



# New Mexico Water Trust Board

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2016 Annual Report

October 1, 2016

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## Introduction

The Water Trust Board (“WTB”) was established by the 2001 Legislature through the enactment of the Water Project Finance Act (the “Act”). The statutory purpose of the 16-member Board is to provide for water use efficiency, resource conservation and protection, and the fair distribution and allocation of New Mexico’s scarce water resources for beneficial purposes within the state. The WTB’s current composition includes the following members:

**William F. Fulginiti**, Executive Director, New Mexico Municipal League, *Vice Chair*  
**Debra Hughes**, Representative, Environmental Community, *Treasurer*  
**Steve Kopelman**, Executive Director, New Mexico Association of Counties, *Secretary*  
**Greg Alpers**, Representative, Irrigation or Conservancy District – Surface Water  
**Robert Baracker**, Representative, Acequia Water Users  
**Russell Begaye**, President, Navajo Nation  
**Tom Blaine**, New Mexico State Engineer  
**Robert P. Coalter**, Chief Executive officer, New Mexico Finance Authority  
**Tony Delfin**, Acting Cabinet Secretary, Energy, Minerals and Natural Resources Department  
**Richard Luarkie**, New Mexico Indian Affairs Commission Appointee  
**Timothy D. McGinn**, Representative, Irrigation or Conservancy District – Ground Water  
**Duffy Rodriguez**, Cabinet Secretary Designate, Department of Finance and Administration  
**Alexandra Sandoval**, Director, New Mexico Department of Game and Fish  
**Butch Tongate**, Cabinet Secretary Designate, New Mexico Department of Environment  
**Brent Van Dyke**, Representative, Soil and Water Conservation Districts  
**Jeff Witte**, Cabinet Secretary, Department of Agriculture

The officer position of Chairman is vacant due to the retirement of NMED Cabinet Secretary Ryan Flynn who had been elected Chair of the WTB in June 2016.

The WTB recommends qualifying water projects to the Legislature for financing by the New Mexico Finance Authority (the “Finance Authority”) from the Water Project Fund (the “Fund”). In 2007, the WTB established policies to aid in the effective management of the program. These policies set the following goals:

- ✓ Devise and implement a systematic, integrated approach to selecting projects that are fiscally sustainable and natural-resource responsible;
- ✓ Encourage participation in regional efforts to collaborate on long-term solutions with other community water systems in an appropriate geographic region;
- ✓ Promote conservation and highly efficient use of the state’s limited water supplies;
- ✓ Set standards for funding based on sound business practices, conservation and efficiency;
- ✓ Support the public health and economic vitality of New Mexico through comprehensive planning and investment in infrastructure;

- ✓ Create water delivery systems that are hydrologically and fiscally sustainable and meet state and federal statutory and regulatory requirements;
- ✓ Protect New Mexico's investment in water by requiring accountability and stability, thereby decreasing the future demand for state funding; and
- ✓ Promote restoration and management of watersheds, including water quality improvements, riparian ecosystem restoration, Endangered Species Act protection and healthy forest initiatives.

## **Water Project Fund**

Pursuant to the Act, the Finance Authority may make loans and grants from the Water Project Fund to qualified entities for projects prioritized by the WTB, authorized by the Legislature and on terms and conditions established by the Finance Authority. By statute, five types of projects may be funded from the Water Project Fund:

1. Storage, conveyance or delivery of water to end users;
2. Implementation of federal Endangered Species Act collaborative programs;
3. Restoration and management of watersheds;
4. Flood prevention; or
5. Water conservation or recycling, treatment or reuse of water

## **Water Project Fund Activity in FY 2016**

In FY 2016, the Finance Authority closed 37 funding agreements and 21 projects were certified as complete. In addition, \$26,221,526.46 of WTB funds was drawn in FY 2016 to fund eligible project costs. Pursuant to the Act, the Finance Authority may recover from the fund costs of administration. The Finance Authority reimburses from repayments of loan components from previously issued projects, administrative costs including personnel, professional services and operating expenses.

## **Acequia Project Fund**

Pursuant to the Act, the WTB also oversees grants made from the Acequia Project Fund, which was created in 2004 to provide grant funding to legislatively authorized acequia projects. The Acequia Project Fund was endowed with \$200,000 grant from a private foundation. Rules and policies adopted by the WTB provide that applications are reviewed and prioritized by the Interstate Stream Commission. To date, the WTB has made ten project awards for planning and design totaling \$175,000, leaving \$25,000 available for new projects. No new projects were recommended for funding or for legislative authorization in FY 2016.

## Board Activity in FY 2016

In FY 2016, the Board concluded two years of evaluation and policy conversation on the best process for recommending projects to the Legislature. In October 2015, the WTB approved comprehensive amendments to its policies that streamlined the funding requirements and added category-specific guidelines and evaluation criteria developed by two WTB task forces. In addition, the policies provide for a two-part application process whereby projects are evaluated on elements of project impact such as human health and safety, emergency conditions, regionalization, readiness and leveraging. Those projects that score highly relative to their peers are recommended to the Legislature for authorization and are invited to complete a Readiness Application, which gauges readiness and regulatory compliance. Ultimately, projects are awarded funding based upon the order they are prioritized and may be by-passed for a lack of funding or because a project does not meet regulatory or policy requirements, such as timely expenditure of prior WTB awards.



Southern Sandoval County Arroyo Flood Control Upper SLO Dam Construction



## 2016 Funding Cycle

On November 23, 2015, 77 project applications were filed; two of which were deemed to be ineligible projects, seven of which were deemed incomplete largely due to their planning documents being outdated or otherwise not meeting the standards set forth in the policies and eight of which were withdrawn. The final list of reviewed applications included 60 projects totaling approximately \$55 million. Using the criteria set forth in the revised WTB Project Management Policies, a Project Management Team comprised of staff from seven agencies and the legislative finance committee evaluated the applications and proposed 42 of the 60 applications be recommended for legislative authorization. The WTB recommended these projects to the Legislature on January 7, 2016.

Pursuant to the WTB policies, applicants that are recommended for funding are required to demonstrate compliance with relevant regulations and WTB policies at the time their Readiness Applications are submitted. Three agencies -- the New Mexico Environment Department's Drinking Water Bureau, the Office of the State Engineer and the Finance Authority -- determine compliance for the WTB projects.

For FY 2016, the WTB had \$13,410,000 available for awards. These funds were derived from a distribution equal to 10% of the senior severance tax bonding capacity and a \$4 million Water Trust Fund distribution, less 10% for adjudication, and less a direct appropriation by the Legislature of \$6.75 million from the Water Project Fund.

### Canadian River SWCD Mills Canyon



Cottonwood below division fence, during treatment



Downstream from cottonwood grove, before treatment



Cottonwood below division fence, post mulching



Downstream from cottonwood grove, after mastication

2016 WATER PROJECT FUND AWARDS				
Recipient	County	Project Name	WTB Award	Scope of Work
<b>FLOOD PREVENTION PROJECTS</b>				
Southern Sandoval County Arroyo Flood Control Authority	Sandoval	Rainbow detention basin and downstream conveyance improvements	\$ 877,000	Construction
Upper Hondo Soil & Water Conservation District	Lincoln	Upper Hondo Dam Site 1 Improvements	\$ 260,000	Design
<b>WATER CONSERVATION, RECYCLING, TREATMENT OR REUSE PROJECTS</b>				
Agua Sana Water Users Association	Rio Arriba	Arsenic Treatment Facility	\$ 579,386	Construction
Town of Bernalillo	Sandoval	Water System Arsenic Well 2	\$ 741,250	Construction
City of Hobbs	Lea	Effluent Reuse Project Ph. II; Northeast Distribution Pipeline	\$ 586,400	Plan, design & construct
Los Alamos County	Los Alamos	Los Alamos Reservoir Non-Potable Line Replacement	\$ 538,400	Design, Survey & Construct
Town of Mesilla	Doña Ana	Water Distribution System Improvements	\$ 267,000	Design & Construct
Pueblo of Tesuque	Santa Fe	Water Meter Installation	\$ 497,560	Design & Construct
<b>WATER STORAGE, CONVEYANCE OR DELIVERY PROJECTS</b>				
Acequia de la Isla	Mora	Morphy Lake Dam Renovation	\$ 1,200,000	Construction
Albuquerque Bernalillo County Water Utility Authority	Bernalillo	Large Scale Aquifer Storage and Recovery Demonstration Project	\$ 1,673,874	Construction
Ancones MDWWCA	Rio Arriba	Ancones Water System Improvement Project	\$ 717,831	Construction
City of Belen	Valencia	Well No. 5 Replacement	\$ 956,000	Construction
City of Bloomfield	San Juan	Primary raw water source; San Juan River	\$ 133,200	Design
City of Deming	Luna	Municipal Water System PER	\$ 110,000	Planning
Eastern New Mexico Water Utility Authority	Curry	Eastern NM Rural Water System-FW2/Cannon Lateral	\$ 1,673,873	Construction
El Salto MDWCA	Taos	El Salto MDWCA Water Improvements Project	\$ 250,000	Construction
Jemez Springs Domestic Water Association	Sandoval	Water Storage Tank Rehabilitation	\$ 137,050	Construction
Village of San Jon	Quay	Distribution System Improvements, Ph. II	\$ 408,500	Construction
<b>WATERSHED RESTORATION AND MANAGEMENT PROJECTS</b>				
Canadian River Soil & Water Conservation District	Quay	Canadian River Riparian Restoration Project	\$ 600,000	Construction
Claunch-Pinto Soil & Water Conservation District	Torrance	Estancia Basin Watershed, Health, Restoration & Monitoring	\$ 600,000	Design & Construct
Claunch-Pinto Soil & Water Conservation District	Torrance	Greater Rio Grande Watershed Alliance Riparian Restoration	\$ 600,000	Design & Construct
<b>Total Awarded</b>			<b>\$ 13,407,324</b>	

## Looking Forward to Fiscal Year 2017:

Following the 2016 application cycle, staff was directed to review and make recommendations for improving the Policies and the evaluation criteria contained therein. Changes to the Policies included clarifying language throughout, particularly as it relates to the requirements for planning documents, modifying the targeted annual funding percentages, adjustments to the weighting of the criteria and establishing preliminary expenditure targets that must be met prior to a project being recommended to the Legislature. Additionally, the WTB adopted additional requirements for expenditures of prior awards to ensure projects maintained a fast pace of spending.

Over the past several years, the WTB has been subject to criticism because of the perception that there were large available balances in the Water Project Fund, which may have contributed to the Legislature directly appropriating funds to other projects in 2015 and 2016. The WTB approved a new section (Section 2.1, Recommendation to the Legislature) which requires that a preliminary target be met at the time of submission of the Project Application. Projects that are not able to meet this new expenditure target will not be recommended to the Legislature unless the WTB approves a policy waiver.

Additionally, for the 2017 application cycle, the Finance Authority will utilize its new online application system called EnABLE, which will directly tie into the Finance Authority's new, comprehensive database system.



Springer Dam