

# Update from the Water Trust Board

Presentation to the  
New Mexico Finance Authority  
Oversight Committee

**October 25, 2022**

# The Water Project Finance Act

The Water Project Finance Act (the “Act”) was created in 2001 to provide for water use efficiency, resource conservation and protection, and fair distribution and allocation of New Mexico’s scarce water resources. The Act created the 16-member the Water Trust Board (“WTB”) to authorize qualifying water projects to the authority for five types of water projects:

- (1) storage, conveyance or delivery of water to end users;
- (2) implementation of federal Endangered Species Act of 1973 collaborative programs;
- (3) restoration and management of watersheds;
- (4) flood prevention; or
- (5) water conservation or recycling, treatment or reuse of water as provided by law;

The Act created the Water Project Fund from which the NMFA makes grants or loans for projects recommended by the WTB and authorized by the legislature.

The Water Trust Board will meet on November 8<sup>th</sup> to recommend a list of projects to the Legislature. Those recommendations will appear before the NMFA Oversight Committee in the form of a bill seeking endorsement on November 10<sup>th</sup>.



# Water Trust Board Members

**Mike Hamman**, *Chair*

New Mexico State Engineer

**A.J. Forte**, *Vice-Chair*

New Mexico Municipal League

**Michael Sloane**, *Secretary*

NM Dept of Game and Fish

**Brent Van Dyke**, *Treasurer*

Soil and Water Conservation Districts

**Greg Alpers**

Irrigation or Conservancy District – Surface Water

**Robert Baracker**

Acequia Water Users

**Priscilla Lucero**

Environmental Community

**James Kenney**

NM Environment Department

**Joy Esparsen**

New Mexico Counties

**Timothy McGinn**

Irrigation or Conservancy District – Ground Water

**Jonathan Nez**

President, Navajo Nation

**Sarah Cottrell Propst**

Energy, Minerals & Natural Resources Dept

**Deborah Romero**

Dept. of Finance and Administration

**Marquita Russel**

New Mexico Finance Authority

**Mark Thompson**

NM Indian Affairs Department Appointee

**Jeff Witte**

Department of Agriculture



# WTB Evaluation Criteria

- ▶ Applications submitted for consideration are reviewed by a seven-agency review team using criteria outlined in the Water Trust Board Policies. The NMFA, as staff support to the WTB, heads the technical agency review team that evaluates project applications and makes recommendations to the Water Trust Board and its Project Review committee.
  
- ▶ As directed by the Act, the WTB gives priority to projects that have:
  - been identified as being urgent to meet the needs of a regional water planning area that has a completed regional water plan that has been accepted by the interstate stream commission;
  - matching contributions from federal or local funding sources;
  - obtained all requisite state and federal permits and authorizations necessary to initiate the project
  
- ▶ Additionally, the WTB policies and evaluation criteria give priority to projects that:
  - cure health and safety issues
  - address existing or imminent emergency conditions
  - that have been properly planned



# Policy Changes

- ▶ The WTB made important update to its policies in advance of the 2023 application cycle opening:
  - **“Design only” projects, up to \$500,000 in grant may be considered if:**
    - The Applicant serves fewer than 500 connections;
    - Scope is limited to design only (plans and specifications necessary to bid a project);
    - **Update: The WTB received ten “design only” applications**
  - **Waiver of the match requirement when:**
    - Applicant serves fewer than 250 connections and has previously secured WTB funding for the proposed project (as defined by planning document); or
    - System upgrade is to consolidate with another system; or
    - System upgrade/expansion is to incorporate previously unserved customers (not for future development); and
    - Applicant has implemented an asset management plan for the current and future maintenance, replacement and repair of the system.
  - **Waiver of the loan requirements for water systems when:**
    - Applicant serves fewer than 500 connections and has previously secured WTB funding for the same project; or
    - The project is to consolidate with another system; and
    - Applicant must have implemented an asset management plan for the current and future maintenance, replacement and repair of the system.



# 2023 Application Cycle

- ▶ The WTB received 73 Notices of Intent totaling more than \$180.6 million
- ▶ 61 applications were submitted by September 23<sup>rd</sup>.
  - Two applications were deemed ineligible, one for insufficient planning and the other was an ineligible project under the Water Project Finance Act.
  - Twelve did not meet their prior award spend-down targets set out in policy. However, at the WTB meeting on October 20, 2022, the Board approved waivers allowing these projects to move forward in the application process.
- ▶ 59 applications with a requested amount of more than \$138.6 million, are being evaluated using WTB-established criteria.
- ▶ The recommended project list recommended to the legislature will be sized to the amount of funds expected in 2023, with some additional projects in case any of the higher rated projects are by-passed for compliance issues (e.g., water rights, state drinking water regulations, etc.)
- ▶ The Water Project Fund annually receives 9% of the Senior Severance Tax Bond proceeds and a distribution from the Water Trust Fund, less 10% directed to the Office of the State Engineer for adjudication
- ▶ Expected funding for FY 2023 Funding Cycle:

◦ Expected Net Severance Tax Bonds	\$110,970,000
◦ 2023 Net Water Trust Fund Distribution	<u>3,600,000</u>
◦ Maximum Funding Expected for 2023	\$114,570,000



# Next Steps

- ▶ Projects recommended to the Legislature are invited to submit a Readiness Applications which are:
  - Evaluated on a pass/fail basis – those not meeting requirements are provided an opportunity to request a waiver from the WTB, with input from relevant agencies
  - Used to analyze debt capacity (most awards have a loan component of 10% - 40%)
- ▶ Funding is awarded to projects in the order in which they are prioritized. Awards are sized to an amount that can be expended within two years.
  - Projects will be by-passed if the applicant is not compliant with certain readiness or regulatory requirements
- ▶ The WTB is expected to recommend a final list of projects to the NMFA in Spring 2023. NMFA expects to approve the awards at its May or June meetings. Awards are subject to terms and conditions established by NMFA.

