

New Mexico Finance Authority
207 Shelby St.
Santa Fe, NM 87501
(505) 984-1454

Minutes of Water Trust Board Meeting
August 10, 2023
New Mexico State Capitol, Room 309
490 Old Santa Fe Trail, Santa Fe, New Mexico

Members Present:

Mike Hamman, Chairman	NM State Engineer
Alison Nichols	Designee, NMML
Joy Esparsen	Executive Director, NMC
Mark Thompson, Treasurer (via zoom)	NM Indian Affairs Dept.
Marquita Russel	CEO, NMFA
Priscilla Lucero	Environmental Community Representative
Tonantzin Roybal	Designee, NM Dept. of Finance/Admin
Julie Maitland (via zoom)	Designee, NM Dept. of Agriculture
Jason John (via zoom)	Designee, Navajo Nation
Andrea Telmo (via zoom)	Designee, NM Environment Dept.
Todd Leahy	Designee, NM. EMNRD
Tim McGinn (via zoom)	Irrigation or Conservancy District Ground Water Rep.

Absent:

Michael Sloane, Secretary	Director, NM Dept. of Game & Fish
Greg Alpers	Irrigation or Conservancy District Surface Water Rep.
Robert Baracker	Acequias Water Users Rep.
Brent Van Dyke	Soil & Water Conservation District Rep.

Finance Authority Staff:

Angela Quintana	Brenda Garcia
Bryan Otero	Cherise Martinez
Kryshana Madrid	Michele Cox
Michael Vonderheide	Paul Romero
Sharon Romero	

Guests:

Ashley Martinez	Wilson & Company
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1. **Call to Order and Roll Call.** Chairman Hamman called the meeting to order at 10:05 a.m. A quorum was established.
2. **Approval of Agenda. Member Russel moved, seconded by Member Roybal, to approve the agenda. The motion passed 12-0.**
3. **Approval of May 3, 2023, Board Minutes. Member Esparsen moved, seconded by Member Lucero, for approval of the May 3, 2023, board minutes. The motion passed 12-0.**
4. **Construction Cost Overrun Awards for 2021 WTB Projects.**

4.1 Ms. Angela Quintana presented an update to the construction cost overrun for three projects that were awarded in 2021. The current balances on the 2021 WTB set-aside for construction cost overruns are as follows.

Entity	NMFA Approval Date	Amount	Balance (2,280,398)
La Cueva MDWCA WPF-5425	9/29/2022	\$105,500	\$2,174,898
Rodarte MDWCA WPF-5433	5/25/2023	\$540,000	\$1,634,898
Rio Lucio DWCA WPF-5432	7/27/2023	\$250,686	\$1,384,212

Informational Only.

5. 2023 Water Project Fund (“WPF”) Awards 2nd Iteration.

5.1 **Presentation of the 2023 WPF Awards 2nd Iteration.** Ms. Angela Quintana provided an update of the seven applicants whose projects were postponed allowing for additional time to meet regulatory compliance. The Board, at its’ May 3, 2023, meeting, extended the deadline to July 5, 2023.

NMFA staff was also informed that the City of Carlsbad was returning their 2023 WTB award in the amount of \$7,177,600 due to inefficient debt capacity.

Staff prioritized the seven projects in the order determined by the project application evaluations, scores, and available funding. In addition to the remaining balance, staff included the additional funding from the returned award from the City of Carlsbad:

Total Available for Awards	\$125,208,000
<u>Awarded on 5/3/2023</u>	<u>\$123,034,785</u>
Balance	\$2,173,215
<u>Returned Award (City of Carlsbad)</u>	<u>\$7,177,600</u>
Total Available for 2 nd Iteration	\$9,350,815
<u>August 10, 2023, Recommendation</u>	<u>\$3,339,683</u>

Balance for 2023 cost-overrun set-aside \$6,011,132

Staff recommends 5 projects for funding from the 2023 WTB Funding cycle for their requested amounts. The remaining balance in the amount of \$6,011,132 is recommended as a set-aside for 2023 WTB awardees. The Project Review Committee has reviewed the information and concurs with staff's recommendation. Discussion continued regarding the project funds, with Member Russel commenting that for the 2023 WTB Funding Cycle, every eligible project will not have received funding.

Member Lucero moved, seconded by Member Leahy, to approve agenda item 5.1. The motion passed 12-0.

6. Consideration and Approval of Resolution and Certification of Severance Tax Revenue Bonds to Additional Qualified Projects.

6.1 Mr. Bryan Otero presented a resolution which certifies that severance tax bonds will fund the additional five qualified water projects. The resolution also affirms the additional water projects comply with regulatory compliance guidelines.

Member Esparsen moved, seconded by Member Lucero, to approve agenda item 6.1. The motion passed 12-0.

7. Water Trust Board Project Management Policies Recommendation.

7.1 Ms. Angela Quintana presented proposed amendments to the Water Trust Board Project Management Policies ("Policy"). One of NMFA's goal is to promote sustainability of water systems and protecting New Mexico's investment in water, which requires accountability and stability of water systems. This includes encouraging fiscally sustainable and sound business practices by the entities. The WTB approved clarifying language to the NMFA credit analysis process to assist entities in determining financial capacity to undertake debt and repay the loan component of their awards. Some of the challenges NMFA analysts encountered were that many entities indicated that portions of their available system revenues were reserved for other restricted purposes but may have not been identified as such in the financial information provided in their applications.

In order to address these concerns, staff recommends revisions to the Policy that will assist in analyzing the financial capacity to repay a loan. The Policy Committee has reviewed these revisions and concurs with staff's recommendations. Staff recommends approval of the revisions to the Policy and requests for implementation prior to the next funding cycle (2024). Discussion continued regarding the policies, with staff answering questions from the Board.

Member Russel moved, seconded by Member Esparsen, to approve agenda item 7.1. The motion passed 12-0.

8. WTB 2024 Application Funding Cycle Overview.

8.1 Ms. Angela Quintana presented an overview of the upcoming 2024 WTB application cycle stating that new and repeat municipalities have applied for funding. Ms. Quintana explained the Notice of Intent (“NOI”) period began in July and will close on September 15, 2023. The NOI form notifies entities of the anticipated funding available for the current cycle and provides staff with a short summary of the applicant’s project. NMFA staff received 85 NOI’s with a requested amount of \$370,047,165. Below is the breakout by project type with preliminary requested amounts:

Project Type	# of NOI’s Received	Preliminary Requested Amount
Water Storage	60	\$297,798,576
Flood Prevention	10	\$16,698,589
Water Conservation	8	\$52,700,000
Watershed Restoration	4	\$2,850,000
Total	82	\$370,047,165

The estimated available funding for the 2024 cycle is approximately \$133.1 million with a 15% cap of \$20 million. Applicants may not receive more than 15% of the available funds in any year. NMFA staff will provide an application training on August 15, 2023, which will include updated information and staff from the Office of the State Engineer.

The online project application will be open from August 17 - September 15, 2023. Applications will be reviewed for entity and project eligibility and evaluated by the Project Management Team: NMED, NM Dept. of Energy, Minerals and Natural Resources, NM Dept. of Agriculture, NM Dept. of Game and Fish, Office of the State Engineer. The applications will be evaluated on the WTB established criteria and entities were notified via email on preliminary spenddown timelines.

The WTB will give applicants an opportunity to present their proposed projects on October 3-4, 2023, and consider any waiver requests at this meeting. WTB rules provide those applications submitted by qualified entities for qualified projects will be evaluated prior to the WTB recommending projects to the Legislature. Based on the evaluations, the Project Management Team along with NM Dept. of Finance and Administration and the Legislative Finance Committee will make recommendations for potential funding to the Project Review Committee for the Board’s consideration on October 24, 2023. Those applicants that are recommended to the Legislature for authorization will be invited to complete a readiness application which gauges regulatory and policy compliance. Staff will provide a WTB Readiness Application Training in December prior to the Readiness Application opening December 11, 2023 – January 25, 2024. Discussion ensued regarding the application process, with staff answering questions from the Board.

Informational only.

9. Proposed Next Meetings:

9.1

- Thursday, September 21, 2023, Project Review Committee – waiver recommendation- Teleconference Via Zoom
- Tuesday and Wednesday, October 3 & 4, 2023, Water Trust Board – 2024 WTB Project Presentations; State Capitol Rm. 322
- Tuesday, October 17, 2023, Project Review Committee – Teleconference Via Zoom
- Tuesday, October 24, 2023, Water Trust Board – Legislative Authorization Recommendations; State Capitol Rm. 307

10. Adjournment. The meeting adjourned at 10:40 a.m.



Secretary

10 / 04 / 2023

Date