

NEW MEXICO FINANCE AUTHORITY  
LOCAL GOVERNMENT PLANNING FUND  
PROJECT MANAGEMENT POLICIES

**A. PURPOSE**

The purpose of the Local Government Planning Fund (“LGPF” or the “Fund”) is to provide capital necessary for proper planning of vital public projects, including infrastructure, water and wastewater preliminary engineering reports, long-term master plans, water conservation plans, economic development plans or energy audits.

**B. GOALS**

The goals of these Project Management Policies are to:

- Foster a coordinated, strategic, long-range approach to community planning, infrastructure, funding and development;
- Set standards for funding based on need, community impact, and feasibility; and
- Establish criteria for the prioritization of projects based upon health, safety and welfare.

**C. IMPLEMENTATION**

These Local Government Planning Fund Project Management Policies (“Policies”) shall be implemented by the New Mexico Finance Authority (“Finance Authority”) Board and may, at times, be waived by the Board if it is determined that a deviation from its adopted policies is desired. Any grant or denial of any request for a waiver will be reflected in the minutes of the meeting at which the waiver is considered.

**D. DEFINED TERMS**

All capitalized terms used in the Policies shall have the meanings set out in the Amended and Restated Rules Governing the Local Government Planning Fund (the “Rules”) or as specifically defined herein.

## **SECTION 1. DETERMINATION OF NEED AND PRIORITIZATION**

### **Section 1.1 Overview**

Funding from the Fund shall be used to make Planning Grants to Planning Grant Qualified Entities for the purpose of funding Planning Documents. These Policies, along with the Rules, will define the terms and conditions under which the Finance Authority will make Planning Grants available from the Fund, and shall also govern the administration of the Fund.

### **Section 1.2 General Considerations**

Local support and contribution are vital to the success of any infrastructure project and will ensure the long-term effectiveness of the Planning Fund by providing evidence of need and support. The Finance Authority will adhere to the Rules that provide that funding will be made available only for a Planning Grant Qualified Entity's Unmet Need.

#### **A. Determination of Need of Localities**

In accordance with the Rules, the Finance Authority will determine the Planning Grant Qualified Entity's Unmet Need after taking into consideration unrestricted cash balances in excess of a six month reserve. The amount of Unmet Need that will be met with a Planning Grant will be determined in accordance with Section 5.1 of the Rules.

Pursuant to Section 5.2 of the Rules, waivers of the Local Match will be made for projects seeking to cure Urgent needs or address Declining Economic Development. For purposes on the Local Match waiver, the following definitions shall apply:

- 1) Projects for Urgent Needs are those that fit any of the following circumstances or conditions:
  - i) Projects that cure regulatory compliance issues cited by the New Mexico Environment Department.
  - ii) Public Health Threats including waterborne disease outbreak and inadequate water supply so long as the proposed project addresses the existing or imminent threats.
  - iii) Acute road hazards brought on by catastrophic events or severe weather conditions.
  - iv) Flood and drainage issues resulting from inadequate or poorly designed infrastructure causing health and safety issues.
  - v) Dam Safety projects that restore to a safe condition impending failures in dam structures.

- vi) Projects that seek to cure conditions brought on by an unforeseeable calamity, including a flood, fire, storm, earthquake, drought, civil disturbance, accidental spill of a hazardous material or similar occurrence, disrupts the provision of utility services or endangers the provision of public utility services.
- 2) Projects for Planning Grant Qualified Entities facing Declining Economic Development are those that meet any of the following circumstances or conditions:
- i) Planning Documents that enact or update Local Economic Development Act ordinances.
  - ii) Planning Documents that enact or update Metropolitan Redevelopment Plans.
  - iii) Planning Grant Qualified Entities that qualify for the Small Cities Assistance Fund or Small Counties Assistance Fund that have experienced a decline of gross receipts tax collections over the past 24 months.
  - iv) Planning Grant Qualified Entities that do not qualify for the Small Cities Assistance Fund or Small Counties Assistance Fund that have experienced a decline of gross receipts tax collections over the past 36 months.
  - v) Planning Grant Qualified Entities that have experienced the loss of a major employer in the past 12 months.
  - vi) Planning Grant Qualified Entities without gross receipts taxing authority that serve fewer than 250 connections.

**B. Determination of Need for Projects with Statewide Impact**

The Authority or its staff may request and rely on the assistance of other state agencies, for example and without limitation, the Department of Finance and Administration or the New Mexico Economic Development Department in determining the need for economic development projects with statewide impact. Statewide projects may exceed the \$50,000 limitation if the Fund has sufficient availability of funding such that the request grant would not impact funding committed to local projects.

**C. Reliance on Outside Expertise**

The Finance Authority or its staff may request and rely on the assistance of other state agencies, e.g. the Department of Transportation, Energy, Minerals and Natural Resources Department, the New Mexico Environment Department, the Office of the State Engineer or New Mexico Economic Development Department, in determining the minimum criteria for planning documents, the need for the planning document and adequacy of the completed Planning Document. Guidance as to what is an acceptable form of a Planning

Document for purposes of documents on various planning documents approved by the Finance Authority are attached as Appendix A to these Policies and shall be posted on the NMFA website.

### **Section 1.3 Determination of Project Prioritization**

#### **A. Project Prioritization**

As established in the Rules, the NMFA may give priority in awarding planning grants to those entities seeking funding to develop the following documents:

1. Preliminary Engineering Reports to address remedies to emergency or urgent projects as defined by these Policies;
2. Environmental Information Documents that are compliant with the State's Drinking Water Revolving Loan Fund ("DWRLF") State Environmental Review Process ("SERP");
3. Plans to implement the Local Economic Development Act;
4. Plans to reduce blight pursuant to the Metropolitan Redevelopment Act;
5. Water Conservation Plans;
6. Comprehensive Plans;
7. Priority infrastructure projects identified on their Infrastructure Capital Improvement Plans;
8. Asset management plans;
9. Master Plans;
10. Preliminary Engineering Reports necessary to access apply for federal funding;
11. Preliminary Engineering Reports necessary to apply for state funding;
12. Economic Development Feasibility Studies; and
13. Energy audits

Applications will be accepted monthly. Annually, the Finance Authority shall reserve \$600,000 for applications determined to be Urgent pursuant to Section 1.2 (A)(1) of these Policies. Applications will be prioritized according to the ordering set out in this Section 3.1(A), above. In the event that there is insufficient funds to fund projects in the same priority rank, those Planning Grant Qualified Entities that have not previously received

Planning Grants will be given priority over Planning Grant Qualified Entities that have previously received Planning Grants within the last five fiscal years. In the event that there are insufficient funds to fund projects in the same priority rank, and all Applicants have previously received Planning Grants, priority will be given to those Qualified Entities whose previous Planning Grants are older in time.

Plans must be developed using criteria approved by the Board in the form of guidance documents that are outlined in Appendix A to these Policies and which will be published on the Finance Authority website.

LGPF will be limited to \$50,000 per Planning Document and \$100,000 per entity per 24-month period. Notwithstanding this limit, Planning Grant Qualified Entities may receive an additional \$50,000 per 24-month period for funding of Metropolitan Redevelopment Plans.

#### B. Regionalization

The Finance Authority recognizes that efficient operation of public projects may occur through regional efforts, including both physical connections and/or joint operations. Entities proposing a regional solution may apply separately for planning funds provided that a separate document is produced for each entity and that the separate Planning Document addresses the infrastructure needs of each Qualified Entity.

For Water, Wastewater and Solid Waste public projects and Long Term Master Plans, a discussion of regionalization must be included as a solution for findings covered in the document itself.

## **SECTION 2. PROCEDURES FOR FUNDING**

#### A. Binding Commitments

NMFA shall issue a 12-month binding commitment from date of grant approval to the submission of a Planning Document for approval and shall require the Applicant to meet certain thresholds within 5 months, including:

1. Approval of consultant;
2. Approval of contract and scope of plan; and
3. Evidence of Local Match.

#### B. Reimbursement of Project Expenditure

Funding shall be provided after the document is completed and accepted by the review agency designated by the Finance Authority, which will not occur later than 18 months after the Board approval, unless explicitly provided otherwise the Finance Authority.

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Appendix A

APPROVED GUIDANCE DOCUMENTS

1. **Preliminary Engineering Report Guidance Documents USDA Bulletins 1780-2 for Water, Wastewater and Solid Waste.** Last revised by the USDA in April 2013, this guidance document (or its predecessors) have been used by the New Mexico Environment Department (“NMED”) and Finance Authority since the inception of the Local Government Planning Fund. Pursuant to an MOU with the New Mexico Environment Department, the NMED Construction Programs Bureau will serve as the reviewing agency for these planning documents.
2. **Environmental Information Document that is compliant with the State’s Drinking Water Revolving Loan Fund’s State Environmental Review Process (SERP).** The Finance Authority maintains contracts with NMED and Environmental Engineering firms who will review the Environmental Information Documents for compliance with the EPA- approved SERP, as updated from time to time.
3. **Economic Development Plan Requirements contained in the Certified Community Initiative for plans developed to implement the Local Economic Development Act.** The New Mexico Economic Development Department (“NMEDD”) developed the Certified Community Initiative. NMEDD serves as the reviewing agency for these plans.
4. **Metropolitan Redevelopment Act Plans** will be drafted according to statute and reviewed and approved by the NMEDD.
5. **Water Conservation Plans** – The Finance Authority has adopted as its Water Conservation Plan guidance document the Office of the State Engineer’s New Mexico’s Water Conservation Planning Guide for Public Water Suppliers – Technical Report 53, including the gallon per capita calculator and water audit. Note that pursuant §72-14-3.2 NMSA 1978, water systems that divert more than 500 acre-feet of water per year are required to submit a Conservation Plan to OSE. The OSE will serve as the reviewer for these documents.
6. **Comprehensive Plans drafted by a certified planner using the Comprehensive Plan Template** by Steven Burstein, AICP. This template is currently used by Department of Finance and Administration. Finance Authority will review and approve the Comprehensive Plan Documents. Any LEDA component will be reviewed by the NMEDD using its Certified Community Initiative criteria.

7. **Priority infrastructure projects identified on a Planning Grant Qualified Entity's Infrastructure Capital Improvement Plans** will be reviewed using the applicable USDA Bulletin unless another guidance document is approved by the Finance Authority for that project.
8. **Asset management plans developed by Qualified Planning Grant Entity using the principles of Asset Management as described by A.M. Kan Work manual or other similar document.** Planning funds may be used to hire a licensed New Mexico professional engineer to complete certain tasks of an Asset Management Plan, such as the compilation of asset inventories, determination of asset conditions, performance of gap analyses, and to provide technical assistance relative to the operation of the utility. Planning Grant funds may also be used to pay for rate analyses or other elements of a financial plan and to hire professional facilitators to facilitate public hearings. The Finance Authority will review and approve the Asset Management Plans. Planning Grant funds cannot be used to pay for staff time to develop the plan.

Given the time required to develop a thoughtful Asset Management Plan, the Finance Authority will not require that 100% of the Plan to be completed before paying third party contractors for completed portions of the plan so long as there is demonstrated commitment of the governing body with the elements listed below and the completed portion of the Asset Management process comes with clear indications and schedule of what has been done so far and when will the other components will be completed. :

- a) A resolution from the Governing Body committing to the implementation of an Asset Management Plan with a statement affirming that the Asset Management Plan will cover the principles of Asset Management as described A.M. Kan Work manual to implement AM within four years;
- b) Identification of an internal team that will be assembled to develop and implement the Asset Management Plan;
- c) Provide results of the initial Asset Management IQ test contained in the EFC manual;
- d) Provide a schedule of the sequence of events proposed to implement the Asset Management Plan with a timeline, such as a Gantt chart; and
- e) Indicate where third party support is needed, why it is needed, and how it will be incorporated in the internal implementation of Asset Management;

Annually, until a final plan has been adopted and the documents outlined below are submitted, the Qualified Entity must provide updated IQ test and an update on the progress of the plan, including any third party deliverables.

The final deliverable to the Finance Authority must contain:

- f) A Resolution adopting the completed Asset Management Plan;
- g) The summary sheet showing the prioritized assets and cost associated with improving those assets over the period of time as shown in the Asset Management Plan;
- h) A resolution adopting a reserve policy which specifically identifies the allocation of the reserves to fund the Asset Management Plan with an annual target; and
- i) A rate schedule that covers the reserve required to fund the reserve.

**9. Master Plans** will be reviewed by the NMED.

**10. Preliminary Engineering Reports necessary to apply for federal funding** will be subject to the relevant USDA bulletins and reviewed by NMED.

**11. Preliminary Engineering Reports necessary to apply for state funding** will be subject to the relevant USDA bulletins and reviewed by NMED.

**12. Economic Development Feasibility Studies.** No Guidance Document Recommended for Economic Development Feasibility Studies. Applicants seeking funding from the Local Government Planning Fund for Economic Development Feasibility Studies must submit with their applications a full scope of services for the proposed project along with a letter of recommendation from the Economic Development Department Cabinet Secretary or his designee.

**13. Energy audits shall meet minimum criteria of an ASHRAE Level 2 Energy Audit and will be required to be contracted using the Model Investment Grade Energy Audit and Project Proposal Contract** prepared by the New Mexico Energy, Minerals and Natural Resources Department which contains minimum project scoping criteria. Further, the contractor must be *a licensed New Mexico Professional Engineer*. Currently, EMNRD reviews energy audits for governmental entities considering energy efficiency projects that are financed by pledging future energy savings pursuant to the Public Facilities Energy Efficiency and Water Conservation Act [NMSA 1978, 6-23]