

New Mexico Interstate Stream Commission

New Mexico Unit Fund Pilot Cycle II Policy Arizona Water Settlements Act (AWSA) – New Mexico Unit Fund Act

Introduction

The New Mexico Interstate Stream Commission (NMISC or Commission) is authorized “to investigate, protect, conserve, and develop New Mexico’s waters including both interstate and intrastate stream systems.”¹ In accordance with these authorizations, the NMISC administers the New Mexico Unit Fund (Unit Fund) under the Arizona Water Settlements Act (AWSA)² and the New Mexico Unit Fund Act.³

This document establishes the policy and processes the NMISC will use to identify and fund projects from the Unit Fund. While the NMISC has funded projects from the Unit Fund in the past, statutory changes to the New Mexico Unit Fund Act in 2021 generated a need for the NMISC to jointly develop a process for funding in coordination with the Water Trust Board (WTB). In 2024 and 2025, the Commission and the WTB jointly developed and implemented the first New Mexico Unit Fund Pilot Cycle to fund planning and design projects (Pilot Cycle I). Pilot Cycle I efforts were intended to enable the NMISC and the WTB to “learn by doing” and consider lessons-learned to adapt future processes and inform future policies. The NMISC and WTB have decided to continue this learning and testing process by implementing a second pilot cycle: the New Mexico Unit Fund Pilot Cycle II (Pilot Cycle II). Pilot Cycle II seeks to fund the next cycle of projects, including construction projects, while integrating lessons-learned and improving upon the application and implementation process from Pilot Cycle I.

As part of the NMISC’s and the WTB’s iterative process, Pilot Cycle II includes updating the fund’s approach, project goals, and evaluation criteria, adding construction projects as an eligible project type, refining applicant eligibility, clarifying the application process, implementing a funding limit for this funding cycle, and establishing “special eligibility categories” to promote fairness in competition.

Section 1: Unit Fund Purpose and Policy Considerations

The purpose of the Unit Fund⁴ is to “pay the costs of water utilization projects to meet water supply demands in the southwest planning region of New Mexico that encompasses

¹ NMSA 1978, § 72-14-3, available at <https://nmonesource.com/nmos/nmsa/en/item/4402/index.do#72-14-3>.

² Arizona Water Settlements Act (Pub. L. No. 108-451, 118 Stat. 3478 (2004)).

³ New Mexico Unit Fund Act (NMSA 1978, § 72-14-45 (2021)), available at <https://nmonesource.com/nmos/nmsa/en/item/4402/index.do#72-14-45>.

⁴ The AWSA allocated funds for the purposes of either a New Mexico Unit or water utilization alternatives. (Arizona Water Settlements Act, Pub. L. No. 108-451, 118 Stat. 3478 (2004)). The New Mexico Unit Fund Act narrows the application of those funds, such that the Unit Fund may only be used for water utilization projects and not the New Mexico Unit. (NMSA 1978, § 72-14-45 (2021)).

Catron, Grant, Hidalgo and Luna counties.”⁵ Within this purpose and geographic focus, the Unit Fund will provide funding for water utilization projects and may do more to help address critical gaps and challenges common when securing other funding sources. Based on the NMISC’s experience, a deliberate positioning of the Unit Fund to complement and enhance other funding sources through matching funds, leverage, and the strategic use of existing funding may strengthen the Unit Fund’s impact while stretching limited resources further and longer. In practice, this approach is designed to allow for the support of a broad range of water utilization project types, accommodating a range of project timelines, and providing availability for co-funding in a variety of circumstances.

Pilot Cycle II will add construction projects as an eligible project type. The addition of construction projects has the potential to significantly increase Unit Fund expenditure in Pilot Cycle II. Therefore, to make a significant amount of funding available while ensuring the Unit Fund is not exhausted prior to the development of a long-term Unit Fund management strategy, Pilot Cycle II will limit the total value of all awards in this Pilot Cycle to no more than 20% of the current Unit Fund balance, equal to \$26 million.⁶

Pilot Cycle II will also align with best practices in funding stewardship and project implementation and will comply with statutory and regulatory requirements.⁷

To support these approaches, the goals for Pilot Cycle II projects are to:

1. **Ensure activities are strategic within the local context;**
2. **Focus resources on creating impact;**
3. **Support an approach that sustains benefits;**
4. **Leverage other resources;**
5. **Ensure there is a readiness to proceed; and**
6. **Represent good value for money.**

Section 2: Pilot Cycle II Process

Pilot Cycle II has three stages: (1) the Application Stage, (2) the Pre-Agreement Stage, and (3) the Implementation Stage.

⁵ The southwest planning region of New Mexico that encompasses Catron, Grant, Hidalgo and Luna counties is referred to as the “Southwest Region.”

⁶ The total expenditure from the Unit Fund for Pilot Cycle II projects will not exceed \$26 million (20% of the current Unit Fund balance of \$130 million). Funds are not encumbered until the time of execution of each project funding agreement, which can take up to 12 months from the time of approval by of each project by the Commission.

⁷ Such as the 2025 New Mexico Public Finance Accountability Act and the New Mexico Manual of Model Accounting Practices.

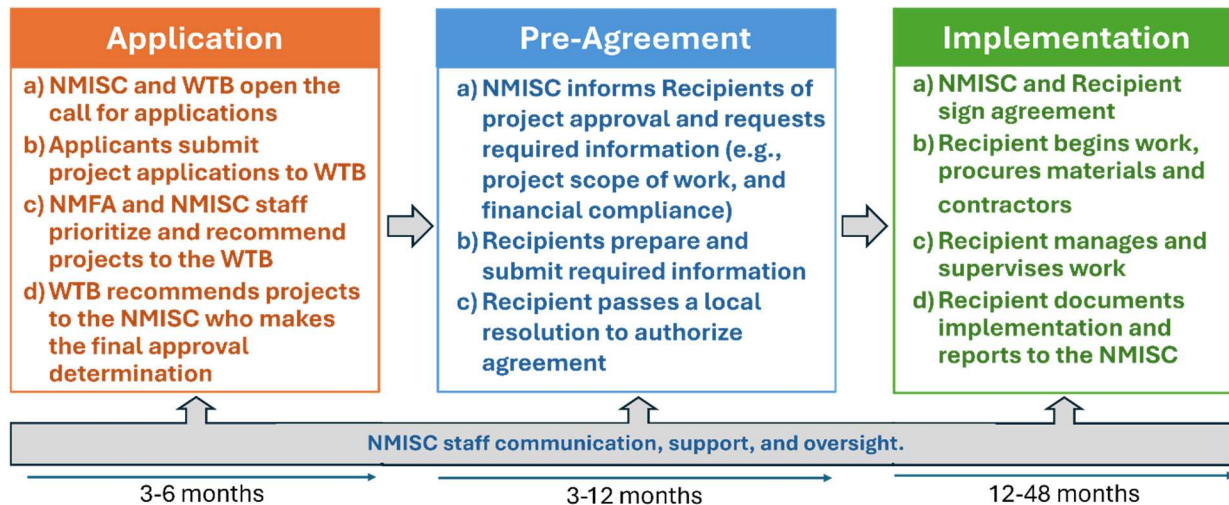


Figure 1: Summary of Pilot Cycle II Application, Pre-Agreement, and Implementation Stages

The NMISC and the WTB have jointly developed and will coordinate Pilot Cycle II application process. Through this process, the WTB evaluates projects, including the project’s environmental impacts, and recommends projects to the Commission. The Commission has final decision-making authority over which projects are funded.⁸ Under this final decision-making authority, the Commission may opt to fully fund, partially fund, conditionally fund, or not fund a project recommended by the WTB. New Mexico Finance Authority (NMFA) and NMISC staff will provide assistance and input in the Application Stage as described below. The NMISC will provide support to potential applicants during the application phase in the form of printed and online materials, workshops, or other appropriate support. The steps below provide additional details on the respective roles of the Commission, NMISC staff, NMFA staff, and the WTB in the application evaluation and approval process.

1. NMISC and NMFA staff develop Pilot Cycle II application materials and open the call for applications.
2. Applicants submit application forms to the WTB.
3. NMFA staff review submitted application forms to determine whether each application is complete and meets eligibility requirements, with assistance from NMISC staff.
4. NMFA and NMISC staff score and prioritize complete and eligible applications against the evaluation criteria described in Section 5 and Appendix 1 of this Policy and will recommend full, partial, or conditional funding amounts for each application.
5. NMFA staff present the recommended applications to the WTB.
6. NMFA and NMISC staff present the WTB’s project recommendations to the Commission at a Commission meeting and reports on all applications received.
7. NMFA and NMISC staff make the WTB recommendations, scoring, prioritization, and copies of each application available to the public.

⁸ New Mexico Unit Fund Act (NMSA 1978, § 72-14-45(c)).

8. The Commission considers the WTB's project recommendations, NMISC staff input, and any public comment.
9. The Commission decides which projects will be fully, partially, and conditionally funded.
10. NMISC staff notifies all applicants and the WTB within 30 days of the Commission's decision regarding each application and provides information to recipients on next steps.

Section 3: Eligibility

Eligible Applicants:

Eligible Applicants are political subdivisions of the state authorized to receive public funds located in the Southwest Region including:

- Counties, cities, towns, and villages;
- Acequias and community ditches in compliance with New Mexico state law (NMSA 1978, Chapter 73, Articles 2 and 3);
- Soil and water conservation districts, conservancy districts, and irrigation districts;
- Mutual domestic water consumer associations organized and existing under the Sanitary Projects Act (NMSA 1978, Sections 3-29-1 to 3-29-21);
- Land grant-merced controlled and governed pursuant to New Mexico state law (NMSA 1978, Sections 49-1-1 through 49-1-18 or 49-4-1 through 49-4-21);
- An association of political subdivisions of the state created pursuant to the New Mexico Joint Powers Agreements Act or other authorizing legislation for the exercise of their common powers.

Other Eligible Applicants include federally recognized Indian nations, tribes or pueblos. New Mexico public institutions of higher education are also Eligible Applicants when partnered with a federally recognized Indian tribe, nation, or pueblo or a political subdivision of the state located in the Southwest Region. These applicants must submit a letter signed by both the public institution of higher education and the entity stating that they are acting in partnership, both agree with the submittal and content of the application, describe how both intend to participate, and identify which party would directly receive funds under a funding agreement.

Civil society groups, non-profit organizations, and private entities are not Eligible Applicants but are welcome partners with an Eligible Applicant.

Eligible Projects:

Funding is available for the planning, design, or construction of water utilization projects to meet water supply demands in the Southwest Region of New Mexico and provide a public benefit in the following topic areas:

- Conservation and efficient use of water;
- Construction, repair, or protection of water infrastructure;

- Watershed health such as the restoration of riparian ecosystems, water quality improvement, or mitigation of damage to water resources from wildfire.

Non-eligible topic areas include flood mitigation or control and wastewater services unless the project directly supports water use or reuse to meet a water supply demand and it is clearly described in the Application.

Projects that were not funded under previous New Mexico Unit Fund cycles are eligible for resubmission when they have been improved and respond to the Pilot Cycle II Policy. NMISC Commission approval of project applications does not constitute approval of future project applications and there is no guarantee for future funding.

All projects must be environmentally, socially, technically, and financially sustainable and meet state and federal statutory and regulatory requirements. Projects must provide a public benefit in water use and in public health, environment, and/or economy.

Projects are not required to be independent, complete projects or phases (standalone projects) and may be co-funded with other sources. However, applicants must identify which elements of the project will be paid for by Unit Fund and which elements will be funded using other sources. Leveraging of any other funding sources is highly encouraged including both actual funds (real dollars expended) and in-kind (labor and/or equipment) contributions.

Eligible project costs include costs for planning, design, construction, administration, management, compliance, permitting, and fixed assets. Equipment, vehicles, and consumables are not eligible costs. Fiscal agent/fiscal administrator costs are not eligible when an entity is required to utilize a fiscal agent/fiscal administrator under the Public Finance Accountability Act.

Eligible planning, design, or construction projects in Pilot Cycle II include the following:

1. Planning Projects (implementation for a maximum of 24 months):
 - a. Applicants may apply for funds to support the development of planning documents and reports for water utilization projects. Such development may include technical feasibility investigation including long-term compliance, long-term operation, maintenance, and repair needs, and cost-benefit analysis.
 - i. Technical Plans may include Professional Engineering Reports (PER), Water Conservation Plans, Tank Inspection Reports, or other technical plans up to 30% design completed and with a cost-benefit analysis including environmental impacts and compliance.
 - b. Applicants may apply for funds to develop System Documents that will support planning efforts that contribute to local capacity.
 - i. System Documents may include, but are not limited to, Asset Management Plans, System Assessments, Water Conservation Plans, 40-Year Water Plans, Hydrogeology Assessments, and federal environmental compliance documents related to water utilization projects.

- ii. Each applicant may apply for funds to collect water data to support an applicant's planning project, which will also be made accessible to comply with modern water data standards and best practices identified by the agencies collaborating on the New Mexico Water Data Act implementation.
2. Design Projects (implementation for a maximum of 24 months):
 - a. Applicants may apply for funds to support the development of plans and specifications for projects that have completed the planning phase, as demonstrated with a PER or acceptable technical memoranda that must include consideration of environmental impacts and compliance of the project along with mitigated or ameliorated effects.
 - i. Design-advancing activities may include full design from 60% - 100% completed with specifications, cost estimates, and the preparation of bid documents.
 - ii. Each applicant may apply for funds to collect water data to support an applicant's design project, which will also be made accessible to comply with modern water data standards and best practices identified by the agencies collaborating on the New Mexico Water Data Act.
3. Construction Projects (implementation for a maximum of 48 months, projects proposed over \$10 million must also have an implementation schedule between 24-48 months):
 - a. Applicants may apply for funds to support construction activities for a project that have completed the planning and design phases, as demonstrated by complete design specifications and the following requirements:
 - i. Completed 90% - 100% of the design;
 - ii. Complete specifications prepared and stamped by a New Mexico licensed engineer, as well as cost estimates, and draft bid documents (cost estimates and draft bid documents that require updating by the applicant may still be accepted);
 - iii. Complete Operation and Maintenance Plan that clearly identifies ownership and life of the assets, responsibility for conducting and paying for operation and maintenance, estimated maintenance schedule;
 - iv. Screened for and defined all environmental impacts and appropriate mitigation actions, especially those considered high-risk, and identified all necessary permitting requirements.

Special Eligibility Categories

Pilot Cycle II seeks to promote fairness in competition and encourage applications from small entities and for planning and design projects by establishing two special eligibility categories. Applicants who are eligible for a special eligibility category and want to be considered in it must identify it in their application, otherwise they will be considered as part of the general pool of applicants. Applicants may elect to be considered for both special eligibility categories, if applicable, but approved projects will only be funded from one category. If a

special eligibility category funding ceiling is not met, the remaining funds will be available for the general application pool. Applicants not considered or not successful in a special eligibility category will be considered as part of the general pool of applicants. If applications exceed the Special Eligibility Category funding ceiling is. Special Eligibility Categories include:

- **Small Entities** – For entities defined by an annual revenue less than \$50,000, calculated on a cash basis of accounting. This calculation **does not include** capital outlay funds or federal or private grants;⁹ and
- **Planning and Design Projects** – For planning and design projects, as defined in Section 3.

Small Entities may face disadvantages in the application process due to limited capacity and financial resources. The Small Entities Special Eligibility Category will seek to promote fairness and encourage participation by providing dedicated resources for small entities. The Small Entities Special Eligibility Category will provide funding for up to \$100,000 for planning and design projects and up to \$500,000 for construction projects to match small entity capacity and ensure resources are accessible to multiple small entities. The Small Entities Special Eligibility Category’s total funding ceiling is \$3 million.

The second special eligibility category is for planning and design projects. Planning and design projects are at a disadvantage because they are less tangible and immediate and are likely to not be prioritized like construction projects. Given their essential role for infrastructure preparation, the establishment of a Planning and Design Project Special Eligibility Category will seek to develop a pipeline of projects ready for construction. The Planning and Design Project Special Eligibility Category’s total funding ceiling is \$2 million, with no funding cap on individual projects.

Section 4: Pilot Cycle II Application Requirements

Applicants may submit more than one application, but awards will be limited to one project per applicant. The following items are required to be included in each application, at a minimum, to be considered for funding:

1. A project title and the total amount of funds being requested from the Unit Fund, including funds for project management assistance and disclosure of any matching, leveraged, or cost-sharing funding;
2. Information demonstrating that the applicant is an Eligible Applicant under this policy;
3. Identification of the project type and whether the applicant is applying for one or more special eligibility categories;
4. A description of the relevant project context and the water use problem the project will address;

⁹ This definition is derived from the financial reporting thresholds in the New Mexico Audit Act (NMSA 1978, § 12-6-3(B)(3)).

5. A description of the project activities, implementation timeline, intended number of beneficiaries, and how it aligns with Regional Water Plan's goals;
6. A description of the expected outcomes and benefits from the project activities;
7. Information demonstrating planning that ensures the systems and/or processes are in place to move forward, reliably operate, and/or maintain the project outputs over its intended life or purpose that includes operating costs and staffing requirements;
8. A summary of the project's environmental impacts and a plan to mitigate them, as appropriate;
9. Identification and information for the land and water rights associated with the project, if applicable;
 - a. The applicant must identify the specific property parcel numbers (available via county assessor) and ownership information of the property that the project will impact. If the applicant does not own the land or have an easement for the land that will be impacted by the project, the applicant must provide letters of support from the land owner(s);
 - b. The applicant must identify the water rights number(s) and ownership information for water rights that will be utilized by the project. If the water rights are not in good standing, the applicant should include an explanation of steps the applicant intends to take to remedy any permit requirements;
10. A resolution authorizing the applicant to submit an application with a brief description of the project. The resolution must be enacted at a public meeting held in accordance with the Open Meetings Act and the provisions of the applicant's bylaws or other organizing document(s), as applicable. For federally recognized Indian tribes, nations, or Pueblos, an official action of a governing body is sufficient;
11. A description that the applicant has adequate governance in place and sufficient fiscal, managerial and operational capacity to manage the project over the long term, as appropriate for the type of project proposed including:
 - a. Fully functioning governing body, capable of managing, directing and overseeing the proposed project and ensuring that the applicant and its project meet all applicable state laws and regulations, including as applicable:
 - i. Up-to-date articles, by-laws and other governance documents that have been filed with appropriate regulatory agencies;
 - ii. Adequate legal representation for the proposed project;
 - iii. Regular board meetings of the governing body that are held in compliance with the Open Meetings Act, the Inspection of Public Records Act, and other applicable laws or policies; and
 - iv. Selection of members of the governing body by election or other procedures applicable to the governing body and evidence of competent management to oversee the project.

- b. Adequate and applicable business management tools for ongoing financial planning, water accounting, and asset management, that have been established and are reviewed and updated regularly;
- c. Personnel policies and procedures are in place;
- d. Audit requirements pursuant to the New Mexico Audit Act and Public Finance Accountability Act have been met; and
- e. Policies and procedures are in place to assure successful fiscal and operational management including internal controls (dual check signatory authority; budget adoption procedures, expenditure decisions; audits);

If applying for a construction project, applicants must **also** include:

12. Final plans and specifications, stamped and signed by a New Mexico licensed professional engineer. The final plan must include an engineer's estimate of the costs that is less than one year old. If the plans and specifications are over one year old, the applicant's engineer must provide a sworn statement that the engineer verified the validity of the site conditions, design, and cost estimates within the last year.
13. If the construction project impacts a utility system, the applicant must also demonstrate that
 - a. Appropriately certified system operator(s) are employed or contracted;
 - b. Policies and procedures are in place to assure successful fiscal and operational management such as:
 - i. Billing, new service connection charges, and failure to pay policy;
 - ii. Regular rate assessments or evaluations; and
 - iii. Where a utility system is being developed, adequate fees will be charged to any users of the system.
14. In addition to the land and water rights information listed above, a map of the project location, including access areas, and a copy of the validly executed and recorded deed(s) identifying the applicant as the current property owner for the lands impacted by the project (e.g. project location and access areas). If the Project is situated on any land or crosses any land that belongs to anyone other than the applicant, the applicant must submit documentation showing that the applicant has a permanent easement on the land where the Project is situated or crosses.

Section 5: Evaluation of Pilot Cycle II Applications

Project applications will be evaluated according to the evaluation criteria and scoring rubric, included in Appendix 1: Evaluation Criteria and Scoring Rubric, and summarized in the table below. Applicants must demonstrate that the proposed project is a water utilization project that meets water supply demands in the Southwest Region, in accordance with Section 212(i) of the AWSA and New Mexico Unit Fund Act. The Commission will consider approval of the highest scoring applications recommended by the WTB across all applications and each of the

special eligibility categories. The amount of the funding recommended and approved, especially for high-cost projects, may be a full, partial, or conditional amount determined by the alignment with funding goals and management of the funding cycle spending limit noted in Section 1.

No	Funding Goal	Evaluation Criteria	Contribution to Overall Score
1	Ensure activities are strategic within the local context	Application describes the context, a well-defined water use need, and its strategic solution or defines a step(s) toward a strategic solution aligned with the most recent Regional Water Plan	25%
2	Focus resources on creating impact	Application describes clear and measurable public benefits in water use and health, economy, or environment, and considers environmental impacts.	25%
3	Support an approach that sustains benefits	Application describes the systems that are in place to move forward, operate, and/or maintain the project outputs (technical, financial, human resources)	15%
4	Leverage other resources	The ratio of the sum of all other funds for the project to Unit Fund	15%
5	Ensure there is a readiness to proceed	Applicants have necessary prerequisites for implementation in place or define the plan for how they will be secured (compliance, permits, land and water rights, additional financing)	10%
6	Represent good value for money	The project costs are reasonable and are a good value per beneficiary	10%

Section 6: Pilot Cycle II Pre-Agreement

After the Commission approves a funding allocation, the NMISC will work to develop a funding agreement with the recipient. The recipient should expect to provide additional information to the NMISC to supplement their application within 120 days of notice of Commission approval. Such supplemental information may relate to ownership of land and water rights implicated by the project; financial information; environmental permits and/or design specifications if applicable, and additional project scope information. The sufficiency of such information will be in the NMISC’s sole discretion. The recipient will be required to develop a detailed scope of work for the project and pass a local willingness to proceed with a resolution at a duly held meeting of the recipient’s governing body to authorize the recipient to sign the funding agreement and proceed with the project.

Funding agreements will require the recipient to confirm financial compliance including confirming Public Finance Accountability Act compliance. If the recipient cannot demonstrate compliance with financial and audit requirements, the NMISC may determine it is necessary for the recipient to retain a fiscal agent/fiscal administrator. The Unit Fund may not be used to pay any costs related to the use of a fiscal agent or fiscal administrator.

Applicant and Project-Specific Funding Conditions:

- **Public Institutions of Higher Education:** No more than 15% of the total project costs paid from the Unit Fund may be used for university indirect (overhead) costs.
- **Element-based Projects:** Projects are not required to be “standalone” projects. However, if the project represents an element of a larger project or project phase, reimbursements from the Unit Fund will be contingent upon the recipient demonstrating that sufficient progress on the larger project is being made during the implementation Stage.
- **Leveraged Funds-based Projects:** Leveraging other funding sources (both actual funds and in-kind contributions) is highly encouraged. If the Unit Fund is providing matching or contributing funds for a project, the development of a funding agreement and availability of reimbursements will be contingent upon the status and progress made under other leveraged funding source(s). Reimbursements from the Unit Fund will be the last funding source to be spent on a project that utilizes other funding sources, unless the NMISC determines that another arrangement is necessary for the successful implementation of the project.

Section 7: Pilot Cycle II Implementation

Once a funding agreement is fully signed by all parties, the NMISC will issue a Notice to Proceed (NTP) to the recipient, and the recipient may begin implementation of the project. Project funding will be provided on a reimbursement basis directly to the recipient for costs incurred. The NMISC is unable to make payments directly to contractors. Reimbursements require submitting a Request for Reimbursement to the NMISC. All expenditures made under a funding agreement must comply with the New Mexico Procurement Code and the New Mexico Constitution Anti-Donation clause.

Funding agreements will also specify the following records and reporting requirements for recipients during implementation:

1. Submit periodic reports every quarter (template will be provided);
2. Submit a final report once the project is completed (template will be provided); and
3. Maintain appropriate records and be responsive to requests for information from the NMISC, e.g. comply with the New Mexico Water Data Act provisions; respond to requests for public records; cooperate with the NMISC on data requests; and on the documentation and verification of project implementation, accomplishments, impacts.

Statutory References: Arizona Water Settlements Act (Pub. L. No. 108-451, § 212(i), 118 Stat. 3478 (2004)); New Mexico Unit Fund Act (NMSA 1978, § 72-14-45); New Mexico Water Data Act (NMSA 1978, §§ 72-4B-1 to 72-4B-4); Public Finance Accountability Act (NMSA 1978, §§ 6-3B-1 to 6-3B-6); New Mexico Audit Act (NMSA 1978, § 12-6-3(B)(3)); Sanitary Projects Act (NMSA 1978, §§ 3-29-1 to 3-29-21); Joint Powers Agreements Act (NMSA 1978, §§ 11-1-1 to 11-1-7); and various New Mexico statutes, including those regarding the Commission’s general powers (NMSA 1978, § 72-14-3), ditches and acequias (NMSA 1978, Chapter 73, Art. 2 & 3), and land grants-merced (NMSA 1978, §§ 49-1-1 to 49-1-18; 49-4-1 to 49-4-21).

Original Issue Date: March 19, 2026

Expiration Date of this Policy: December 31, 2031

Appendix 1: Evaluation Criteria and Scoring Rubric

Appendix 1: Evaluation Criteria and Scoring Rubric

1 Ensure activities are strategic within the local context:

Application describes a well-defined context, water use need and its strategic solution or defines a step(s) toward a strategic solution aligned with the most recent Regional Water Plan. *Maximum 25 points*

- a. The application has well defined context, water use need, and a strategic solution aligned with the Regional Water Plan goals. The proposed activities and solution are clearly of great importance, and highly likely to be effective and efficient. *20-25 points*
- b. The application has a generally well defined the context, a water use need, its strategic solution, but some information is missing or unclear, or it is unclear how the solution is aligned with the Regional Water Plan goals. The proposed activities and solution are likely important, and maybe effective and efficient. *12-19 points*
- c. The application has partially defined the context, a water use need, and its solution, with significant information missing or unclear, and it is unclear how it is aligned with the Regional Water Plan goals. The proposed activities and solution are of unclear importance and are unlikely to be effective and/or efficient. *4-11 points*
- d. The application has not clearly defined a context, water use need, and solution and the proposed solution is not aligned with the Regional Water Plan goals. *0-3 points*

Explanation: A project’s activities should be clearly described and derived from a well-defined context, water use need, and a strategic solution or defined step(s) toward a strategic solution that is of great importance and demonstrates effectiveness and/or efficiency within the local context. Effectiveness and efficiency mean that the proposed activities are well-organized, delivered by those with the demonstrated capability, and have a high likelihood of achieving success without waste. The proposed solution should also align with the most recent Regional Water Plan such that the project or its elements are either specifically mentioned in the most recent Regional Water Plan or are in harmony with its stated goals.

2 Focus resources on creating impact:

Application describes clear and measurable public benefits in water use and health, economy, or environment and considers environmental impacts.	<i>Maximum 25 points</i>
a. The application has identified and clearly defined realistic and measurable outcomes and benefits of the proposed activities and fully considered relevant environmental impacts and proposed realistic mitigation actions.	<i>20-25 points</i>
b. The application has identified and defined some realistic and measurable outcomes and benefits, with others being unclear, unrealistic or unmeasurable, and/or has only partially considered relevant environmental impacts or proposed realistic mitigation actions.	<i>14-20 points</i>
c. The application has identified and defined a few outcomes and benefits, with many being unclear, unrealistic, or unmeasurable, and only partially considered relevant environmental impacts and proposed realistic mitigation actions.	<i>5-13 points</i>
d. The application has poorly defined outcomes and benefits and/or does not consider relevant environmental impacts.	<i>0-5 points</i>

Explanation: Applications should define a clear and measurable public benefit of new or improved water use and in health, environment, or economy that is the realistic effect of the proposed project activities. This can also include minimizing detrimental impacts in water use and health, economy, or environment. Public benefits are direct and measurable improvements or advantages to the general public or locally identified significant groups of people. The application should also define how the success of the project will be measured by describing the measure(s) (indicator(s)) that will be collected as part of the project to demonstrate achievement of the project objectives. For example, a project that adds a well could measure the additional volume of water delivered once completed. A project that repairs a water canal or pipeline could measure the reduction in transit losses within the system. Assessment of environmental impacts is also critical to sustainability, especially in infrastructure construction. For construction projects, the applicant must identify and assess environmental impacts, their risk, and plans to mitigate any adverse impacts and complete all relevant environmental permitting.

3 Support an approach that sustains benefits:

Application describes the systems that are in place to move forward, operate, and/or maintain the project outputs (technical, financial, human resources) ***Maximum
15 points***

- a. The application has clearly defined the system(s) in place to ensure the project outputs are used, operated, and maintained into the future. *11-15 points*
- b. The application has partially defined the system(s) in place to ensure the project outputs are used, operated, and maintained into the future. *6-10 points*
- c. The application has not clearly defined the system(s) in place to ensure the project outputs are used, operated, and maintained into the future. *0-5 points*

Explanation: Sustainability of benefits requires that there are systems in place to ensure the project outputs (e.g. planning or design documents or infrastructure) are used, operated, and maintained into the future. These systems refer to any collection of people and facilities that together perform one or more of those vital functions. For example, a system would ensure there are skilled staff or volunteers who are in place to use, implement or operate, and maintain the project outputs, and ensure there are necessary financial resources available for operation and maintenance of fully functional infrastructure.

4 Leverage other resources:

The ratio of the sum of all other funds for the project to Unit Fund ***Maximum
15 points***

- a. 101% or greater *11-15 points*
- b. 26-100% *8-10 points*
- c. 1-25% *5 points*
- d. 0% (no leveraged funds) *0 points*

Explanation: Use of the Unit Fund resources to leverage other resources is highly encouraged, although not required for funding consideration. This leveraging can take the form of complementing other resources by co-funding, matching or being matched. Resources may be secured or proposed in the form of actual funds and/or in-kind contributions. Non-cash, in-kind contributions should be estimated by the applicant based on realistic and demonstratable value. Volunteer hours value should be estimated by multiplying the number of hours by \$34.79/hr. Leverage ratio is calculated by dividing the total leveraged funds into the total Unit Fund funds requested in the application. For instance, if the total project cost is \$15 million and the application requests \$5 million from the Unit Fund while leveraging \$8 million from the Colonias Infrastructure Fund and \$2 million of local government funds, then the leverage ratio 2:1 (\$10 million:\$5 million) or 200% (\$10 million/\$5 million*100%) for the Unit Fund.

5 Ensure there is a readiness to proceed:

Applicants have necessary prerequisites for implementation in place or define a plan for how they will be secured (compliance, permits, land and water rights, additional financing) ***Total 10 points***

- a. The application has identified and secured all relevant prerequisites. *9-10 points*
- b. The application has identified all relevant prerequisites and secured some, but not all. *4-8 points*
- c. The application has identified some or all the relevant prerequisites but has not secured any of them. *1-3 points*
- d. The application has not identified any relevant prerequisites. *0 points*

Explanation: Applications should identify all necessary prerequisites for implementation and ensure they are secured or provide a plan for how they will be secured by the time of implementation. This includes all prerequisites such as compliance; federal, state, and local permits; applicable land and water rights ownership; and additional financing described under Criteria #5 (Leverage Other Resources).

6 Represent good value for money:

Project costs are reasonable and are a good value per beneficiary ***Total 10 points***

- a. Project costs are reasonable and the value for money ratio is less than \$100/person *10 points*
- b. Project costs are mostly reasonable and the value for money ratio is between than \$100 and \$1000/person *4-9 points*
- c. Project costs are somewhat reasonable and the value for money ratio is greater than \$1000/person *1-3 points*
- d. Project costs are not reasonable *0 points*

Explanation: Value for money is one way to estimate the reasonableness and the efficiency of use of the funds. The proposed uses of funds must be reasonable, at fair market value, and not appear excessive or extreme. Value for money is calculated by dividing the total estimated project cost (funds requested in the application plus all leveraged funds) by total direct beneficiaries of the project. Direct beneficiaries are those that will directly receive the project benefits, the benefits defined under Criteria #2 (Focus Resources on Creating Impact). For example, the new direct users of an improved well or the additional customers connecting to water services with the addition of a new pipeline are direct beneficiaries. Indirect beneficiaries in these examples would include the existing users of the well, existing customers in the water service area, or the entire population of village served by the water utility. Indirect beneficiaries are not included in the value for money calculation.