



DRINKING WATER STATE REVOLVING LOAN FUND



Project Interest Form Supplemental Document Glossary

Project Interest Form Supplemental documents fall into three categories: project information, management information, and financial information. This Glossary describes each of the Project Interest Form supplemental documents and how they are evaluated.

PROJECT INFORMATION

Establishes project scope, need, costs, and readiness to proceed.

1. Detailed Project Description

The project description provides a detailed explanation of your water system's project. It should justify the project need, including consequences of not completing the project. It should also identify which [DWSRLF Priority Ranking Criteria](#) are applicable to the project. All projects are ranked for funding priority according to these criteria.

2. Detailed Breakdown of Project Costs

This document provides a detailed breakdown of the full project cost, including planning, materials, and installation/construction expenses. Materials breakdown should provide a detailed description, number of units required, cost per unit, and total cost.

3. Preliminary Engineering Report

A Preliminary Engineering Report (PER) summarizes your current system facilities and needs; describes alternative solutions to system needs; and outlines a recommended alternative, including project costs. For certain types of projects, such as treatment or new sources, a PER is a requirement for DWSRLF funding. If a PER is required for your proposed project, it must be completed prior to loan closing. It should already be underway at the time the Project Interest Form is submitted.

4. Categorical Exclusion Checklist

The Categorical Exclusion Checklist affirms that an environmental review of your project will not be required because the project is not anticipated to have an environmental impact (e.g. no new ground will be disturbed). Please refer to the [DWSRLF Borrower Guide](#) for the Categorical Exclusion Checklist.

5. Environmental Information Document

If your project does not qualify for a categorical exclusion, an environmental review identifying the scope and extent of your project's environmental impact will need to be completed in the form of an Environmental Information Document. NMFA will review this information and provide an Environmental Determination for your project. If your project is not eligible for a categorical exclusion, environmental review should be underway at the time the Project Interest Form is submitted. Please refer to the [DWSRLF Borrower Guide](#) for an explanation of the environmental review process and Environmental Information Document Outline.

6. Project Map

A map of the project located within the service area that includes also includes census track information.

7. Verification of Ownership of Land

Verification of ownership of land where the proposed project is to be located or explaining the land ownership arrangements.

8. Joint Powers Agreement

This document may be needed in order for the water system to demonstrate its legal standing. It is typically not needed but may be requested.

MANAGEMENT INFORMATION

Establishes managerial and technical capacity of your water system to maintain compliance with federal and state drinking water regulations.

1. System Map

A system map identifies the location of your water system facilities. A map is an essential management tool for any water system. It helps your water system to track assets, decrease response time for repairs, outages, and emergencies; and improve process control. The map is reviewed to ensure it identifies major facilities including water sources, treatment, storage facilities, and the distribution network including pipe sizes. The map is also used to identify how the proposed project will relate to existing infrastructure.

2. Operator Certificate(s) and, if Applicable, Operator Contract(s)

Operator certificates for the operator in responsible charge of your water system demonstrate compliance with New Mexico's Utility Operator Certification Act. Water systems that contract the services of an operator must also provide an operator contract specifying the type and scope of operator services provided. An operator contract clarifies the obligations of the operator and ensures the operator's accountability.

3. Operations and Maintenance Plan

An Operations and Maintenance (O&M) Plan describes your water system facilities and equipment, and how your water system conducts routine operations, preventative maintenance, compliance monitoring, and record-keeping. The O&M Plan is reviewed to ensure that it includes these components. An O&M Plan ensures consistency in the operation and maintenance of your water system. It is an important reference for your current operator, and a training tool for a new operator.

4. Emergency Response Plan

An Emergency Response Plan (ERP) provides critical information to water system personnel, emergency responders and the community in the event of an emergency. It is frequently included as an element of a water system's O&M Plan. The ERP, in addition to specifying emergency contacts, outlines the types of emergencies that could occur with appropriate response and recovery efforts. The ERP is reviewed to ensure it includes these components.

5. Articles of Incorporation, Bylaws and Rules/Policies/Procedures Applicable to the Water System

Articles of Incorporation, Bylaws, Rules/Policies/Procedures provide the framework for how your water system is organized and managed. They provide direction to the water system board on how to carry out its duties, ensure continuity when board members change, communicate how the water system is managed to customers, and help to ensure all customers are treated in a fair and consistent manner. These documents are reviewed to ensure they contain provisions for basic managerial and financial functions and for compliance with state law. If your organization provides more services than drinking water (e.g. a municipality), please supply only those policies/procedures that apply to the water system.

6. Open Meetings Resolution (if applicable)

Water systems that are local governments are required to pass an Open Meetings Resolution each year in accordance with the Open Meetings Act. The Open Meetings Resolution outlines the notice procedures for water system board meetings. Open meetings ensure that water system business is conducted by the board acting as a whole in public view. The Open Meetings Resolution is reviewed for compliance with requirements in the Open Meetings Act.

FINANCIAL INFORMATION

Establishes financial capacity of your water system to maintain compliance with federal and state drinking water regulations and repay a loan. Required financial information varies based on whether your water system is required to perform annual financial audits under the New Mexico Audit Act.

1. Financial Audits

Financial audits are created by an independent Certified Public Accountant to provide the highest level of financial assurance that the financial statements are presented fairly in conformity with Generally Accepted Accounting Principles (GAAP) and establish the credibility of the financial position of your water system. Audits provide important insights into the financial strength of your water system and are used to create benchmark data on the current financial position of your water system.

Audits by nature contain dated material. An applicant's financial health can fluctuate from the point of the last completed audit. Therefore, in addition to financial audits, the most recent Income Statement and Balance Sheet and current budget are also required in order to establish your water system's current financial position.

2. Income (Profit and Loss) Statement

The Income Statement shows revenue and costs for a certain period of time (i.e. 3 months or one year); usually the past year is provided for the same time period for comparison. In the Income statements,

ratios are analyzed including the gross margin, operating margin, and net profit margins to see if any trends are showing, whether your water system getting stronger or weaker financially, and how your water system compares to other similar systems.

3. Balance Sheet (Assets and Liabilities)

The Balance Sheet provides a snapshot of your water system's financial position at a single point in time. The systems' assets are balanced against its financial obligations (liabilities), the equity investment and its retained earnings (owner's equity). From the Balance Sheet, financial ratio analysis is used to gain insight into the water system and its operations. The main types of ratios that are used are financial strength ratios and activity ratios. Financial strength ratios (working capital and debt-to-equity ratios) provide information on how the water system can meet its costs and debt. Activity ratios provide information on your water system's operating cycle.

4. Annual Budget and Budget Comparison

An annual budget is a financial forecast showing expected revenue and expenses by item category. The current annual budget helps determine the financial position of your water system, how your water system prioritizes its financials, and the financial capabilities of your water system. A budget comparison lists the budgeted revenue and expenditures, monthly revenues and expenditures for each budget item, and total year-to-date revenues and expenditures for each budget item. The budget comparison allows the tracking of revenue and expenses to see if they are in alignment with budget projections.

5. Water Rate and Fee Schedule

A Water Rate and Fee Schedule details fees and rates for water service, including usage rates by customer type (e.g. residential or commercial), and membership, connection, late payment and reconnection fees. The Water Rate and Fee Schedule is reviewed in conjunction with the budget and financial statements to ensure your water system has adequate revenue to support its operational expenses as well as a loan for the proposed project.

6. Outstanding Debt Schedules

Outstanding debt schedules provide a listing of all liabilities your water system owes. This information is used to examine the long-term financial strength of the water system and to ensure that the system is not overextended with respect to current revenue.

7. Compliance with the State Audit Act

Systems are required to be in compliance with the New Mexico Audit Act and regulations. Systems may check their status at the Office of the State Auditor web site at www.saonm.org or www.saonm.org/audit_reports/search.