

New Mexico Finance Authority
207 Shelby St.
Santa Fe, NM 87501

Minutes of the Meeting of the Water Trust Board

November 29, 2016

State Capitol, Room 322, Santa Fe, NM

Members Present:

Tom Blaine, Chairman	New Mexico State Engineer
William Fulginiti, Vice Chairman	New Mexico Municipal League
Greg Alpers	Irrigation/Conservancy District-Surface Water Representative
Robert Baracker	Acequia Water Users Representative
Nina Chester	Navajo Nation Designee
Jim Chiasson	New Mexico Environment Department Designee
Robert Coalter	New Mexico Finance Authority
Tony Delfin	Acting Secretary, NM Energy Minerals Natural Resources Dept.
Joy Esparsen	New Mexico Association of Counties Designee
Debra Hughes, Treasurer	Environmental Community Representative
Julie Maitland	New Mexico Department of Agriculture Designee
Tim McGinn	Irrigation/Conservancy District-Ground Water Representative
Jimmy Rodriguez	NM Department of Finance & Administration Designee
Brent Van Dyke	Soil and Water Conservation Districts Representative

Members Absent:

Richard Luarkie	New Mexico Indian Affairs Department Representative
Alexandra Sandoval	New Mexico Department of Game and Fish Director

NMFA Staff:

Frank Ibarra, IT Systems Analyst	Marquita Russel, Chief of Programs
Charlotte Larragoite, Sr. Administrative Asst.	Michael Vonderheide, Director of Water Resources
Bryan Otero, Assistant General Counsel	
Angela Quintana, Sr. Program Administrator	

Guests:

Brian Bader, SWCA Environmental Consultants
David Chakroff, Eldorado Area Water Sanitation District
Jack Chatfield, Canadian River (CRRRP)
Claudia Diaz, Wilson & Company
Larry Fry, City of Clovis
Debra Griego, Tesuque Pueblo
Alan Hook, City of Santa Fe
Justin Howalt, Eastern New Mexico Water Users Authority
Ramon Lucero, Souder, Miller & Associates
Gaylyn Meyer, Los Alamos County
Richard Runyon, Dennis Engineering

Agenda Item 1. Call to Order and Roll Call

Chairman Blaine called the Water Trust Board (“WTB”) meeting to order at 9:04 a.m. Roll call was taken and a quorum was established.

Agenda Item 2. Approval of Agenda

Mr. Fulginiti made a motion to approve the Agenda, seconded by Mr. Chiasson. The motion passed unanimously by voice vote.

Agenda Item 3. Approval of Minutes from the November 3, 2016 Meeting

Chairman Blaine called for comments on the November 3, 2016 WTB meeting minutes.

Mr. Fulginiti made a motion, seconded by Ms. Hughes, to approve the November 3, 2016 WTB Meeting Minutes as presented. The motion passed unanimously by voice vote.

Agenda Item 4. 2017 Application Cycle, Approval of Projects Recommended for Legislative Authorization.

Marquita Russel, Chief of Programs, provided the Board with an overview of the 2017 applications proposed for legislative authorization for potential funding from the Water Project Fund. She explained the application process, the online application, and application review, including the state agencies that acted as technical partners and who reviewed and scored the applications. Summaries of the applications submitted and the Project Management Team recommendations were provided. After Board action, the next step will be to present the recommendations for legislative authorization to the New Mexico Finance Authority Oversight Committee for endorsement. Recommended projects will be invited to submit a Readiness Application and begin the compliance phase of the application process.

The Water Project Finance Act provides that the New Mexico Finance Authority (“NMFA”) may make loans and grants to projects recommended by the Water Trust Board (“WTB”) and authorized by the Legislature. In April 2015, the WTB amended its rules to provide that applications submitted by qualified entities for qualified projects will be evaluated prior to the WTB recommending projects to the Legislature.

For the 2017 application cycle, applicants were guided by revised policies from 2015 that identified minimum application standards, which included mandatory planning documents, criteria for each type of eligible project and some changes that were adopted in July 2016, including the addition of a Preliminary Expenditure Target to ensure that existing projects were expending their funds expeditiously. By August 8, 2016, the NMFA received 80 Notices of Intent to File an Application. On October 6, 2016, 62 applications totaling more than \$60 million were filed; two of which were deemed ineligible and two were deemed incomplete largely due to non-submission of required planning documents.

At the WTB meeting on November 3, 2016, 23 entities submitted waiver requests for Board consideration for applications that did not meet policy requirements necessary for review. Eleven applicants sought waivers for the Preliminary Expenditure Target; 11 applicants sought waivers for planning documents that were incomplete, outdated or pending; and one applicant sought a waiver for

consideration on project eligibility, which it later removed from consideration. The WTB approved all but two of the requested waivers. The final list of reviewed applications included 56 projects totaling approximately \$58 million. At the November 3 WTB meeting, 45 applicant representatives gave short presentations about their projects and answered questions from the Board.

For the 2017 cycle, staff anticipates that a net total of \$16.38 million will be available: \$14.2 million from Severance Tax Bonds plus \$4 million from the Water Trust Fund distribution, less 10% to the Office of the State Engineer for adjudication. Pursuant to WTB policies, the maximum amount a single project can receive is 15%, which is expected to total \$2.457 million for the 2017 cycle.

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 proposes 32 applications for potential funding. The recommended list includes all projects scoring in the top half of their categories and includes additional projects based upon the number of projects in their application categories identified with potential prior award expenditure issues. Staff estimates that one-third of the 2017 applicants have potential expenditure issues that could stop them from receiving funds. Because of this high number, the Project Management Team is recommending a larger list of projects than what is expected for funding. Roughly one-quarter of the projects on the recommended list have potential expenditure issues.

Project Category Type	Policy Targets	Applications Requested		Applications Recommended		
		# of Apps	Total Adjusted Request	# of Apps	Total Amount	%
Flood Prevention	Up to 10%	7	\$ 7,942,563	2	\$ 1,799,000	11%
Water Conservation or Treatment, Recycling or Reuse	15% - 30%	12	\$ 11,531,430	6	\$ 7,766,011	47%
Water Storage, Conveyance and Delivery	50% - 75%	32	\$ 27,076,340	19	\$ 16,506,003	101%
Watershed Restoration and Management	<u>10% to 20%</u>	<u>5</u>	<u>\$ 3,200,000</u>	<u>5</u>	<u>\$ 3,200,000</u>	<u>20%</u>
TOTAL		56	\$ 49,750,333	32	\$ 29,271,014	179%

Chairman Blaine asked how projects would be vetted after the legislative recommendation, considering that the requests exceed expected funding. Ms. Russel explained the legislative authorization process, starting with a requested endorsement from the NMFA Oversight Committee. The list and materials the WTB is reviewing will be presented to the Oversight Committee later this week. The list is for authorization not appropriation. Applicants whose projects are recommended to the Legislature will be invited to complete a Readiness Application, which initiates a review of regulatory, policy, and executive order compliance, including mandatory spending of prior WTB awards.

Applicants who have open WTB awards from 2015 and prior (*those not yet certified as complete*) must submit any requisitions by January 26, 2017 in order to be counted towards the final expenditures target as defined by WTB Policy: Section 2.5 Project Continuation. Applicants will be notified by February 27, 2017 if they have not passed their compliance checklist. They will be given until March 16 to either show evidence of compliance or submit a written policy waiver that provides a justification for the waiver request. The WTB Project Management Team will review waiver requests and make recommendations to the WTB and its Project Review Committee. At this time, staff expects to present the waiver requests to the Board at its April 26, 2017 meeting and to make final funding recommendations to the Board at its May 10, 2017 meeting.

Chairman Blaine asked how funding priority is determined if everyone meets requirements. Ms. Russel detailed the various elements that are reviewed to determine readiness, including compliance with Federal and State requirements, the average scores for each application category, and policy-recommended percentages for each application category.

Ms. Hughes asked if the OSE Dam Safety Bureau reviewed the flood applications. Ms. Russel said they did provide comments in areas where they have jurisdiction.

Staff recommends that the projects on the attached spreadsheet be presented to the Legislature for authorization for potential funding from the Water Project Fund. The Project Review Committee has reviewed this list and it concurs with staff's recommendation.

Ms. Hughes commended staff from the various agencies involved in the review process for their efforts and for the information provided. Ms. Hughes pointed out that several mutual domestics scored higher and she is pleased to see smaller communities in the recommendations.

Chairman Blaine asked for additional information regarding projects with spenddown issues as related to the Board's role. Mr. Coalter said that staff has been diligent in giving early warning to entities with outstanding balances, and that, in his opinion, the Board must take a harder stand. Mr. Coalter asked that the Board send a message to the entities that the failure to spend award funding cannot be tolerated, reminding the Board of the intense scrutiny from the Legislature on unspent funds, especially as available state funds dwindle.

Chairman Blaine raised the suggestion that the Board take immediate action to remove any entity with spenddown issues. Mr. Chiasson recommended that the Board continue with the policy at hand which will allow spenddown through February 14, 2017. Ms. Russel pointed out that the requisitions must be submitted by January 26, which is the date of the Readiness Application. Mr. Chiasson said the Board might take a harder line in reviewing and granting waiver requests.

Mr. Fulginiti said he agrees with Mr. Chiasson to continue the process pursuant to policy and then be cautious in reviewing any waiver requests.

Mr. Coalter proposed that the Chair send a letter to the entities with spenddown issues expressing the Board's expectation that funds will be spent and waivers should be for a very good reason.

Ms. Hughes suggested if the Board could meet again in February and either provide another list or introduce another bill to remove any entity that does not make the February 14 deadline.

Staff recommendation is to continue with the process as laid out in accordance with WTB policy.

Chairman Blaine expressed his support for placing the communities on notice, with copies to the relevant legislators. He asked staff for the number of spenddown waivers that have been requested over the past to demonstrate to the Oversight Committee that the Board is addressing the issue.

Mr. Fulginiti pointed out for benefit of entities in the audience that legislative authorization is a step in the process to continue forward and not a guarantee of award.

Mr. Fulginiti made a motion, seconded by Ms. Maitland, to approve projects for legislative authorization as recommended by the Project Management Team and presented by staff. The motion was approved unanimously by voice vote.

Chairman Blaine expressed appreciation to NMFA staff for the work done. Ms. Russel also acknowledged the participation and hard work of the reviewing agencies.

Agenda Item 5. Public Comment. Chairman Blaine called for public comment.

Richard Runyon of Dennis Engineering thanked the Board for its efforts and asked that if there are any questions on applications that staff reach out to those who filled out the applications.

Mr. Fulginiti commended staff for the progress that has been made in the Water Trust Board application process over the years.

Agenda Item 6. Next proposed meeting dates.

The next meeting of the full Board will be April 26, 2017, to make project award recommendations. A Project Review Committee meeting will be scheduled prior to the Board meeting.

Agenda Item 8. Adjourn.

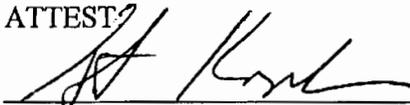
Mr. Chiasson made a motion to adjourn, seconded by Mr. Van Dyke. The meeting adjourned at 10:05 a.m.



State Engineer Tom Blaine, Chairman

Date: JUNE 15-2017

ATTEST:



Steve Kopelman, Secretary