

Water Project Dollars Slow to Spend

Improved Processes Still Lack Coordinated Approach

Water, along with adequate roads and a skilled workforce, set the bar for economic growth. A deficiency in any of these three key factors lowers the state's ability to attract, retain, and grow businesses and jobs for advancing citizen welfare. By itself, investment in water infrastructure would add 36 thousand jobs each year for 20 years in New Mexico, according to the National Association of Water Companies. But funding is in decline to support such an aggressive investment plan.

The Evaluation: *Review of the Water Trust Board* (November 2013) provided an overview of the state's system for funding water projects in New Mexico while focusing on the effectiveness of the board's processes for planning, spending, and outcomes for projects under its purview.

Building on criteria established for expending public funds prompted by House Joint Memorial 86 (2005), the Water Trust Board process supports projects that are fully funded and ready to proceed. Coordination among the various funding agencies has improved through the Water Infrastructure Team initiated in 2014 but remains in its infancy. Fragmentation of funding programs persists, and lack of planning or require-

ments for capital outlay requests can leave projects sidelined due to incomplete funding or project readiness. Most notable, \$66 million, or 79 percent, of 2014 "Year of Water" appropriations were sitting unexpended as of April 2016.

Despite allocating \$1 billion since 2002 to improve water infrastructure, local area needs reportedly run from \$1 billion to \$3 billion. The New Mexico Environment Department has not released recent survey results that would pinpoint accuracy to inform policy direction. Additionally, legislation would be required to implement a centralized process to effectively prioritize limited funding statewide.

Progress Reports foster accountability by assessing the implementation status of previous program evaluation reports' recommendations and need for further changes.



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Local water infrastructure needs may be as high as \$3.3 billion.

State Has Spent \$1 Billion Yet Faces Unknown Investment Needs

The state has not fully reported local water project needs and estimates vary. The 2013 EPA Drinking Water Survey calculated New Mexico's 20 year drinking water needs at \$1.3 billion, and an earlier 2008 Clean Watersheds Needs Survey pegged wastewater infrastructure costs at an additional \$103 million. In 2014 a New Mexico multi-agency task force tallied 652 current "local needs" projects totaling almost \$700 million. However, several projects were not quantified and a final document was not distributed as a precursor to the 2015 legislative session to help guide dollars toward progressing or completing projects funded in the 2014 "Year of Water." Likewise, the New Mexico Environment Department (NMED) did not release the 2015 survey results for the 2016 session.

Local ICIP Requests—Five Years (2017-2022)

(in millions)

Category	Primary Function	Request \$
Acequias/Water & Soil	Agriculture	\$72
Drainage/Dams/Watershed	Surface Water Control	\$458
Wastewater	Health & Safety	\$1,074
Water Rights	Water Supply	\$22
Drinking Water	Water Supply	\$1,709
Total		\$3,335

Source: LFC Analysis of 2017-2022 Infrastructure Capital Improvement Plan

Using the 2017-2022 local infrastructure capital improvement plan (ICIP) as a proxy, the total water-related requests made by local entities, including tribal; county; acequia; town, village or city; soil & water conservation district; and mutual water association topped \$3 billion. Local entities are not required to submit an ICIP so the final tally might be higher. Other considerations might lower the number, such as over-estimating project costs due to the lack of a preliminary engineering report that would more accurately portray values.

State needs added another \$200 million. State agencies are required to submit capital outlay requests during the annual ICIP process. Thirteen projects distinguishable as water-related totaled \$113 million, submitted by four agencies. In addition to its ICIP requests, the Office of the State Engineer published its annual list of New Mexico dams with the most pressing need for rehabilitation at an estimated cost of over \$120 million.

State ICIP Detail

(in millions)

Lake Dredging & Repair	\$7.0
Wildlife, Fisheries, Riparian Habitat Restoration	\$10.5
River Stewardship Program	\$7.5
Levees & Dams	\$10.6
Indian Water Rights Settlement	\$69.0
San Juan Recovery Program	\$0.8
Extreme Precip Methodology and Water Measurements	\$7.3
Water Pipeline	\$0.8

2017-2022 ICIP State Agencies*

(in millions)

Department of Game & Fish	\$17.5
Environment Department	\$7.5
Office of the State Engineer	\$87.6
Veteran's Service Department	\$0.8
Total	\$113.4

Source: LFC Analysis of 2017-2022 Infrastructure Capital Improvement Plan

*Excludes capital infrastructure needs reported by other state agencies that might involve water or wastewater, those submitted by the General Services Department for statewide projects, and those related to education facilities.

As detailed in Appendix A, since 2002 the state has directed over \$1 billion toward remedying drinking water and wastewater infrastructure issues. New Environmental Protection Agency (EPA) guidelines for arsenic in drinking water, for example, prompted investment in new technologies to meet the revised standards. Other projects replaced aging water or sewer lines, extended them to new areas, or added reuse options for increasing water inventories.

The funding covers over 2,000 projects (or phases of projects) under eight dedicated programs administered by NMED, the New Mexico Finance Authority (NMFA), and the Indian Affairs Department (IAD) during this period. As noted in Appendix B, the total only includes the major water and wastewater infrastructure programs as presented in the original 2013 LFC evaluation. For example, water-related projects funded through NMFA’s acequia project fund, the local government planning fund, and the public project revolving fund are excluded as well as other state, federal, or private programs.

Water Trust Fund Still Projected to Dry Up in 20 Years

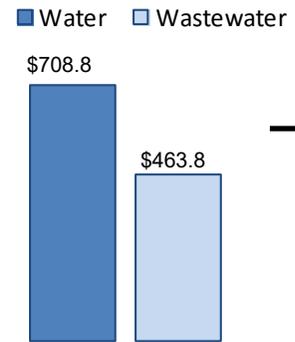
The water project fund is primarily funded by severance tax bonds (STB), accounting for 88 percent of revenues over the life of the program, while the WTF has contributed 12 percent at a rate of the statutorily-required \$4 million per year. The Water Trust Board (WTB) continues to favor grants over loans at the same 86 percent to 14 percent pace as reported in 2013. Operating the WPF more as a revolving loan fund by closer adherence to loan and interest rate rules for borrowers with adequate debt capacity would reduce reliance on cyclical STB inflows by recycling dollars. Moreover, it might help preserve the parent fund’s corpus by fostering the ability to reduce the \$4 million annual distribution to aid recovery (assuming a statutory change providing flexibility). Prior general fund infusions totaling \$55 million made in 2006 and 2007 to seed the WTF are unlikely to be repeated in today’s economic climate.

Other funding mechanisms are also likely to decline, at least in the short term. The colonias and tribal infrastructure funds, both also fed from STB proceeds, will see less revenue as capacity is nipped. NMED reports the cessation of the State and Tribal federal earmark program, or STAG, with only \$1.5 million remaining out of the \$14 million aggregate received through 2009.

One bright spot appears in the improved distribution rate from the EPA drinking water state revolving fund (DWSRF). A 2014 federal Office of Inspector General study found unliquidated loan obligations (ULO) resulted in missed opportunities to improve drinking water infrastructure. In 2013, New Mexico had almost a third of its monies sitting idle, the highest nationally. As of April 2016, program initiatives reduced this percentage to 9.3 percent, putting more dollars to work for New Mexicans. The national average is 5 percent.

NMFA credits a new federal requirement that allows “loan forgiveness” as part of the DWSRF financing package, permitting more entities with limited debt capacity to take advantage of the program. Additionally, the NMED secretary points to new management of the Drinking Water Bureau as a major contributor to the improvement in fund use.

Infrastructure Funding 2002-2015 (in millions)



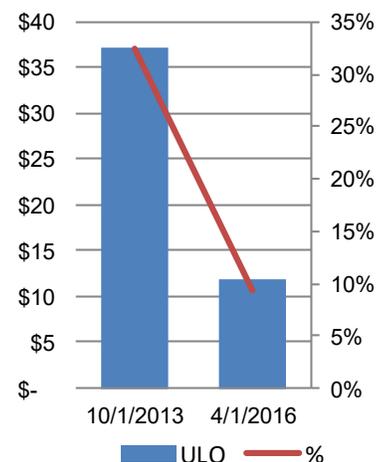
Sources: NMED, NMFA, IAD

Programs Included in \$1.2B

- NMFA
 - Water Project Fund (WPF)
 - Drinking Water State Revolving Loan Fund (DWSRF)
 - Colonias Infrastructure Fund
- NMED
 - Clean Water State Revolving Loan Fund (CWSRLF)
 - Rural Infrastructure Fund (RIF)
 - Special Appropriation Projects (SAPS) - Capital Outlay
 - State & Tribal Federal Earmarks (STAG)
- IAD
 - Tribal Infrastructure Fund (TIF)

Source: 2013 LFC Evaluation

DWSRF ULO Balance (in millions)



Source: EPA



NM State Agencies

- Department of Finance and Administration
- Department of Agriculture
- Energy, Minerals & Natural Resources (EMNRD)
- Environment Department (NMED)
- Indian Affairs Department (IAD)
- Office of the State Engineer (OSE)

Quasi-Governmental Agency

- New Mexico Finance Authority (NMFA)

Criteria for Expending Public Funds

House Joint Memorial 86 (2005)

- A financial plan;
- Rate structure;
- Asset Management Plan;
- Water accounting system with metering;
- Regulatory compliance;
- Legal and adequate governance structure;
- Project planning;
- Regionalization; and
- Energy efficiency.

Additional WTB

Criteria for Prioritization

- Fully funded;
- Readiness to proceed;
- Leveraging of funds;
- Fully permitted;
- Urgent to meet the needs of the regional water plan; and
- Regional plan accepted by ISC

Executive Order 2013-06

- Directs DFA to establish uniform funding criteria
- A current financial audit/fiscal agent

Legislation Needed to Clarify Agency Roles

Six state agencies and one quasi-state agency manage 24 water-related programs ranging from watershed restoration to drinking water delivery. Adding those administered by the U.S. Department of Agriculture and two private organizations boosts the number of programs to 36 (Appendix B).

Despite the overwhelming challenge posed by meeting multiple water-related objectives in the face of uncertain funding, a long-term statewide capital outlay master plan to prioritize limited resources across these programs has not been developed, centrally coordinated, or managed. The 2013 review of the 2003 State Water Plan, authored by the Office of the State Engineer (OSE), acknowledges the state's challenges in maintaining and upgrading water infrastructure projects:

- Addressing deferred maintenance;
- Prioritizing limited resources;
- Combining different funding programs;
- Taking a life-cycle cost approach; and
- Ensuring projects meet a community's needs.

Yet the section identifying strategies to master these challenges by improving coordination among disparate local, state, and regional funding programs was limited simply to a statement it is necessary to do so.

The State Water Plan (Plan) names OSE and the Interstate Stream Commission (ISC) to coordinate with the WTB to establish a centralized review process for funding projects statewide. However, OSE declined to provide an update regarding this mandate, and the WTB staff asserted it was not the board's responsibility to take lead on such an effort.

Furthermore, WTB staff asserts the 2013 LFC recommendation for OSE and WTB to establish a centralized review process for funding projects *statewide* falls beyond the scope of the Water Project Finance Act, maintaining the Plan's directive for the board to "prioritize the planning and financing of water projects required to implement the plan" applies solely to projects funneled through its WTB program. The LFC staff analyst for NMFA concurs.

Progress Made To Improve Water Infrastructure Processes

House Joint Memorial 86 (HJM86), adopted by the Legislature in 2005, noted New Mexico has over 650 public water systems subject to aging, limited capacity, difficulty complying with regulations, inadequate water rights, management and technical problems, inadequate financial base, and inadequate professional planning. HJM86 prompted creation of specific criteria for expenditure of public funds, noted in the sidebar.

Building on this platform, the WTB-member agencies dedicate staff to a seven-agency Project Management Team that evaluates applications and makes recommendations to support projects through the WTB program

that are fully funded and ready to proceed. This practice reduces the “piecemeal approach” that too often leaves projects stranded or strung over time from inadequate financing. Administratively, NMFA has centralized its staffing of its water funding programs under one department and cross-trained employees for added efficiencies.

To enhance coordination among agencies, NMED formed the Water Infrastructure Team (WIT) in 2013 (Appendix C). Most notable, funding coordination has improved, crossing agency boundaries and softening competition. NMED staff reports sending local planning inquiries to the NMFA planning grant fund, for example, and has offered up several projects that would be best suited to U.S. Department of Agriculture programs. Additionally, through WIT NMED’s Construction Program Bureau has worked with Indian Affairs Department (IAD) to fund or co-fund nation, pueblo, and tribal projects. While WIT is in its infancy, staff notes this level of cooperation was rare just five to six years ago.

Additionally, WIT has championed efforts to uplift local managerial and financial capacity, offering free Asset Management Plan training workshops to small drinking water system operators, for instance. NMED issued a capacity development request for proposal (RFP) in 2015, contracting with five entities to offer a menu of services to communities. NMFA notes details regarding this initiative will be included in the drinking water state revolving fund annual report scheduled for September 2016 release.

Internally, NMED has altered policy to allow cross-bureau funding combinations. As a consequence, staff reports for the first time NMED was able to fund Phase II for the Village of Cuba’s wastewater treatment plant through a joint Rural Infrastructure Program (RIP) and clean water state revolving fund (CWSRF) grant/loan combination, thus leveraging internal funds from two NMED programs.

Despite Process Improvements, 2014 Capital Projects Stalled

The 2014 capital outlay bill focused on water projects, funneling \$86.2 million toward 200 storage, delivery, and treatment initiatives. As of April 1, 2016, almost 80 percent remained unspent. The LFC capital outlay quarterly report uses the balance remaining as a key metric to indicate project activity. As expected, earlier years show higher activity (lower balances) than more recent years.

House Joint Memorial 86
 “The State Engineer [is] requested to collaborate with the department of environment and other agencies to develop criteria for water system planning, performance and conservation as a condition of financing.”

Comparative Metrics by Year and Program—March 30, 2016 (in thousands)

Year of Water Capital Outlay Projects by Award Year

Year	# Projects	Grant	Balance	% Balance
2014	191	\$ 83,491.5	\$ 66,235.6	79%

Colonias

Year	# Projects	Grant	Balance	% Balance
2012	39	\$ 13,208.0	\$ 2,207.7	17%
2013	37	\$ 16,640.5	\$ 5,442.2	33%
2014	37	\$ 12,719.9	\$ 9,469.9	74%

Tribal Infrastructure Fund

Year	# Projects	Grant/Loan	Balance	% Balance
2012	14	\$ 7,366.1	\$ 431.0	6%
2013	9	\$ 7,232.9	\$ 1,803.36	25%
2014	21	\$ 9,322.6	\$ 6,349.13	68%

Water Trust Board

Year	# Projects	Grant/Loan	Balance	% Balance
2012	22	\$ 26,795.5	\$ 4,472.2	17%
2013	36	\$ 36,938.5	\$ 13,878.0	38%
2014	22	\$ 33,048.3	\$ 18,866.8	57%

Source: LFC files

“Senate Bill 507... proposed fiscal and programmatic scrutiny of all capital outlay projects and expenditures. If passed, the bill would have strengthened the capital outlay process while not interfering with the Legislature’s authority to appropriate.”

Source: LFC August 23, 2013 Hearing Brief

According to this indicator, the 2014 capital outlay projects seem stalled when compared to the WTB projects that are progressing most effectively of the three programs noted in the table for the 2014 vintage year.

Besides the number of projects, a 2013 LFC hearing brief points to distinctions associated with capital outlay appropriations that may account for the difference in productivity compared to those administered under the WTB:

- Projects funded for less than 10 percent of the total cost;
- Inability to ascertain if projects are ready to proceed regardless of local certification;
- Little or no vetting; and
- The state’s lack of centralized planning, prioritizing, funding, tracking, and accountability for local project funds and outcomes.

2014 High Dollar Projects Stalled

(in millions)

Project	Approp	Spent
Chama Wastewater Treatment Plant	\$7.0	\$0
Las Vegas Bradner Dam	\$9.2	\$0.8
Camino Real Wastewater Treatment	\$3.7	\$0
Camino Real Well Replacement	\$1.8	\$0
Santa Cruz Water System	\$1.6	\$0
Total	\$24.5	\$0.8

Source: LFC files

Seven projects from the 2014 capital outlay appropriations, totaling, \$426 thousand, failed to certify readiness to proceed for the last June 2016 STB issuance and will not move forward (Appendix D). Furthermore, five high dollar projects appear stalled with 97 percent of the total appropriated amount remaining. In contrast, the WTB process propels funding to projects that are fully funded or adequately phased and “shovel ready.” Stalled projects tie up resources that could have been allocated to those that are moving forward, representing missed opportunities to bring water and wastewater systems online to serve citizens.

In addition to lack of project readiness, NMED staff notes projects can string along across years while local entities piecemeal project funding through the capital outlay process that is less demanding in its application steps than other grant programs, such as those available through the WTB, and does not require any payback as would a loan. Appendix E list several 2014 projects with less than 10 percent appropriated toward estimated project costs.

NMED offered a \$4 million allocation of the clean water state revolving fund at zero percent interest in 2015 but had no applicants because it still required repaying the loan. According to NMED staff, some local entities cannot afford debt repayment due to inadequate rate structures or other administrative issues, thereby relying on grant money.

Finally, no single entity has oversight of water projects, leaving data scattered throughout the fragmented system. Each organization has its own tracking, from spreadsheets at NMED alongside SHARE to NMFA’s deficient database that could not provide expenditures prior to 2009 by project type. NMFA is currently implementing a new IT solution (EnABLE), which will operate separately from the state’s Capital Project Management System. (CPMS). Data warehousing is a best practice more states are using to collectively store information necessary for effective policy and budget decisions.

Senate Bill 507 (2013) proposed solutions to address such issues in the capital outlay process, including providing legislators with a support system for making informed decisions. The committee substitute for the bill passed its first hurdle but subsequently died. In the absence of capital outlay reform, LFC staff provided proposed guidelines for legislators to the Legislative Finance Committee in May (Attachment 1), updated from 2009.

Unlevel Playing Field in WTB Application Process?

The rigorous standards imposed on WTB project selection, while rooted in capital outlay best practices dictated by statute and executive order, might be generating unintended consequences by excluding funding for entities unable to meet them for a variety of reasons: audit non-compliance, lack of expertise to prepare the extensive documents, lack of financial acumen to leverage financing for full project packaging, and lack of appropriate staff just to name a few. Thus, the process appears to favor those who have the resources to master the art of submission.

This observation is anecdotal at this point and would require a thorough analysis of those applicants that were not awarded to characterize the extent of this issue. One option to resolve potential disadvantages would be to allow less sophisticated entities to set-aside an administrative portion of any capital outlay appropriation—such as allowed for federal programs—for contractual expertise to guide the entity through the substantial WTB request and construction process. This would require amending the WTB Act as it currently prohibits administrative fees. Additionally, improved outreach to small entities to educate them on existing support, such as the audit program offered through the Office of the State Auditor, would enable entities to meet requirements to compete for dollars.

Updates for Ute Pipeline and Claunch-Pinto Projects

The 2013 evaluation noted the Ute pipeline faced two risks to project success: sufficient reservoir water for downstream consumption and funding. So far the reservoir appears stable, standing at 95 percent of allocated capacity as of April 2016. However, funding remains uncertain. Recent federal action appears to support the project, with a \$2.8 million allotment that brings the project's unobligated resources to \$8.4 million. Yet this still leaves 90 percent of the estimated \$90 million required for constructing the next three phases to convey the pipeline—down through Canon AFB and on to Clovis and Portales—unsecured. From 2012 through 2016 the WTB awarded the district a combined \$7.8 million.

The second project, the Claunch-Pinto Soil & Water Conservation District restoration in the Estancia Basin Watershed, began in 2003 and encompasses more than 200 thousand acres in Santa Fe, Bernalillo, and Tarrant counties. The 2013 evaluation questioned the value of the piñon-juniper thinning but the WTB funded this project—and a similar one crossing 11 counties and covering 210 thousand acres for the Greater Rio Grande Watershed Alliance—an additional \$3 million since 2014 at \$600 thousand each per year.

NMED Technical Oversight Adding Value

NMFA has paid the New Mexico Environment Department (NMED) almost \$800 thousand since late 2012 for reviewing local planning, drinking water

Top 10 Cumulative WTB Awards 2012-2016

(in thousands)

Gallup, City of	\$12,084
Hobbs, City of	\$8,893
Dona Ana MDWCA	\$7,510
Las Vegas, City of	\$6,200
Claunch Pinto SWCD	\$5,400
Camino Real Regional Utility Authority	\$5,300
Middle Rio Grande Conservancy District	\$4,504
Eastern NMWUA	\$4,000
Rio Rancho, City of	\$3,840
Eastern NM Water Utility Authority	\$3,789

Source: LFC files

The New Mexico Bureau of Geology and Mineral Resources recently found the High Plains Aquifer (Ogallala Formation) lost almost 2 million acre feet from 2004 to 2015, hardening the Eastern New Mexico Water Utility Authority's resolve to see the completion of the Ute pipeline to deliver water downstream of the Ute Reservoir. According to the Executive Director, the alternative of eventually handing a dry bucket to New Mexicans in that area is not an option.

NMFA MOUs with NMED for Project Oversight

(in thousands)

Program	Amount	FY13	FY14	FY15	FY16 Q1-Q3	Balance	Expires
Drinking Water	\$450	\$41	\$114	\$124	\$43	\$128	9/30/2016
Local Gov Plan	\$240	\$22	\$53	\$53	\$20	\$92	9/30/2016
WTB	\$400	\$17	\$112	\$106	\$88	\$77	6/30/2017

Source: NMED

revolving loan fund, and WTB projects. Initially limiting engineering oversight to projects involving pipe, NMED now covers watersheds through partnering with the NMED Surface Water Bureau and the State Forestry Division to obtain the needed expertise. However, projects authorized under the colonias infrastructure project fund, being 100 percent STB, receive minimal oversight due to limitations on expending project administrative

fees found in the Colonias Infrastructure Act (Act) in addition to those noted for STB. The Act only allows recovery from the fund for administering the fund and originating the loans and grants. Thus, the Colonias Board does not contract with NMED for technical oversight.

Portales Wastewater Plant to Conserve Water by Reclaiming Wastewater for Non-potable Use



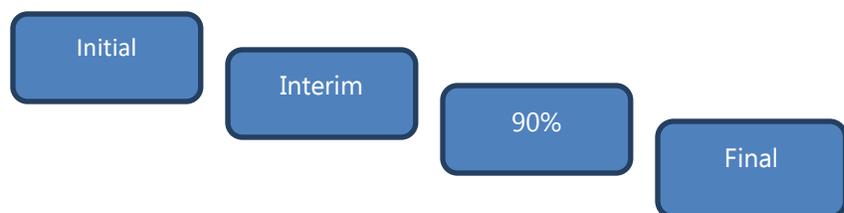
NMED bills the appropriate fund at a flat fee of \$74.76 per hour, submitting comprehensive time sheets to NMFA as part of the quarterly invoice supporting packet. The agency no longer dual charges for supervisor time, such as meeting with the assigned project engineer to review work documents. Four NMFA staff review the packet for accuracy, detailing changes and approving the final payment based on their analysis.

As of June 2016, NMED inventoried 91 assigned NMFA projects totaling \$105 million. Applying the same comprehensive review process as it does for projects funded through the capital outlay process, irregularities noted in sample reports ranged from unbalanced project bids (Deming Keeler Well project) to substantive specification errors (Tucumcari well replacement). Onsite inspections are performed to ensure the project as-built complies with

the original project objectives and detail. Drinking water systems also require secondary approval from the NMED Drinking Water Bureau.

Four inspection reports document the progression of the project according to the sequence noted below. Staff engineers use detailed checklists to ensure adherence to procedural guidelines.

Project Inspection Report Sequence



Finding: The Water Project Finance Act (Act) requires the WTB to prioritize the planning and financing of water projects required to implement the State Water Plan. The State Water Plan Section C.13: The Office of the State Engineer will coordinate with the WTB to establish a centralized review process for funding water projects statewide.

Recommendation	Status			Comments
	No Action	Progressing	Complete	
Establish a centralized funding process for funding water projects statewide through collaboration by all water funding programs.				Internally NMFA/WTB has reorganized to centralize water project administration and participates in the NMED-led Water Infrastructure Team (WIT). No effort has been made to centralize programs statewide. WTB staff considers this recommendation beyond the scope of the Act.
Require use of a single uniform funding application process to serve all applicants and accessed by all water funding agencies.				A single application process has not been developed.

Finding: The water trust fund is projected to be depleted in 19 years.

Recommendation	Status			Comments
	No Action	Progressing	Complete	
State Investment Council recommended three options: <ol style="list-style-type: none"> 1. One-time \$18 million infusion 2. Annual legislative appropriations 3. Reduction in the annual distribution to the water project fund. 				Restructuring the portfolio and positive returns have extended the depletion date to 2036, or 20 years.

Finding: Many smaller utilities will require assistance to comply with the new WTB requirements such as asset management plans and source water protection plans

Recommendation	Status			Comments
	No Action	Progressing	Complete	
Use the local government planning fund (LGPF) to contract with third-party providers to assist with asset management plans, source water protection plans, and user-rate analysis.				In 2014 new policies allowed funding Asset Management Plans, including user-rate analysis, and adjusted income limits so more entities qualify for grants. However, source water protection plans remain ineligible under the LGPF laws.

Appendix A: Funding for Water and Wastewater Projects

Total Water Infrastructure Funding

(in thousands)

FY	Water Trust Board NMFA	State Capital Outlay Grants NMED	Drinking Water State Revolv Fund NMFA	State & Tribal Federal Earmarks NMED	Tribal Infra Fund IAD	Colonias NMFA	Rural Infra Program NMED	Total
2002	\$0	\$2,656	\$8,344	\$1,793	\$0	\$0	\$0	\$12,793
2003	\$651	\$5,674	\$5,891	\$1,908	\$0	\$0	\$0	\$14,125
2004	\$2,932	\$15,465	\$1,780	\$4,459	\$0	\$0	\$1,229	\$25,865
2005	\$9,889	\$12,413	\$13,402	\$2,021	\$1,410	\$0	\$30	\$39,166
2006	\$10,114	\$35,711	\$6,565	\$910	\$682	\$0	\$831	\$54,813
2007	\$10,734	\$44,744	\$5,757	\$0	\$1,600	\$0	\$650	\$63,485
2008	\$10,345	\$12,203	\$21,534	\$1,622	\$550	\$0	\$260	\$46,513
2009	\$42,740	\$0	\$15,476	\$970	\$2,794	\$0	\$2,185	\$64,166
2010	\$52,399	\$0	\$16,479	\$0	\$690	\$0	\$490	\$70,057
2011	\$32,889	\$1,250	\$1,134	\$0	\$0	\$0	\$337	\$35,610
2012	\$46,818	\$2,233	\$0	\$0	\$5,887	\$0	\$790	\$55,728
2013	\$32,075	\$9,615	\$25,526	\$0	\$5,206	\$5,121	\$599	\$78,142
2014	\$27,883	\$24,584	\$28,271	\$0	\$5,055	\$12,958	\$19	\$98,769
2015	\$24,081	\$6,179	\$9,009	\$0	\$3,600	\$4,712	\$2,020	\$49,600
Total	\$303,550	\$172,728	\$159,167	\$13,683	\$27,475	\$22,791	\$9,440	\$708,832

Sources: NMFA, NMED, IAD

Wastewater Infrastructure Funding

(in thousands)

FY	Clean Water State Revolv Fund NMED	State Capital Outlay Grants NMED	State & Tribal Federal Earmarks NMED	Rural Infra Program NMED	Tribal Infra Fund IAD	Colonias NMFA	Total
2002	\$23,171	\$1,944	\$8,279	\$0	\$0	\$0	\$33,394
2003	\$12,167	\$2,272	\$3,583	\$0	\$0	\$0	\$18,022
2004	\$7,082	\$11,248	\$1,254	\$1,229	\$0	\$0	\$20,813
2005	-\$587	\$16,226	\$5,599	\$30	\$790	\$0	\$22,058
2006	\$44,592	\$25,131	\$5,644	\$831	\$750	\$0	\$76,948
2007	\$18,674	\$23,797	\$0	\$650	\$1,490	\$0	\$44,612
2008	\$31,000	\$8,633	\$1,623	\$260	\$0	\$0	\$41,516
2009	\$11,676	\$0	\$1,544	\$2,185	\$1,232	\$0	\$16,636
2010	\$60,223	\$0	\$970	\$490	\$0	\$0	\$61,683
2011	-\$3,717	\$600	\$0	\$337	\$0	\$0	-\$2,780
2012	\$5,188	\$2,813	\$0	\$790	\$2,823	\$0	\$11,613
2013	\$7,230	\$6,574	\$0	\$599	\$3,792	\$3,721	\$21,916
2014	\$29,336	\$26,447	\$0	\$19	\$1,546	\$2,864	\$60,212
2015	\$26,816	\$3,806	\$0	\$2,020	\$1,063	\$3,463	\$37,167
Total	\$272,852	\$129,489	\$28,496	\$9,440	\$13,485	\$10,047	\$463,810

Sources: NMFA, NMED, IAD

Appendix B: New Mexico Funding Programs for Water

Agency/Organization	Funding Sources/Programs
Border Environment Cooperation Commission (BECC) and sister organization North American Development Bank (NADB)	7 Infrastructure and Technical Assistance Funds/Programs funded from Congressional appropriations to the EPA
New Mexico Department of Finance and Administration	Community Development Block Grant (CDBG)
	CDBG --Colonias Set-Aside
	Emergency Water Supply Fund
New Mexico Department of Agriculture	Acequia and Community Ditch Grant
	Water Quality and Conservation Grant
New Mexico Environment Department	319 Nonpoint Source Management program-Watershed Protection
	Capital Outlay Appropriations
	Clean Water State Revolving Fund
	Drinking Water State Revolving Fund (Technical)
	River Stewardship Program
	Rural Infrastructure Program (RIP)
	State & Tribal Assistance Grants (EPA STAG)
New Mexico Finance Authority New Mexico Water Trust Board New Mexico Colonias Infrastructure Board	Colonias Infrastructure Project Fund
	Drinking Water State Revolving Loan Fund (Administrative & Financial)
	Local Government Planning Fund
	Public Project Revolving Fund
	Water Project Fund
	Acequia Project Fund
	Wastewater & Water Project Grant Fund (Currently unfunded.)
New Mexico Energy, Minerals & Natural Resources Department	Re-Leaf program
	Watershed Restoration Initiative
New Mexico Indian Affairs Department	Tribal Infrastructure Fund
Office of the State Engineer	Acequia Restoration & Rehabilitation Programs (90/10)
	Acequia Legislative Appropriations
	Capital Outlay Statewide-Dams
	Corps Section 215/ 1113 Acequia Programs (Currently Unavailable)
	Irrigation Works Construction Fund (IWCF)
Rural Community Assistance Corporation (RCAC)	Environmental Infrastructure Loan Program (EIL) funded through Community Development Financial Institutions Fund
US Department of Agriculture	Rural Development - Water & Waste Disposal Loan & Grants (RUS)
	Rural Development - Water & Waste Disposal Loan Guarantees
	Technical Assistance and Training Grants (TAT)
	Wetland Reserve Program

Sources: LFC files; *The Complete Catalog of Local Assistance Programs*, Capital Outlay Bureau, State Budget Division, May 2016

BOLDED= Included in Appendix A tables.

Appendix C: Water Infrastructure Team (WIT)

Membership

Government Agencies

- New Mexico Environment Department
- Legislative Finance Committee
- Legislative Council Service
- Department of Finance and Administration
- Indian Affairs Department
- New Mexico Finance Authority
- Office of the State Engineer
- U.S. Department of Agriculture-Rural Development

Non-Governmental Organizations

- New Mexico Municipal League
- New Mexico Association of Counties
- New Mexico Rural Water Association
- Rural Community Assistance Corporation
- University of New Mexico-Environmental Finance Center

Funding Sub-Group

- NM Environment Department
- New Mexico Finance Authority
- United States Department of Agriculture—Rural Development
- Department of Finance and Administration
- Office of the State Engineer/Interstate Stream Commission
- Indian Affairs Department

Key Initiatives

1. Capacity development – in 2014 NMED issued technical assistance contracts (criteria developed through the Technical Capacity subgroup) to help entities improve their operations. Examples of assistance range from rate setting, asset management, creation of bylaws, facilitation of regionalization etc.

2. Rate setting – NMED has partnered with the Value of Water coalition to share free resources to help bring awareness to the importance of water infrastructure in our daily lives through a five-series-set of materials. Handouts and flyers are available for anyone to print, hang, distribute, or post online as works best for the community.

3. A unified Asset Management Plan was developed for the state. This is an important achievement as many funding mechanisms currently, and in the future, require an Asset Management Plan. The documents are linked at: <https://www.env.nm.gov/wit/> NMED, OSE, and NMFA have all agreed to use this template for their funding programs.

Key Challenges Identified by WIT Members

The need for capital outlay reform – Many entities wait for a once yearly appropriation of “free money” through the capital outlay process and do not seek out other sources which may be a more appropriate source of funding.

Need for capacity development – Many entities simply have no debt capacity. They shop around between different programs looking for the most grant or grant/loan money they can find, regardless of how competitive the rates are offered by most funding mechanisms.

Appropriate rate setting – Many entities are unwilling to increase their rates, which compounds the capacity issues noted above. Without the ability to service even a small amount of debt (i.e. “skin in the game”) they are not able to secure loans or loan/fund combinations.

Source: NMED

Appendix D: 2014 Year of Water Projects - Bonds Not Sold

Projects that did not Certify Within Two-Year Limit

(in thousands)

Project Title	County	Agency	Amount	Reason
Fambrough MDWCA Water System Improvements	Chaves	NMED	\$84.0	Noncompliant with Audit Act
Cebolleta Land Grant Wastewater System Improvements	Cibola	NMED	\$150.0	Noncompliant with Audit Act
Desert Aire MDW & SWA Water System Improvements	Dona Ana	NMED	\$50.0	Noncompliant with Audit Act
Anton Chico//La Loma/Tecolotito Acequias	Guadalupe	OSE	\$40.0	Not Compliant
Rainsville Acequia Del Sur Improvements	Mora	OSE	\$53.0	Not Compliant
Acequia del Rancho Improvements Phase 1	Santa Fe	OSE	\$34.0	Not Compliant
Acequia de las Jollas & Rio Chiquito Compuerta	Taos	OSE	\$15	Not Compliant
Total			\$426	

Source: Capital Project Management System (CPMS) and LFC files

Appendix E: 2014 Year of Water Projects with <10%

Projects with Funding Less than 10% of Estimated Project Cost

(in thousands)

Project Title	County	Total Project Cost	Amount Funded	Percent Funded
Cimarron Wastewater Treatment Facility	Cimarron	\$3,900.0	\$40	1%
Desert Aire MDW & SWA Water System Improvements	Dona Ana	\$1,718.0	\$50	3%
Estancia Well	Torrance	\$500.0	\$15	3%
La Lama MDWCA Well & Wastewater System	Taos	\$400.0	\$26	7%
Ojo Caliente MDWCA Uranium Treatment Facility	Taos	\$737.2	\$50	7%
Cebolleta Land Grant Wastewater System Improvements	Cibola	\$2,150.0	\$150	7%
Jal SCADA System Upgrade	Lea	\$350.0	\$25	7%
Roy Water System Improvements	Harding	\$500.0	\$40	8%
Chapelle MDCA Storage Tank and Booster Station	San Miguel	\$316.5	\$30	9%

Source: LFC files