and owner, the system will make monthly principal and interest payments on the loan.

### C. Loan Disbursements

As of May 20, 2022, the State of New Mexico has closed on 177 loans totaling over \$245.9 million. Loans are made in accordance with policies and are prorated between federal and state funds.

### D. DWSRF-CWSRF Fund Transfers

The State of New Mexico reserves the authority to transfer up to 33 percent of the DWSRF Capitalization Grant to the CWSRF, or an equivalent amount from the CWSRF to the DWSRF. New Mexico does not anticipate utilizing this right in SFY 2023.

### E. Financial Planning

NMFA uses a cash flow model as its financial plan and updates it with triannual reviews as new projects are placed on the Fundable List. The goal of financial planning is to ensure fund perpetuity, and NMFA can confirm the fund’s perpetuity. The perpetuity model is included in the Annual Report to the EPA, using historical averages of loan origination.

### F. Cash Draw Proportionality

New Mexico uses the proportionality ratio of 81.65% federal funds per draw to 18.34% State’s Match for the FFY 22 capitalization grant, 77.52% federal funds per draw to 22.47% States Match for the BIL supplemental. In SFY 2022, New Mexico will take 31% of the set-asides to fund State programs and administration functions from both capitalization grants. The proportionality ratio formula is as follows:

$$\frac{\text{FCG (20\%)}}{\text{Total loan fund}}$$

State Match Cash Draw Ratio = 100\*

For FFY 22 Capitalization Grant  $7,008,000 \times 20\% / 7,638,720 = .1834 \times 100 = 18.34$

For BIL Supplemental  $17,955,000 \times 20\% / 15,979,950$

Federal Cash Draw Ratio = 100 - State Match Cash Draw ratio

\*FCG= Federal Capitalization Grant Loan Allocation

See Appendix G: Cash Draw Ratio and Grant Payment section for more information.

## VI. Set-Aside Activities

### A. DWSRF Administration (4%)

The SDWA authorizes the states to issue funding for DWSRF administration as a set-aside. Administration of the DWSRLF program is delegated by state statute to the NMFA. The NMFA will reserve and specify 4% of the FFY 2022 Capitalization Grant for the Administration set-aside in an amount totaling \$280,320 and from the BIL SRF \$718,200 for a total amount of \$998,520.

The administration set-aside will be used to pay for salaries for staff working on the DWSRLF and administering the loan funds. Loan administration includes reporting, payment processing, pre-application activities; application review; engineering, construction and environmental review; portfolio, audit, and cash management; and financial management. DWSRLF programmatic administration costs also include contractual technical services for engineering and construction oversight, environmental reviews, and legal fees associated with closing DWSRLF loans.

### B. Small Systems Technical Assistance (2%)

The SDWA authorizes states to use this Set-Aside to support a state technical team to provide technical assistance to return systems to compliance with the SDWA. Assistance will be offered through the following activities:

- DWB staff will offer assistance to small water systems upon recommendation by the DWB enforcement coordinator and/or the compliance officer through a Technical Services Request.
- DWB will also offer assistance to help small water systems return their outstanding violations to compliance and will prioritize those systems with high ETT scores.
- DWB will work with contract assistance providers to offer water loss assessments for small systems.

### C. State Program Management (10%)

The SDWA authorizes states to use this Set-Aside to address additional program requirements of the Public Water System Supervision Program, Utility Operator Certification Program, and administration for DWSRF Capacity Development and Assistance Programs.

#### Public Water System Supervision (PWSS) Program

The State Program Management Set-Aside will be used, in part, to support the Public Water System Supervision (PWSS) program. The activities planned to support the PWSS program include providing administrative support for the DWB staff, conducting sanitary surveys to assess the needs and

deficiencies of PWSs, implementing new and enforcing existing rules and regulations, providing an immediate response to confirmed acute contamination events and PWS problems that may impact public health.

#### Utility Operator Certification Program (UOCP)

The State Program Management Set-Aside will be used, in part, to fund administration activities and support certification of operators through the Utility Operator Certification Program (UOCP). The NMED has authority to administer the Program pursuant to the SDWA and began to directly manage this program in July 2016, increasing the administrative responsibility.

#### DWSRF Set-Aside Administrative Support for Local Assistance Capacity Programs

The State Program Management Set-Aside will support the administrative requirements of the DWB in operating DWSRF Local Assistance Capacity programs. Activities include developing and managing grant set-aside application documents (including the IUP), budgets, workplans, and reporting; timekeeping; internal program meetings; staff and program management; program planning; and other such activities.

### **D. Local Assistance and Other State Programs (15%)**

The Local Assistance and Other State Programs Set-Aside is used to support multiple DWB assistance program activities within the Sustainable Water Infrastructure Group.

#### Capacity Development and Assistance (10%)

- Infrastructure Support (engineering plan reviews, DWSRF assistance)
- Capacity Assistance (technical, managerial, financial; emergency response & planning)
- Needs & Capacity Assessments (rate surveys, need survey, risk analysis, policy review )
- Regional Planning & Sustainability (regionalization & collaboration projects, climate resilience)
- Utility Operator assistance & training (UOCP outreach, assistance, compliance, trainings)

#### Source Water Protection (5%)

- Source water assessments & plans
- Special source water & emerging contaminant studies (PFAS)
- Source sampling waiver reviews
- NEPA and Subdivision environmental impact reviews
- Groundwater Under Direct Influence (GWUDI) determinations
- Water reuse studies and collaborative planning

## **VII. Public Participation**



To ensure the public has an opportunity to review and provide input on the IUP, a public comment period will be open for 30 days. The draft IUP will be made available to the public through notifications on social media, email listservs, and posting to both the NMED and NMFA websites:

NMED Funding: [www.env.nm.gov/funding-opportunities/](http://www.env.nm.gov/funding-opportunities/) and <https://nmed.commentinput.com/comment/search>

NMFA DWSRLF: [www.nmfinance.com/water-project-fund/drinking-water-state-revolving-loan-fund/](http://www.nmfinance.com/water-project-fund/drinking-water-state-revolving-loan-fund/)

A summary of the comments received will be included as part of Appendix E in the final version of this IUP. The final IUP updated through the public comment process and approved by EPA will be posted on the NMED and NMFA websites above.

## VIII. Audits and Reporting

To ensure transparency and accountability, the state agrees to submit an Annual Report and Annual Audit to the EPA Region 6 pertaining to the actual uses of funds, and how the State has met the goals and objectives for the previous fiscal year, as identified in the previous year's IUP. The scope of the Annual Report covers the DWSRLF and all approved Set-aside activities funded by the DWSRLF program. The Annual Audit covers the financial transactions for the DWSRLF and Set-aside drawdowns.

The NMFA will have an annual independent financial compliance audit conducted, including a single audit, as required of its DWSRLF program in accordance with Generally Accepted Government Accounting Standards (GAGAs) issued by the Comptroller General of the United States. The audit report will contain an opinion on the financial statement of the DWSRLF; a report on internal controls; and a report on compliance with the SDWA. The audit report will be completed within one year of the end of the SFY and will be submitted to EPA's Office of Inspector General (OIG) within 30 days of completion.

The NMFA requires DWSRLF recipients to maintain project accounts in accordance with Generally Accepted Accounting Principles (GAAPs). This requirement will be implemented through a condition in the financial assistance agreement, signed by both the NMFA and the DWSRLF assistance recipient.

The state agrees to enter data into EPA's Project and Benefits Reporting Database (PBR) in accordance with EPA Order 5700.7 Environmental Results Under Assistance Agreement. The State agrees to follow the Federal Funding Accountability and Transparency Act requirements. The State will report annually to the Drinking Water National Information Management System (DWNIMS). The State agrees to comply with the reporting requirements included in the current fiscal year Appropriation.

## IX. Amendments to the IUP and Attachments

Revisions to this plan determined to be insignificant and/or minor revisions required for administrative purposes, shall be made by the NMED and NMFA without notification to the public, and will be reported to EPA in the Annual Report. Any material changes in the IUP shall be made in accordance with procedures provided in the NMFA DWSRLF Regulations.

The Priority List included at Appendix A will be updated on a quarterly basis as a stand-alone document. All updates to the Priority List will be posted on the NMED website at:

NMED Funding: [www.env.nm.gov/funding-opportunities/](http://www.env.nm.gov/funding-opportunities/)

And the NMFA website: <https://www.nmfinance.com/water-project-fund/drinking-water-state-revolving-loan-fund/>

## X. Appendices

## Appendix A: Priority List

### New Mexico Drinking Water State Revolving Loan Fund

2022 Annual Priority List

| Ranking | Water System Name and Number                     | Score | Population | County     | Designation                 | Project Description                                 | Disadvantaged Status     | Amount Requested | Fundable Referred to NMFA | Subsidy Amount Eligible to Project | Mandatory Cap Grant Subsidy | Interest Rate |
|---------|--|-------|------------|------------|-----------------------------|---|--------------------------|------------------|---------------------------|------------------------------------|-----------------------------|---------------|
| 1       | City of Farmington NM3510224                     | 37    | 38000      | SAN JUAN   | Municipality                | Farmington Water Treatment Plant No. 1 Improvements | Disadvantaged            | \$15,500,000     | yes                       | \$6,118,435.00                     |                             | 0%            |
| 2       | French MDWCA/SWA NM3500204                       | 32    | 150        | COLFAX     | Mutual Domestic Association | DBP Treatment                                       | (Severely) Disadvantaged | \$100,000        | yes                       | \$75,000.00                        |                             | 0%            |
| 3       | Dixon MDWCA NM3501421                            | 28    | 500        | RIO ARRIBA | Mutual Domestic Association | Well and Well House Improvement Project             | (Severely) Disadvantaged | \$270,000        | yes                       | \$202,500.00                       |                             | 0%            |
| 4       | El Prado Water and Sanitation District NM3515029 | 25    | 1076       | TAOS       | Water & Sanitation District | Waterline Looping Project                           | (Severely) Disadvantaged | \$2,000,000      | yes                       | \$1,500,000.00                     |                             | 0%            |
| 5       | Cedar Creek Cabin Owners Association NM3558214   | 24    | 536        | LINCOLN    | Other                       | Well  | (Severely) Disadvantaged | \$550,000        | yes                       | N/A                                |                             | 0%            |
| 6       | Enchanted Forest Water Corporation NM3563814     | 22    | 292        | LINCOLN    | Co-op                       | Infrastructure                                      | (Severely) Disadvantaged | \$150,000        | yes                       | NA                                 |                             | 0%            |

## Appendix B: DWSRF Ranking Criteria

### SFY 23 DWSRLF Proposed Priority Ranking System

The DWSRLF program uses a priority system for ranking individual projects for funding prioritization for both the Comprehensive and Fundable Project Lists which:

1. Address the most serious risk to human health;
2. Ensure compliance with the requirements of the SDWA; and
3. Assist PWSs most in need, on a per-household basis, according to National affordability criteria.

The total project score is the sum of the points with respect to six categories listed below to determine their ranking and prioritization for State Fiscal Year 2023 DWSRLF assistance.

1. Source Water Vulnerability
2. Safe Drinking Water Act Compliance
3. Affordability and Project Readiness
4. Regionalization
5. Water and Operational Efficiency
6. Sustainable Infrastructure

| SOURCE WATER VULNERABILITY   |                  |
|--|------------------|
| <u>Inconsistent Water Supply</u> : Project is for rehabilitation or a new source of raw water for drinking water systems that experience water outages or deficiencies in water production as demonstrated by planning documents or supporting data.   | <b>12 Points</b> |
| <u>Improve water quality in areas not currently served</u> : Project extends water service to existing residences that are not currently served by a centralized water system or the local groundwater is contaminated.  | <b>8 Points</b>  |
| <u>Backup source</u> : Project includes development of a second potable source of water, such as a backup well or surface water intake.  | <b>6 Points</b>  |
| <u>Inadequate or decreasing water supply</u> : Project supplies future water production needs.   | <b>5 Points</b>  |
| <u>Finished Water storage</u> : Project is for additional finished water storage capacity to ensure adequate supply during emergency situations and planned outages (excluding storage requirements for fire flow). It is recommended that finished water storage should supply the system's demand with water for 2 days of no production. Excess storage capacity where water quality may be impacted should be avoided. | <b>5 Points</b>  |

|  |                 |
|--|-----------------|
| <u>Source Water Protection Plan:</u> Water system maintains an active Source Water Protection Plan that has been updated in the last five years. | <b>4 points</b> |
|--|-----------------|

| <b>SAFE DRINKING WATER ACT COMPLIANCE</b>  |                  |
|--|------------------|
| <u>Acute violations:</u> System is in violation of acute treatment technique requirements or an MCL of an acute contaminant, and the proposed project will return the system to compliance.  | <b>20 Points</b> |
| <u>Ground Water Under the Direct Influence of Surface Water (GWUDI) Sources:</u> System has received a formal GWUDI determination requiring the installation of surface water treatment, and the proposed project will meet compliance requirements. | <b>15 Points</b> |
| <u>Non-acute violations:</u> System is in violation of non-acute treatment technique requirements, significant deficiency or MCL exceedance of non-acute contaminants, and the proposed project will return the system to compliance.                | <b>12 Points</b> |
| <u>Maintains Compliance:</u> System is in compliance with state and federal drinking water regulations.  | <b>1 point</b>   |

| <b>AFFORDABILITY AND PROJECT READINESS<br/>(Community Water Systems Only)</b>   |                  |
|---|------------------|
| <u>Disadvantaged Communities:</u> System serves a population whose MHI <sup>1</sup> is greater than 80% but less than 100% of the National MHI. | <b>6 Points</b>  |
| <u>Severely Disadvantaged Communities:</u> System serves a population whose MHI <sup>1</sup> is 80% or less of the National MHI.                | <b>10 Points</b> |
| <u>Small System:</u> System serves a population of less than 1,000 people based on the average household size for the county served by system.  | <b>5 Points</b>  |
| <u>Very Small System:</u> System serves a population of less than 500 people based on average household size for the county served by system.   | <b>3 Points</b>  |
| <u>Project Funded by DWSRLF:</u> This project will fund additional phases of a prior DWSRLF project.  | <b>5 points</b>  |

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<sup>1</sup> MHI is the median household income of the public water system's service area based on most recent 5-year average from US Census Data.

|  |                 |
|--|-----------------|
| <u>Final Design Complete:</u> Project Final Design is 100% complete and approved by Drinking Water Bureau. | <b>8 points</b> |
|--|-----------------|

| <b>REGIONALIZATION</b>  |                 |
|---|-----------------|
| <u>Regionalization Activities:</u> Project is a regionalization effort among two or more public water systems that results in the consolidation or physical connection of the public water systems that will begin to operate as one system, full time. | <b>5 Points</b> |
| <u>Provide regulated water service to areas not currently served:</u> Project extends water service to existing homes or businesses not currently served by a centralized water system.   | <b>5 Points</b> |
| <u>Emergency Interconnection:</u> Project addresses the need for an emergency or back up source through an interconnection with another public water system.  | <b>3 Points</b> |
| <u>Regional Resource Coordination:</u> System participates in a regional sharing of resources with other water system(s).   | <b>1 point</b>  |

| <b>WATER AND OPERATIONAL EFFICIENCY</b>  |                 |
|--|-----------------|
| <u>Metering:</u> Project includes metering an unmetered system Replacing existing broken/malfunctioning water meters with AMI or smart meters. <sup>3</sup>          | <b>8 Points</b> |
| <u>Real Water Loss Reduction:</u> Project replaces or rehabilitates failing or inadequate distributions lines and real water loss has been identified to be reduced. | <b>5 points</b> |
| <u>Water Pressure:</u> Project addresses a water pressure problem.   | <b>4 Points</b> |
| <u>Infrastructure Rehabilitation:</u> Project replaces or rehabilitates failing or inadequate infrastructure or equipment, other than a water source.                | <b>4 Points</b> |
| <u>Operational Improvements:</u> Project streamlines, automates, or improves operations of the system (e.g. radio read meters, looping, SCADA, additional valves).   | <b>3 Points</b> |

|  |                 |
|--|-----------------|
| <u>Water Use Management</u> : Water system utilizes drought contingency or water conservation policies to manage customer demand seasonally or as needed in water shortages. | <b>2 points</b> |
|--|-----------------|

| <b>SUSTAINABLE PROJECTS AND ACTIVITIES</b>   |                         |
|--|-------------------------|
| <u>Asset Management Plan</u> : Systems that have developed or are in the process of developing an asset management plan will receive one point for each core component completed. The core components are: asset inventory, level of service, critical asset assessment, life cycle costing, and long-term funding strategy.   | <b>5 Points Maximum</b> |
| <u>Asset Management Plan Project</u> : Project is part of a current asset management long term funding strategy.   | <b>2 points</b>         |
| <u>Energy Efficiency</u> <sup>2</sup> : Project implements renewable energy or energy conservation to reduce the amount of energy consumed from the grid to produce, treat and deliver water.  | <b>2 points</b>         |
| <u>Green Stormwater Infrastructure</u> <sup>3</sup> : Project preserves or restores natural landscape features and establishes policies such as infill and watershed redevelopment to reduce imperviousness. Local green infrastructure practices include bio-retention, green roofs, rainwater harvesting, or grey water use. | <b>2 points</b>         |
| <u>Environmentally Innovative Projects</u> <sup>3</sup> : Project uses environmentally innovative concepts to produce, treat, store and/or deliver water.  | <b>2 points</b>         |
| <u>Resiliency</u> : Project increases resiliency to long term effects of drought and or extreme weather. (Ex. Single source water system, high treatment cost, or natural disaster mitigation)   | <b>2 points</b>         |
| <u>Education</u> : System Participates in Educational Activities to promote water and energy efficiency.   | <b>5 points</b>         |
| <u>Water Reuse Project</u> : Project increases water efficiency, to increase potable water supply by replacing potable uses with non-potable sources, such as grey water systems and wastewater effluent reuse systems.  | <b>3 points</b>         |
| <u>Water Loss Program</u> : System implements water loss control strategies with the AWWA M36 method by completing annual audits.  | <b>1 Point</b>          |

<sup>2</sup> Reference for these criteria is the EPA 2011 Clean Water and Drinking Water State Revolving Loan Fund 20% Green Project Reserve: Guidance for Determining Project Eligibility.

## Appendix C: DWSRLF Sources and Uses

**Table 2 DWSRLF SOURCES AND USES SFY 2023**

| <b><u>SOURCES</u></b>                 | <b>Cumulative Total through<br/>6/30/2022</b> | <b>7/1/2022 -<br/>6/30/2023(This SFY)</b> | <b>Cumulative Total through<br/>6/30/23</b> |
|---------------------------------------|---|---|---|
| Federal Capitalization Grants         | \$241,931,500                                 | \$7,008,000                               | \$248,939,500                               |
| BIL Supplemental Capitalization Grant | \$0   | \$17,955,000                              | \$17,955,000                                |
| 20% Capitalization Grant Match        | \$45,616,500                                  | \$1,401,600                               | \$47,018,100                                |
| 10% BIL Supplemental State Match      | \$0   | \$1,795,500                               | \$1,795,500                                 |
| Investment Interest                   | \$11,392,968                                  | \$1,719,478                               | \$13,112,446                                |
| Loan Repayments – Principal           | \$80,342,094                                  | \$6,231,397                               | \$86,573,491                                |
| Loan Repayments - Interest            | \$19,655,379                                  | \$1,298,164                               | \$20,953,543                                |
| <b>Total Sources</b>                  | <b>\$398,938,441</b>                          | <b>\$37,409,139</b>                       | <b>\$436,347,580</b>                        |
|                                       |   |   |   |
| <b><u>Uses of Funds</u></b>           |   |   |   |
|                                       |   |   |   |
| <b><u>Assistance Activity</u></b>     |   |   |   |
| Large System Commitments              | \$181,445,218                                 | \$62,500,000                              | \$243,945,218                               |
| Small System Commitments              | \$77,254,624                                  | \$3,070,000                               | \$80,324,624                                |
|                                       |   |   |   |
| <b>Total Assistance</b>               | <b>\$258,699,842</b>                          | <b>\$65,570,000</b>                       | <b>\$324,269,842</b>                        |
|                                       |   |   |   |
| <b><u>Set-Aside Activity</u></b>      |   |   |   |
| Administration                        | \$9,259,100                                   | \$998,520                                 | \$10,257,620                                |
| Small System Technical Assistance     | \$4,234,349                                   | \$499,260                                 | \$4,733,609                                 |
| State Programs Management             | \$23,106,406                                  | \$2,496,300                               | \$25,602,706                                |
| Local Assistance                      | \$30,227,082                                  | \$3,744,450                               | \$33,971,532                                |
|                                       |   |   |   |
| <b>Total Set-Asides</b>               | <b>\$66,826,937</b>                           | <b>\$7,738,530</b>                        | <b>\$74,565,467</b>                         |
|                                       |   |   |   |
| <b>Total Uses</b>                     | <b>\$325,526,779</b>                          | <b>\$73,308,530</b>                       | <b>\$398,835,309</b>                        |
| <b>Carryover</b>                      | <b>\$73,411,662</b>                           | <b>(\$35,899,391)</b>                     | <b>\$37,512,271</b>                         |



## Appendix D: DWSRF Set-Asides

| ADMINISTRATION SET ASIDE (4%)            |                     |   |                  |                    |                                 |   |   |                          |
|--|---------------------|---|------------------|--------------------|---------------------------------|---|---|--------------------------|
| Cap Grants with Allocations to Set-Aside | Set-Aside Allocated | Set-Aside Anticipated for FFY 2022 Cap Grants | Specified Amount | Unspecified Amount | Amount Transferred to Loan Fund | Specified Expenditures through SFY 2022 | Estimated Expenditures through SFY 2023 | Estimated Ending Balance |
| FFY97                                    | \$510,392           |   | \$510,392        | \$0                | \$0                             | \$510,392                               |   | \$0                      |
| FFY98-99                                 | \$583,404           |   | \$583,404        | \$0                | \$0                             | \$583,404                               |   | \$0                      |
| FFY00                                    | \$310,280           |   | \$310,280        | \$0                | \$0                             | \$310,280                               |   | \$0                      |
| FFY01                                    | \$311,564           |   | \$311,564        | \$0                | \$0                             | \$311,564                               |   | \$0                      |
| FFY02                                    | \$322,100           |   | \$322,100        | \$0                | \$0                             | \$322,100                               |   | \$0                      |
| FFY03                                    | \$320,164           |   | \$320,164        | \$0                | \$0                             | \$320,164                               |   | \$0                      |
| FFY 04                                   | \$332,124           |   | \$332,124        | \$0                | \$0                             | \$332,124                               |   | \$0                      |
| FFY 05                                   | \$331,420           |   | \$331,420        | \$0                | \$0                             | \$331,420                               |   | \$0                      |
| FFY 06                                   | \$329,172           |   | \$329,172        | \$0                | \$0                             | \$329,172                               |   | \$0                      |
| FFY 07                                   | \$329,160           |   | \$329,160        | \$0                | \$0                             | \$329,160                               |   | \$0                      |
| FFY 08                                   | \$325,840           |   | \$325,840        | \$0                | \$0                             | \$325,840                               |   | \$0                      |
| FFY 09                                   | \$325,840           |   | \$325,840        | \$0                | \$0                             | \$325,840                               |   | \$0                      |
| FFY 09 (ARRA)                            | \$780,000           |   | \$780,000        | \$0                | \$219,049                       | \$560,951                               |   | \$0                      |
| FFY 10                                   | \$542,920           |   | \$542,920        | \$0                | \$0                             | \$542,920                               |   | \$0                      |
| FFY 11                                   | \$376,720           |   | \$376,720        | \$0                | \$0                             | \$376,720                               |   | \$0                      |
| FFY 12                                   | \$359,000           |   | \$359,000        | \$0                | \$0                             | \$359,000                               |   | \$0                      |
| FFY 13                                   | \$336,840           |   | \$336,840        | \$0                | \$0                             | \$336,840                               |   | \$0                      |
| FFY 14                                   | \$353,800           |   | \$353,800        | \$0                | \$0                             | \$353,800                               |   | \$0                      |
| FFY 15                                   | \$351,480           |   | \$351,480        | \$0                | \$0                             | \$351,480                               |   | \$0                      |
| FFY 16                                   | \$332,480           |   | \$332,480        | \$0                | \$0                             | \$332,480                               |   | \$0                      |
| FFY 17                                   | \$329,640           |   | \$329,640        | \$0                | \$0                             | \$329,640                               |   | \$0                      |
| FFY 18                                   | \$444,280           |   | \$444,280        | \$0                | \$0                             | \$444,280                               |   | \$0                      |
| FFY19                                    | \$440,160           |   | \$440,160        | \$0                | \$0                             | \$440,160                               |   | \$0                      |
| FFY 20                                   | \$440,440           |   | \$440,440        | \$0                | \$0                             | \$440,440                               |   | \$0                      |
| FFY 21                                   | \$440,440           |   | \$440,440        | \$0                | \$0                             | \$440,440                               |   | \$0                      |
| FFY 22 BIL                               | \$718,200           | \$718,200                                     |                  | \$0                | \$0                             |   | \$480,000                               | \$238,200                |
| FFY 22 Base                              | \$280,320           | \$280,320                                     |                  | \$0                | \$0                             |   | \$280,320                               | \$0                      |
| TOTALS                                   | \$10,858,180        | \$998,520                                     | \$9,859,660      | \$0                | \$219,049                       | \$9,640,611                             | \$760,320                               | \$238,200                |

**TABLE 6-B****Small Systems Technical Assistance Element (2%) Total Expenditures by FFY Capitalization Grant**

| Federal Awards Allocated to Set-Aside | Total Set-Aside Allocated | Specified Amount   | Unspecified Amount | Unspecified Amount Transferred to Loan Fund | Specified Expenditures through 06/30/21 | Estimated Ending Balance as of 06/30/21 |
|---------------------------------------|---------------------------|--------------------|--------------------|---|---|---|
| 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                                     |
| FFY04                                 | \$166,062                 | \$166,062          | \$0                | \$0   | \$166,062                               | \$0                                     |
| FFY05                                 | \$165,710                 | \$165,710          | \$0                | \$0   | \$165,710                               | \$0                                     |
| FFY06                                 | \$164,586                 | \$164,586          | \$0                | \$0   | \$164,586                               | \$0                                     |
| FFY07                                 | \$164,580                 | \$164,580          | \$0                | \$0   | \$164,580                               | \$0                                     |
| FFY08                                 | \$162,920                 | \$162,920          | \$0                | \$0   | \$162,920                               | \$0                                     |
| FFY09                                 | \$162,920                 | \$162,920          | \$0                | \$0   | \$162,920                               | \$0                                     |
| FFY09 (ARRA)                          | \$390,000                 | \$390,000          | \$0                | \$0   | \$390,000                               | \$0                                     |
| FFY 2010                              | \$271,460                 | \$271,460          | \$0                | \$0   | \$271,460                               | \$0                                     |
| FFY 2011                              | \$188,360                 | \$188,360          | \$0                | \$50,981                                    | \$137,379                               | \$0                                     |
| FFY 2012                              | \$179,500                 | \$179,500          | \$0                | \$0   | \$179,500                               | \$0                                     |
| FFY 2013                              | \$168,420                 | \$168,420          | \$0                | \$168,420                                   | \$0                                     | \$0                                     |
| FFY 2014                              | \$176,900                 | \$176,900          | \$0                | \$0   | \$176,900                               | \$0                                     |
| FFY 2015                              | \$0                       | \$0                | \$175,740          | \$0   | \$0                                     | \$175,740                               |
| FFY 2016                              | \$166,240                 | \$166,240          | \$0                | \$0   | \$166,240                               | \$0                                     |
| FFY 2017                              | \$164,820                 | \$164,820          | \$0                | \$0   | \$164,820.00                            | \$0                                     |
| FFY 2018                              | \$222,140                 | \$222,140          | \$0                | \$0   | \$222,140                               | \$0                                     |
| FFY 2019                              | \$220,080                 | \$220,080          | \$0                | \$0   | \$220,080                               | \$0                                     |
| FFY 2020                              | \$220,220                 | \$220,220          | \$0                | \$0   | \$220,080                               | \$95,188                                |
| <b>TOTALS</b>                         | <b>\$4,533,870</b>        | <b>\$4,533,870</b> | <b>\$175,740</b>   | <b>\$219,401</b>                            | <b>\$4,314,329.00</b>                   | <b>\$270,928.00</b>                     |

TABLE 7-B

## State Programs Management Element (10%) Total Expenditures by FFY Capitalization Grant

| Awards Allocated to Set-Aside | Total Set-Aside Allocated | Specified Amount    | Unspecified Amount | Unspecified Amount Transferred to Loan Fund | Specified Expenditures through 06/30/2020 | Estimated Ending Balance as of 06/30/2020 |
|-------------------------------|---------------------------|---------------------|--------------------|---|---|---|
| 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                                       |
| FFY04                         | \$830,310                 | \$830,310           | \$0                | \$0   | \$830,310                                 | \$0                                       |
| FFY05                         | \$828,550                 | \$828,550           | \$0                | \$0   | \$828,550                                 | \$0                                       |
| FFY06                         | \$822,930                 | \$822,930           | \$0                | \$0   | \$822,930                                 | \$0                                       |
| FFY07                         | \$822,900                 | \$822,900           | \$0                | \$0   | \$822,900                                 | \$0                                       |
| FFY08                         | \$814,600                 | \$814,600           | \$0                | \$0   | \$814,600                                 | \$0                                       |
| FFY09                         | \$814,600                 | \$814,600           | \$0                | \$0   | \$814,600                                 | \$0                                       |
| FFY09 (ARRA)                  | \$1,950,000               | \$1,950,000         | \$0                | \$0   | \$1,950,000                               | \$0                                       |
| FFY 2010                      | \$1,357,300               | \$1,357,300         | \$0                | \$28,098                                    | \$1,329,202                               | \$0                                       |
| FFY 2011                      | \$941,800                 | \$941,800           | \$0                | \$13,201                                    | \$928,599                                 | \$0                                       |
| FFY 2012                      | \$897,500                 | \$897,500           | \$0                | \$0   | \$331,082                                 | \$0                                       |
| FFY 2013                      | \$842,100                 | \$842,100           | \$0                | \$0   | \$842,100                                 | \$0                                       |
| FFY 2014                      | \$884,500                 | \$884,500           | \$0                | \$0   | \$884,500                                 | 0   |
| FFY 2015                      | \$0                       | \$0                 | \$878,700          | \$0   | \$878,700                                 | \$0                                       |
| FFY 2016                      | \$831,200                 | \$831,200           | \$0                | \$0   | \$831,200                                 | \$0                                       |
| FFY 2017                      | \$824,100                 | \$824,100           | \$0                | \$0   | \$824,923.66                              | -\$823.66                                 |
| FFY 2018                      | \$1,110,700               | \$1,110,700         | \$0                | \$0   | \$885,072.81                              | \$225,627.19                              |
| FFY 2019                      | \$1,100,400               | \$1,100,400         | \$0                | \$0   | \$0                                       | \$0                                       |
| FFY 2015 + 2019*              |                           | \$1,979,100         | \$0                | \$0   | \$2,044,967                               | -\$65,867                                 |
| FFY 2020                      | \$1,101,100               | \$1,101,100         | \$0                | \$0   | \$129,004.63                              | \$971,095.37                              |
| <b>TOTALS</b>                 | <b>\$1,101,100</b>        | <b>\$24,648,450</b> | <b>\$878,700</b>   | <b>\$41,299</b>                             | <b>\$22,688,001.10</b>                    | <b>\$1,130,031.90</b>                     |



Table 8-B

## Capacity Development Sub-Element (10%) Total Expenditures by FFY Capitalization Grant

| Federal Awards Allocated to Set Aside | Total Set-Aside Allocated | Specified Amount    | Unspecified Amount | Amount Transferred to Loan Fund or EPA In-kind services | Specified Expenditures through 06/30/2020 | Estimated Ending Balance as of 06/30/2020 |
|---------------------------------------|---------------------------|---------------------|--------------------|---|---|---|
| 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                                       |
| FFY04                                 | \$830,310                 | \$830,310           | \$0                | \$0   | \$830,310                                 | \$0                                       |
| FFY05                                 | \$828,550                 | \$828,550           | \$0                | \$0   | \$828,550                                 | \$0                                       |
| FFY06                                 | \$822,930                 | \$822,930           | \$0                | \$0   | \$822,930                                 | \$0                                       |
| FFY07                                 | \$822,900                 | \$822,900           | \$0                | \$0   | \$822,900                                 | \$0                                       |
| FFY08                                 | \$814,600                 | \$814,600           | \$0                | \$37,753  | \$776,847                                 | \$0                                       |
| FFY09                                 | \$814,600                 | \$814,600           | \$0                | \$0   | \$814,600                                 | \$0                                       |
| FFY09 (ARRA)                          | \$0                       | \$0                 | \$0                | \$0   | \$0                                       | \$0                                       |
| FFY 2010                              | \$1,357,300               | \$1,357,300         | \$0                | \$0   | \$1,357,300                               | \$0                                       |
| FFY 2011                              | \$941,800                 | \$941,800           | \$0                | \$276,513   | \$665,287                                 | \$0                                       |
| FFY 2012                              | \$897,500                 | \$897,500           | \$0                | \$0   | \$897,500                                 | \$0                                       |
| FFY 2013                              | \$842,100                 | \$842,100           | \$0                | \$0   | \$842,100                                 | \$0                                       |
| FFY 2014                              | \$884,500                 | \$884,500           | \$0                | \$0   | \$884,500                                 | \$0                                       |
| FFY 2015                              | \$878,700                 | \$878,700           | \$0                | \$0   | \$877,133                                 | \$0                                       |
| FFY 2016                              | \$831,200                 | \$831,200           | \$0                | \$400,000   | \$831,000                                 | \$0                                       |
| FFY 2017                              | \$824,100                 | \$824,100           | \$0                | \$500,000   | \$824,100.00                              | \$0                                       |
| FFY 2018                              | \$1,110,700               | \$1,110,700         | \$0                | \$0   | \$1,110,700                               | \$0                                       |
| FFY 2019                              | \$955,400                 | \$955,400           | \$0                | \$0   | \$955,400                                 | \$0                                       |
| FFY 2020                              | \$1,101,100               | \$1,101,100         | \$0                | \$0   | \$236,917.13                              | \$864,183                                 |
| <b>TOTALS</b>                         | <b>\$20,491,594</b>       | <b>\$20,491,594</b> | <b>\$0</b>         | <b>\$1,214,266</b>                                      | <b>\$19,311,378.13</b>                    | <b>\$864,183.00</b>                       |

Source water

| <b>TABLE 9-A</b><br><b>Source Water Protection Sub Element (5%)</b><br><b>Total Expenditures for SFY 2021</b> |   |   |   |   |   |
|---|---|---|---|---|---|
| DWSRLF<br>Funding<br>Source   | Actual<br>SFY 2021<br>QTR 1<br>Expenditures | Actual<br>SFY 2021<br>QTR 2<br>Expenditures | Actual<br>SFY 2021<br>QTR 3<br>Expenditures | Actual<br>SFY 2021<br>QTR 3+4<br>Expenditures | TOTAL<br>Actual<br>SFY 2021<br>Expenditures |
| FFY17   |   | \$94,104.14                                 |   |   | \$94,104.14                                 |
| FFY18   | \$31,200.66                                 | \$252,361.44                                |   | \$5,870.38                                    | \$289,432.48                                |
| FFY19   | \$28,028.94                                 | \$7,798.76                                  |   | \$313,831.72                                  | \$349,659.42                                |
| FFY20   | \$0   | \$0   |   | \$0   | \$0   |
| <b>SFY21 Total</b>  | <b>\$59,229.60</b>                          | <b>\$354,264.34</b>                         |   | <b>\$319,702.10</b>                           | <b>\$733,196.04</b>                         |

## Appendix E: Public Outreach

The public notice process is described in Section VII of this document (Public Participation). Sample notification for email listserv and website. Social media posts will be more brief but based on notification and linked to website:

### **PUBLIC NOTICE**

**NEW MEXICO ENVIRONMENT DEPARTMENT AND  
NEW MEXICO FINANCE AUTHORITY  
NOTICE OF PUBLIC COMMENT AND REVIEW FOR  
DRINKING WATER STATE REVOLVING FUND  
2023 DWSRF PROJECT PRIORITY LIST & INTENDED USE PLAN**

The New Mexico Environment Department (NMED) Drinking Water Bureau (DWB) and the New Mexico Finance Authority (NMFA) produce an annual Drinking Water State Revolving Fund (DWSRF) Project Priority List (PPL) and Intended Use Plan (IUP). The IUP identifies the proposed intended uses of the funding amounts available to the DWSRF Program including from the Bipartisan Infrastructure Law. The current PPL identifies eligible projects for DWSRF funding from all sources for State Fiscal Year (SFY) 2023.

NMED DWB is accepting public comment from June 16, 2022, through July 16, 2022, regarding:

- 1) The NMED NMFA DWSRF Program's IUP for SFY 2023
- 2) Projects on the 2023 DWSRF PPL

A copy of the IUP and PPL may be obtained from [https://www.env.nm.gov/drinking\\_water/infrastructure-projects-and-funding/](https://www.env.nm.gov/drinking_water/infrastructure-projects-and-funding/) by or by e-mailing [NMENV-dwbfunding@state.nm.us](mailto:NMENV-dwbfunding@state.nm.us). Comments or questions regarding the IUP and PPL may be submitted by accessing the NMED comment portal at <https://nmed.commentinput.com/comment/search>.

## Appendix F: Compliance with Grant Conditions

### **Davis Bacon Wage Act**

Recipients of SRF funding are required to comply with 40 CFR Part 31 and the full language of the Federal appropriation contained in the Annual Capitalization Grant, the Davis Bacon Act, and the U.S. Department of Labor (DOL) implementing regulations. The DOL provides all pertinent information related to compliance with labor standards, including prevailing wage rates and instructions for reporting. Requirements in section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) apply to any construction project, carried out in whole or in part, with assistance made available as authorized by section 1452 of that Act (42 U.S.C. 300j-12).

### **Federal Crosscutters**

A number of federal laws, executive orders, and federal policies apply to projects receiving federal financial assistance, regardless of whether the federal laws authorizing the assistance make them applicable. These federal authorities are referred to as crosscutting authorities or crosscutters. Federal Crosscutters apply to projects whose cumulative funding equals the amount of the SRF Capitalization Grants. Projects receiving federal assistance funds must comply with the crosscutter requirements in an amount equivalent to the Capitalization Grant.

Crosscutters are divided into three groups: environmental, social policies, and economic and miscellaneous authorities.

- Environmental crosscutters include federal laws and executive orders that relate to preservation of historical and archaeological sites, endangered species, wetlands, and agricultural land, etc. This crosscutter requirement includes a National Environmental Policy Act compliant environmental review.
- Social policy crosscutters include requirements such as minority and women's business enterprise participation goals, equal opportunity employment goals, and nondiscrimination laws. This crosscutter requirement includes compliance with the Disadvantaged Business Enterprise program, as stated in the loan agreement.
- Economic crosscutters directly regulate the expenditure of federal funds such as the prohibition against entering into contracts with debarred or suspended firms, and the American Iron and Steel provision.

A complete list of crosscutting authorities can be found at the EPA website:

<https://www.epa.gov/sites/production/files/2015-08/documents/crosscutterhandbook.pdf>



## **Signage**

The recipient agrees to comply with the SRF Signage Guidelines in order to enhance public awareness of EPA assistance agreements. See memo, “Guidelines for Enhancing Public Awareness of SRF Assistance Agreements,” June 3, 2015 for more information.

## **American Iron and Steel**

Borrowers shall comply with federal requirements applicable to the loan, including the 2014 Appropriations Act and related SRF Policy Guidelines. All iron and steel products used in the Project will be produced in the United States (“American Iron and Steel Requirement”) unless (i) the borrower has requested and obtained a waiver from the Finance Authority or (ii) if the Finance Authority, or its contractor, has otherwise advised the borrower in writing that the American Iron and Steel Requirement is not applicable to the Project. See memo, “AIS final guidance 3-20-14” for more information.

## **Build American Buy American Act**

On November 15, 2021, President Joseph R. Biden Jr. signed into law the Infrastructure Investment and Jobs Act (“IIJA”), Pub. L. No. 117-58, which includes the Build America, Buy America Act (“the Act”). Pub. L. No. 117-58, §§ 70901-52. The Act strengthens Made in America Laws and will bolster America’s industrial base, protect national security, and support high-paying jobs. The Act requires that no later than May 14, 2022—180 days after the enactment of the IIJA—the head of each covered Federal agency shall ensure that “none of the funds made available for a Federal financial assistance program for infrastructure, including each deficient program, may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States.” (Build America, Buy America (BABA) Act, P.L. 117-58, Secs 70911 - 70917).

## Appendix G: Cash Draw Ratio and Grant Payment Schedule

New Mexico Finance Authority -- FY 2022 Grant Application Draw Projections  
 Appropriation \$7,008,000 (Federal)  
 Appropriation \$1,401,600 (State)

| Date             | FFY -- QTR | Administrative Set-Aside | Small System Technical Assistance Set Aside | State Program Management Set-Aside | Local Assistance and other State Program Set Aside* | Total Set Aside | Loan Fund Federal | Loan Fund State Match | Total       |
|------------------|------------|--------------------------|---|------------------------------------|---|-----------------|-------------------|-----------------------|-------------|
| July - Sept 2022 | 2022 - 4th | \$280,320                | \$140,160                                   | \$700,800                          | \$1,051,200   | \$2,172,480     | \$4,835,520       | \$2,200,200           | \$9,208,200 |
| Oct - Dec 2022   | 2023 - 1st |                          |   |                                    |   |                 |                   |                       | \$0         |
| Jan - Mar 2023   | 2021 - 2nd |                          |   |                                    |   |                 |                   |                       |             |
| Apr - June 2023  | 2021- 3rd  |                          |   |                                    |   |                 |                   |                       |             |
| July - Sept 2023 | 2021 - 4th |                          |   |                                    |   |                 |                   |                       |             |
| Oct - Dec 2023   | 2022 - 1st |                          |   |                                    |   |                 |                   |                       |             |

| For Reference               |  |           |           |           |             | Max set-aside equals | Max loan fund equals | Cash Draw Ratio |
|-----------------------------|--|-----------|-----------|-----------|-------------|----------------------|----------------------|-----------------|
| Max % - total award         |  | 4%        | 2%        | 10%       | 15%         | 31%                  | 44%                  |                 |
| Max \$ -total federal award |  | \$280,320 | \$140,160 | \$700,800 | \$1,051,200 | \$2,172,480          | \$4,835,520          | 19.92%          |
| Max \$ -total state award   |  |           |           |           |             |                      | \$2,200,200          | 80.08%          |
| Combined total              |  |           |           |           |             | \$2,172,480          | \$7,035,720          | 100.00%         |

New Mexico Finance Authority -- FY 2022 BIL Supplemental Grant Application Draw Projections  
Appropriation \$17,955,000 (Federal)  
Appropriation \$1,795,500 (State)

| Date             | FFY -- QTR | Administrative Set-Aside | Small System Technical Assistance Set Aside | State Program Management Set-Aside | Local Assistance and other State Program Set Aside* | Total Set Aside | Loan Fund Federal | Loan Fund State Match | Total       |
|------------------|------------|--------------------------|---|------------------------------------|---|-----------------|-------------------|-----------------------|-------------|
| July - Sept 2022 | 2022 - 4th | \$718,200                | \$359,100                                   | \$1,795,500                        | \$2,693,250   | \$5,566,050     | \$99,000          | \$19,800              | \$5,684,850 |
| Oct - Dec 2022   | 2022 - 1st |                          |   |                                    |   |                 |                   |                       | \$0         |

|                             |  |           |           |             |             | Max set-aside equals | Max loan fund equals | Cash Draw Ratio |
|-----------------------------|--|-----------|-----------|-------------|-------------|----------------------|----------------------|-----------------|
| For Reference               |  |           |           |             |             |                      |                      |                 |
| Max % - total award         |  | 4%        | 2%        | 10%         | 15%         | 31%                  | 69%                  |                 |
| Max \$ -total federal award |  | \$718,200 | \$359,100 | \$1,795,500 | \$2,693,250 | \$5,566,050          | \$12,388,950         | 25.32%          |
| Max \$ -total state award   |  |           |           |             |             |                      | \$1,795,500          | 74.68%          |
| Combined total              |  |           |           |             |             | \$5,566,050          | \$14,184,450         | 100.00%         |