



State of New Jersey

Department of Environmental Protection
Division of Water Supply and Geoscience
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PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

CATHERINE R. McCABE
Commissioner

September 24, 2018

Dear Interested Party:

The Department of Environmental Protection (Department) is issuing the Amended Drinking Water Proposed Intended Use Plan for Federal Fiscal Year 2018 (and State Fiscal Year 2019) and Proposed Drinking Water Intended Use Plan for Federal Fiscal Year 2019 (and State Fiscal Year 2020) documents for the administration of the Drinking Water State Revolving Fund (SRF) program.

The CWSRF Proposed Intended Use Plan (IUP) dated November 2017 is not affected by these proposed amendments.

Because of the success of the DWSRF program over the last two years, the NJ Water Bank has funded a record number of projects and currently has many more project applications in-house in FFY2018 than in previous years. Therefore, to accommodate the maximum number of these projects, and comply with the federal requirements, the Department is proposing to amend the loan rates and certain project set-asides in the Proposed FFY2018 DWSRF IUP (November 2017) and continue the DWSRF program modifications in FFY2019. By funding DWSRF projects in project priority order and amending loan rates based on Department priorities, the highest priority public health projects will be able to be funded in FFY2018 and FFY2019 with the funds available.

The financing packages for DWSRF projects in FFY2018 are proposed to be modified from those published in the Proposed FFY2018 IUP (November 2017). The Department is proposing to modify loan rates in the base program to 50% funding from the Department and 50% funding from the I-Bank for publicly-owned water systems and 25% funding from the Department and 75% funding from the I-Bank for privately-owned water systems, for projects that are anticipated to be ready for funding in the next two years.

For those projects that have already received an approval of an asset management plan contract, an authorization to advertise or an authorization to award by July 31, 2018, your project will continue to qualify for financing under the terms of the original IUP issued for SFY 2019, provided you close on a short-term loan by June 30, 2019.

Hearings on the amendments to the Drinking Water Proposed IUP for FFY2018 (SFY2019) and the proposed Drinking Water IUP for FFY2019 (SFY2020) for Drinking Water Financing will be held at the following locations:

NJDEP Public Hearing Room, 401 E. State Street, Trenton, New Jersey, on October 12, 2018. The hearing will commence at 1:00 p.m. and conclude at 3:00 p.m. or the end of testimony (whichever is sooner).

North Jersey Transportation Planning Authority, 1085 Raymond Blvd., 17 th Floor (One Newark Center), Newark, NJ 07102, on October 16, 2018. The hearing will commence at 9:30 am and conclude at 11:30 am or the end of testimony (whichever is sooner). For directions and parking information click on <https://www.njtpa.org/home>.

Presentations may be made orally or in writing; if written testimony is prepared, the oral presentation should be limited to a summary of the text. The period for submitting written comments on the proposal will close on October 24, 2018 (all comments must be received by that date). All comments submitted prior to the close of the comment period will be considered in the preparation of the final FFY2018 DWSRF IUP documents.

In addition to the public hearing, informational sessions/webinars will be scheduled later this year. Notifications will be sent out to all interested parties once the details are finalized.

Written comments should be sent to the following address:

Mail Code 401-04Q
Patricia L. Gardner, Director
Division of Water Supply and Geoscience
PO Box 420
401 East State Street, 4th Floor, West Wing
Trenton, New Jersey 08625-0420
Or
watersupply@dep.nj.gov
with "DWSRF Comments" in the subject line

Copies of the Amended Drinking Water Proposed Intended Use Plan for Federal Fiscal Year 2018 (and State Fiscal Year 2019) and Proposed Drinking Water Intended Use Plan for Federal Fiscal Year 2019 (and State Fiscal Year 2020 and the Frequently Asked Questions can be found on the Department's website at <https://www.state.nj.us/dep/dwq/pdf/njwb-iup-18.pdf> and <https://www.state.nj.us/dep/dwq/pdf/njwb-iup-18-faq.pdf>.

If you have any questions regarding the Drinking Water IUP proposals, please contact one of the following:

Sandy Krietzman	Drinking Water SRF Project List and Policies	609-292-5550
Linda Dougherty	Drinking Water SRF Project List and Policies	609-292-5550
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Scott Shymon
Paul Hauch
Charles Jenkins

Clean Water SRF Project List and Policies
Clean Water SRF Project List and Policies
Clean Water SRF Project List and Policies

609-292-8961
609-292-8961
609-292-8961

Sincerely,



Patricia L. Gardner, Director
Division of Water Supply & Geoscience

NEW JERSEY'S ENVIRONMENTAL INFRASTRUCTURE FINANCING PROGRAM

*Amended Drinking Water Proposed Intended Use Plan
for Federal Fiscal Year 2018 (and State Fiscal Year
2019)*

*Proposed Drinking Water Intended Use Plan for
Federal Fiscal Year 2019 (and State Fiscal Year 2020)*



New Jersey Department of Environmental Protection
Water Resource Management
Division of Water Quality
Municipal Finance and Construction Element
Division of Water Supply and Geoscience
Water System Operations Element

October 2018

*Amended Proposed Drinking Water Intended Use Plan for Federal Fiscal Year 2018
(and State Fiscal Year 2019) and*

*Proposed Drinking Water Intended Use Plan for Federal Fiscal Year 2019 (and State
Fiscal Year 2020)*

The Priority System/Intended Use Plan (IUP) document must be developed annually, undergo a public participation process and be approved by the US Environmental Protection Agency for the State to qualify for State Revolving Fund (SRF) capitalization grants to support the New Jersey Environmental Infrastructure Financing Program (“Water Bank”). The federal fiscal year (FFY) 2018 IUP was proposed in November 2017 with a 30-day comment period.

The FFY2018 proposed IUP provided information on how drinking water funds, available through the NJ Department of Environmental Protection (DEP) and the NJ Infrastructure Bank (I-Bank), would be used to provide financial assistance for clean water and drinking water projects and identified State policies governing loan awards.

The financing packages for Drinking Water State Revolving Funds (DWSRF) projects in FFY2018, however, are proposed to be modified from those published in the Proposed FFY2018 IUP (November 2017). The DEP is proposing that these revised FFY2018 funding packages for DWSRF continue in FFY2019.

The Clean Water SRF program, as described in the proposed FFY2018 IUP, will remain as proposed.

The DEP continues to highlight the Clean Water (CWSRF) plan to utilize any unallocated principal forgiveness funds carried over at the end of SFY18 in accordance with the FFY2017 IUP and supplement those principal forgiveness funds with additional principal forgiveness as follows:

“The New Jersey Water Bank is a partnership to... provide low-cost financing for the design, construction, and implementation of projects that help to protect, maintain and improve water quality.”

- **\$1 million for small system asset management planning, capped at \$100K per sponsor;**
- **\$3 million for stormwater and nonpoint source projects in the Barnegat Bay Watershed, capped at \$2 million per sponsor; and**
- **\$6 million for CSO-Green Infrastructure, capped at \$2 million per sponsor.**

This document incorporates the currently proposed amendments into the November 2017 FFY2018 proposal so that the FFY2018 program appears in one document, as well as the FFY2019 proposal for drinking water only.

EXECUTIVE SUMMARY

Protecting and enhancing New Jersey's water quality and water infrastructure is vital to the State's health and economy. While often taken for granted, significant planning and investment is required to sustain and improve New Jersey's aging infrastructure systems. That cost often exceeds the capabilities of local water utilities. New Jersey's EIFP is a permanent low-cost financing program available for an extensive range of water quality infrastructure projects. The NJ Water Bank administers New Jersey's Clean Water SRF (CWSRF) and Drinking Water SRF (DWSRF) under the federal Clean Water Act and Safe Drinking Water Act, respectively.

Established in 1988, the New Jersey Water Bank is a partnership between the DEP and the New Jersey Infrastructure Bank ("I-Bank") to provide low-cost financing for the design, construction, and implementation of projects that help to protect, maintain and improve water quality. It is a revolving/self-perpetuating loan program, in that SRF loan repayments are committed to finance future projects in perpetuity.

The priorities and policies of the NJ Water Bank are established through this IUP. Projects eligible for financing include a wide variety of wastewater treatment works, stormwater management, drinking water systems, land acquisition, and landfill activities.

In 2018, the NJ Water Bank will continue to offer very attractive low-cost financing packages, including principal forgiveness (or grant-like funding), interest-free loans, and low interest loans for high priority projects. The CWSRF NJ Water Bank base program will continue to consist of 75% funding from the DEP at 0% interest and 25% funding from the Water Bank at the AAA market rate bond with opportunities for principal forgiveness. Prior to long-term funding, CWSRF projects are encouraged to seek a short-term loan from the I-Bank for activities from planning through construction completion.

The financing packages for DWSRF projects in FFY2018, however, are proposed to be modified from those published in the Proposed FFY2018 IUP (November 2017). Because of the success of the DWSRF program over the last two years, the NJ Water Bank has funded a record number of projects and currently has many more project applications in-house in FFY2018 than in previous years. Therefore, to accommodate the maximum number of these projects, and comply with the federal requirements, the DEP is proposing to amend the FFY2018 DWSRF loan rates and certain project set-asides proposed in November 2017 and continue the DWSRF program modifications in FFY2019. By funding DWSRF projects in project priority order and amending loan rates based on DEP priorities, the highest priority public health projects will be able to be funded in FFY2018 and FFY2019 with the funds available. The DEP is proposing to modify loan rates in the base program to 50% funding from the DEP and 50% funding from the I-Bank for publicly-owned water systems and 25% funding from the DEP and 75% funding from the I-Bank for privately-owned water systems, for projects that are anticipated to be ready for funding in the next two years.

For those projects that have already received an approval of an asset management plan contract, an authorization to advertise or an authorization to award by July 31, 2018, your project will continue to qualify for financing under the terms of the original IUP issued for SFY 2019, provided you close on a short-term loan by June 30, 2019.

WHAT'S NEW IN 2018

The DEP and the I-Bank made several changes to the CWSRF program in 2017 and are continuing to support those changes and using any carryover principal forgiveness funds from 2017 and 2018 allocating additional principal forgiveness funds in 2018 and 2019 as follows:

- \$1 million for small system asset management planning, capped at \$100K per sponsor;
- \$3 million for stormwater and nonpoint source projects in the Barnegat Bay Watershed; and
- \$6 million for CSO-Green Infrastructure capped at \$2 million per sponsor.

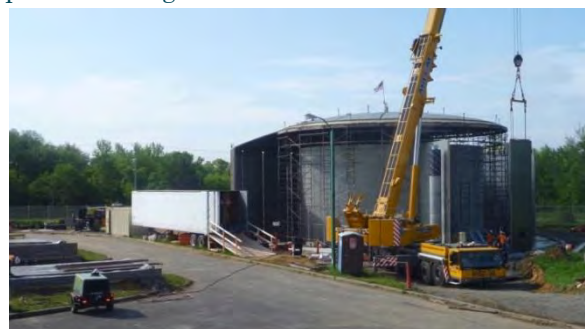
The NJ Water Bank is also extending project eligibility to private colleges and universities that are interested in sponsoring nonpoint source pollution projects to help address water quality concerns under the Clean Water SRF.

Continued Improvements Initiated in 2017:

Rolling Applications

Applications will be accepted anytime of the year.

There are no submission deadlines. Project ranking will be updated two times each year.



Principal Forgiveness Funds

Green Infrastructure (GI) in Combined Sewer Overflow (CSO) Sewersheds

Continue to provide 50% principal forgiveness, 25% DEP interest-free financing, and 25% I-Bank Market rate financing for GI projects that manage stormwater to reduce the overflow of untreated wastewater from CSOs.

COASTAL COMMUNITY WATER QUALITY RESTORATION

50% principal forgiveness for projects that will eliminate, prevent, or reduce occurrences of shellfish bed and beach closings due to the presence of pathogens; 25% DEP interest-free and 25% I-Bank Market Rate financing. \$2.5 million committed to a potential project by Cumberland County Improvement Authority.

Lead Service Line Replacement Program

Funding of lead service line projects will be in ranked order, with those systems exceeding the lead action level receiving the loan rates of 90% principal forgiveness, to replace lead lines in communities serving customers whose median household incomes are less than the county median household income. The loans are capped at \$1 million per municipality served. Other lead service lines projects will receive the base rate, affordability rate, or Nano financing.

NANO AND NANO-LITE

Small drinking water systems serving $\leq 10,000$ customers will be ranked and will receive 75% DEP interest-free financing and 25% I-Bank Market Rate financing. 50% principal forgiveness for small drinking water systems serving fewer than 500 residents, in addition to 25% DEP interest-free financing, and 25% I-Bank Market Rate financing.

CSO Flow Abatement

50% principal forgiveness, 25% DEP interest free financing, and 25% Water Bank Market Rate financing for the first \$10 million for more traditional capital improvements (e.g. treatment plant expansions, sewer separation) that reduce CSOs. DEP interest-free funding will be provided for costs beyond the cap or in lieu of principal forgiveness.

SMALL SYSTEM ASSET MANAGEMENT

100% principal forgiveness to small clean water systems to develop and implement asset management programs.

BARNEGAT BAY

50% principal forgiveness, 25% DEP interest-free financing, and 25% I-Bank Market Rate financing for stormwater and non-point projects in the Barnegat Bay Watershed.

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PROGRAM GOALS

Short-term: Provide funding to needed, construction ready, highly-ranked water quality improvement projects.

Long-term:

- Provide capital for water and wastewater infrastructure renewal to protect public health and the environment for multiple generations of New Jersey citizens;
- Continue serving as the Garden State's premier source of environmental infrastructure financing through self-sustaining, efficient and transparent programs;
- Establish and efficiently manage a permanent source of funding for clean water and drinking water infrastructure projects;
- Provide project financing at a much lower cost than program participants could achieve individually thereby passing substantial savings on to New Jersey taxpayers and rate payers; and
- Increase access to capital markets for those participants that find it difficult or expensive on their own, due to lower credit ratings or a lack of familiarity with debt financing.

BORROWER ELIGIBILITY

The following project sponsors are eligible to receive NJ Water Bank financing provided they satisfy the I-Bank and State of New Jersey creditworthiness standards:

Clean Water Borrowers

Owners of publicly-owned treatment works (towns, boroughs, municipal utilities authorities, counties, regional water authorities, other local government units, etc.) with projects to improve water quality are eligible for the I-Bank. Private entities are eligible through public conduit borrowers. The Program is also expanding project eligibility to private colleges and universities that are interested in sponsoring nonpoint source pollution projects to help address water quality concerns under the Clean Water SRF.

Drinking Water Borrowers

Public community water systems, both privately and publicly owned, and nonprofit noncommunity water systems (as defined by the National Primary Drinking Water Regulations) are eligible for Water Bank assistance. Public community water systems owned by water commissions, water supply authorities, and water districts are also eligible. Federally owned systems and State-owned systems (State agencies, such as State Police, Parks and Forestry, and Corrections) are not eligible to receive Water Bank assistance.



Califon Storm Water Improvements



Passaic Valley Sewerage Commission Interceptor Slip Lining



Bayonne MUA Wind Turbine for a Pump Station

PROJECT ELIGIBILITY

Wastewater

Most projects associated with sewage collection, treatment, or disposal are eligible for financing, including correction of inflow/infiltration problems, sludge management and combined sewer overflows. Eligible projects include:

- Secondary and advanced wastewater treatment
- Well Sealing
- Water conservation, such as water meters
- Flood resiliency
- Sludge handling facilities
- Infiltration and inflow (I/I) correction
- Interceptors, pumping stations and force mains
- Sewer system rehabilitation
- New collection systems
- Correction of Combined Sewer Overflows (CSOs)
- Solutions for malfunctioning septic systems
- Wastewater reuse and conservation projects
- Emergency Repair Projects to replace, in kind, the failure of an essential portion of a wastewater system that will disrupt service for a minimum of 24 hours total and/or poses a substantial threat to the public health, safety, and welfare

For information regarding permitting, see:

[NJPDES Additional Information](http://www.nj.gov/dep/dwq/njpdes.htm) (www.nj.gov/dep/dwq/njpdes.htm)

[NJDEP Treatment Works Approval program](http://www.nj.gov/dep/dwq/forms_twa.htm)

(www.nj.gov/dep/dwq/forms_twa.htm)

[NJDEP Land Use Program](http://www.nj.gov/dep/landuse) (www.nj.gov/dep/landuse)

Drinking Water

The main objective of drinking water funding is to protect the public health in conformance with the objectives of the Safe Drinking Water Act. Types of eligible projects include:

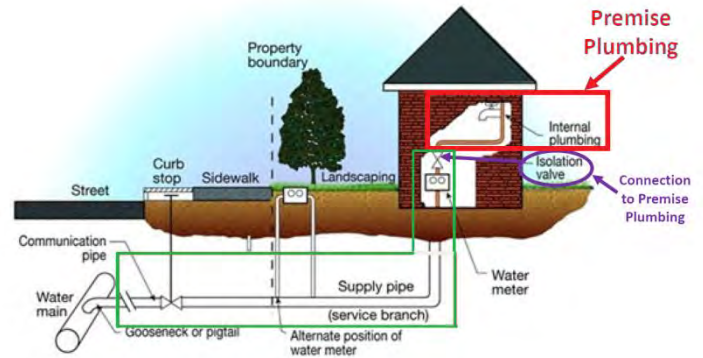


Drilling of a Drinking Water Well at the Berkeley Twp. MUA



Construction of Storage Tanks at the Jackson Twp. MUA

- Projects to maintain compliance with existing regulations for contaminants with acute health effects (e.g. Surface Water Treatment Rule, Revised Total Coliform Rule) and existing regulations for contaminants with chronic health effects (e.g. Lead and Copper Rule)
- Full lead service lines replacement by systems with Lead Action Level Exceedance
- Treatment of unregulated contaminants (contaminants that are currently not regulated under the SDWA rules, including contaminants of emerging concern for which there is no drinking water standard)
- Rehabilitate or develop sources to replace contaminated sources
- Treatment facilities
- Storage facilities
- Transmission and distribution pipes, including lead service line location and replacement, regardless of whether the system has ownership of the pipe.
- Projects that address the exceedance of a recommended upper limit for secondary contaminants.
- Purchase or consolidation (i.e., restructure) of a water system that is unable to maintain compliance for technical, financial, or managerial reasons.
- Emergency Repair Projects to replace, in kind, the failure of an essential portion of a public water system that will disrupt water service to any number of the public water system's customers for a minimum of 24 hours total and/or poses a substantial threat to the public health, safety, and welfare.



Drinking water service line eligible up to the isolation valve



Township of Middletown Sanitary Authority Aeration Digester

Stormwater

Eligible projects include construction, expansion or replacement of stormwater management systems, including the following:

- Non-point Source Pollution/Stormwater management
- Construction of regional basins
- Major stormwater system rehabilitation
- Replacement of existing storm drains
- Rehabilitation of tide gates
- Extension of outfall points
- Runoff control (manure/feedlots and stream bank stabilization/restoration)
- Stream/lake embankment restoration
- Salt dome construction



Old Bridge MUA Laurence Harbor Bulkhead and Walkway

For additional information, see:

[NJDEP Stormwater Links](http://www.nj.gov/dep/dwq/fd.htm) (www.nj.gov/dep/dwq/fd.htm)

Green

Green projects are clean water and drinking water projects that incorporate green infrastructure and water or energy efficiency improvements (those that reduce greenhouse gas emissions, for example). Green infrastructure includes such practices as replacing existing pavement with porous pavement, utilizing bioretention, renewable energy, constructing green roofs, creating rain gardens, and other practices that restore natural hydrology and treat stormwater runoff through infiltration into the subsoil, treatment by vegetation or soil, or stored for reuse.

For additional information, see:

[Green Infrastructure in New Jersey](http://www.nj.gov/dep/gi/index.html) (www.nj.gov/dep/gi/index.html)

[NJDEP Sustainability and Green Energy Guidance](http://www.nj.gov/dep/sage/so-guidancedocs.html)

(www.nj.gov/dep/sage/so-guidancedocs.html)

Brownfields

The cleanup of abandoned and contaminated industrial sites is eligible for financing if a local or county government assumes the repayment obligation for the loan. The NJ Water Bank will finance the removal of contaminated soil, site-capping and the installation of stormwater controls.

Returning Brownfield sites to productive use protects and improves water quality and preserves open space. Every acre of Brownfield redevelopment spares 4.5 acres of pristine land from development. Brownfield redevelopment also boosts local tax revenue, creates jobs, revitalizes New Jersey's cities and towns, and improves the quality of life for area residents.

The NJ Water Bank provides loans to municipalities, counties and public authorities to support a wide range of cleanup and remediation activities necessary to restore the Brownfield site for re-use.

For additional information, see:

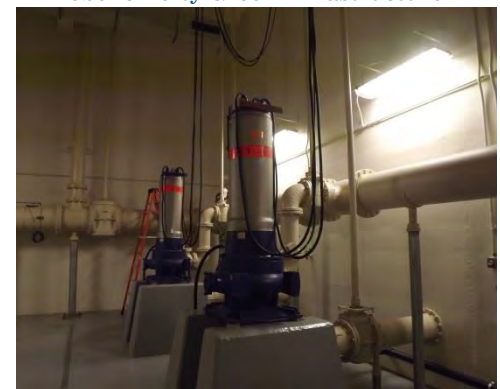
[NJDEP Site Remediation Links](http://www.nj.gov/dep/srp/) (www.nj.gov/dep/srp/)

Landfills

Landfills construction activities that have a water quality benefit are eligible for NJ Water Bank financing. Examples include:



Hoboken City Green Infrastructure



Camden County MUA Pump Station



Mount Laurel MUA Elbo Lane Water Treatment Plant

- New Landfills (Water quality/protection aspects)
- Capping systems
- Liners
- Leachate collection systems
- Treatment systems
- Sewer connections
- Barge shelters
- Containment booms
- Litter fences
- Gas collection and treatment systems
- Monitoring wells
- Reclamation or reduction activities



Camden County Phoenix Park

Land Preservation

NJ Water Bank provides financing for the preservation of open space and farmland given the water quality benefit achieved through such acquisitions. The Program funds preservation with regard to properties protecting stream headwaters and corridors, wetlands, and aquifer recharge areas. Financing for land is compatible with the Green Acres Program, the Garden State Preservation Trust, and Open Space programs financed by local and county Open Space taxes.

Although lands purchased through the NJ Water Bank for preservation as part of Open Space cannot be developed, they may be used for passive recreational activities, such as hiking, fishing and horseback riding. Placement of conservation easements on funded parcels is a requirement, which assures that the water quality benefits are preserved in perpetuity.

The NJ Water Bank will coordinate with the Green Acres Program, when appropriate, to maximize a community's limited open space funds for land acquisition. Through this partnership, municipalities can receive additional resources to facilitate the purchase of larger and/or more expensive parcels.

For additional information, see:

[NJDEP Green Acres Program](http://www.nj.gov/dep/greenacres/) (www.nj.gov/dep/greenacres/)

Equipment

Equipment that provides a water quality benefit can be financed under the NJ Water Bank, including but not limited to:

- Street sweepers
- Generators
- Sewer flushing and cleaning equipment
- Dump trucks
- Crawler loaders
- Skimmer boats
- Aquatic weed harvesters
- Outfall netting may be financed under the NJ Water Bank



**Passaic Valley Sewerage Commission
Electrical Substation**

Security Monitoring

Projects designed to improve security at otherwise funding-eligible wastewater and drinking water facilities are eligible for funding, including but not limited to:

- Fencing
- Lighting
- Motion detectors
- Cameras
- Secure doors
- Alternative auxiliary power sources

Allowable Auxiliary Costs

Additional costs that are eligible within a project include:

- Road repaving
- Utility relocation
- Site grading
- Purchasing land for stormwater use



North Wildwood Sewer, Storm and Street Restoration

Highlighted Planning and Design:

Projects to develop and implement CWSRF asset management plans, CSO long-term control plans, and water loss prevention plans are eligible for financing and possible principal forgiveness. The loans must be rolled into a NJ Water Bank capital improvement project or repaid in 3 years. CSO long term control plans can receive loans up to 10 years.

[NJDEP Asset Management Program](http://www.nj.gov/dep/assetmanagement/) (www.nj.gov/dep/assetmanagement/)

[NJDEP Asset Management Guidance and Best Practice](http://www.nj.gov/dep/watersupply/pdf/guidance-amp.pdf)

(www.nj.gov/dep/watersupply/pdf/guidance-amp.pdf)

Continued Typical Planning & Design:

Planning & Design Loans cover costs incurred in the planning and design phase of a water infrastructure project. These loans are 0% interest. Eligible costs include engineering fees, surveys, environmental or geological studies, and other costs related to project plan preparation. The loans must be rolled into a Water Bank capital improvement project or repaid in 3 years.

FUNDING PACKAGES (LONG-TERM LOANS)

Table 1: Long -Term Funding Packages Breakdown – Clean Water

Clean Water	Principal Forgiveness	DEP 0%*	I-Bank Market Rate**	\$ Savings as % of Total Loan***
Asset Management Plan Development	100%	0%	0%	100%
Coastal Community Water Quality Restoration	50%	25%	25%	57%
Barnegat Bay, CSO-Green, & CSO-Abatement	50%	25%	25%	57%
Superstorm Sandy Relief	19%	56%	25%	34%
Planning and Design	0%	100%	0%	27%
Base CWSRF	0%	75%	25%	20%
Brownfield Redevelopment	0%	50%	50%	13%

* DEP portion of funding is at 0% interest

** I-Bank portion of funding is at AAA market Rate

***Saving based on comparison to AAA market rate municipal bond, as of October 2016 and administrative fees

Table 2: Long-Term 20 Year Funding Packages Breakdown – Drinking Water

Drinking Water	DEP 0%*	I-Bank Market Rate**	Principal Forgiveness	Funding Cap per project
Base DWSRF – Public	50%	50%	0%	Not applicable
Base DWSRF – Investor-owned	25%	75%	0%	\$10 Million (remainder at I-Bank market rate)
Small System (“Nano”) ≤ 10,000 customers	75%	25%	0%	\$1 million (remainder at 50/50 or 25/75)
“Nano-lite” <500 customers	25%	25%	50%	\$500,000 (in principal forgiveness)
Affordability (publicly-owned water systems only) ¹	75%	25%	0%	\$10 million
Lead Line Replacement ²	10%	0%	90%	\$ 1 million (per eligible municipality; remainder at base rate)
Planning and Design	100%	0%	0%	NA

¹ Systems serving municipalities with MHI ≤ 65% State MHI (2010 census).

² Water systems that exceed the lead action level are eligible to receive the lead line replacement funding, in project priority order according to ranking assigned by the priority ranking system (see Appendix 3).

* DEP portion of funding is at 0% interest

** Water Bank portion of funding is at AAA market Rate

Principal Forgiveness Funds

The DEP expects to use the maximum amount available for principal forgiveness utilizing SRF monies subject to federal restrictions. In addition to the SRF, the DEP may increase any amounts identified in the IUP reserved for principal forgiveness and adjust any caps if additional SRF or non-SRF funds (including Natural Resource Damages (NRD) recovered by the State and Corporate Business Tax (CBT)-diesel funds) to supplement principal forgiveness or low-cost loan funding. In addition, the DEP may bank any non-SRF financing towards future State Match requirements subject to EPA approval.

Asset Management for Small Systems

For the CWSRF, the Water Bank will provide 100% principal forgiveness to small wastewater systems (those that serve 10,000 or fewer people) to develop and implement asset management programs.

The asset management funding is not available to small drinking water systems in FFY2018 and 2019.

DEP expects to make SRF or non-SRF funds available in the form of principal forgiveness through the NJ Water Bank and cap the amount at \$100,000 per applicant. A total of \$1 million in principal forgiveness funds (plus any of the \$1M reserved last year for Asset Management Plan that remains unobligated at the end of SFY18) is available for this purpose in SFY19. A capital improvement project is expected from the creation of the asset management program. Larger systems are eligible for short-term, interest-free loans, with a capital improvement project. The DEP reserves the right to use these funds to hire a contractor to provide technical services to small communities for asset management.

Coastal Community Water Quality Restoration

NJ Water Bank is offering 50% principal forgiveness for capital improvement projects that will eliminate, prevent or reduce occurrences of shellfish bed or beach closings due to the presence of pathogens. Projects would eliminate such potential sources as failing on-site wastewater systems and cross-connections between storm sewers and sanitary sewers. Project costs up to \$5 million would receive 50% principal forgiveness, 25% DEP interest-free, and 25% I-Bank market rate financing. Project costs exceeding \$5 million are eligible for the Base CWSRF structure. \$2.5 million in principal forgiveness has been committed towards Cumberland County Improvement Authority to resolve failing septic and prevent shellfish bed closures in Downe Township, limited to Fortescue and Gandys Beach. A total of \$5 million in principal forgiveness funds was reserved last year. Any amounts that remain unobligated at the end of SFY18, continue to be available for these purposes in SFY19.

Green Infrastructure – CSO Sewershed

The DEP is reserving funds and providing principal forgiveness loans for Combined Sewer Overflow (CSO) abatement projects utilizing green practices (such as green roofs, rain gardens, porous pavement, and other activities that maintain and restore natural hydrology by treating stormwater runoff through infiltration into the subsoil, treatment by vegetation or soil, or stored for reuse). Projects will continue to receive 50% principal forgiveness, 25% DEP interest free, and 25% I-Bank

market rate financing. A total of \$6 million in principal forgiveness funds (plus any of the \$30M amount reserved in SFY18 for CSO-Green and CSO-Gray that remains unobligated at the end of the SFY) is reserved to provide principal forgiveness loans for CSO-Green Infrastructure in SFY19. There is a \$2 million cap of principal forgiveness per applicant in SFY19. DEP interest-free funding will be provided for costs beyond the cap or in lieu of principal forgiveness.

Flow Abatement - CSO Sewershed

NJ Water Bank is reserving funds and offering 50% principal forgiveness and 25% DEP interest-free financing and 25% I-Bank market rate financing to communities in a CSO sewershed sponsoring construction projects that reduce or eliminate excessive infiltration/inflow or extraneous flows. There is a \$5 million cap of principal forgiveness per applicant. DEP interest-free funding will be provided for costs beyond the cap or in lieu of principal forgiveness. A total of \$30 million in principal forgiveness funds was reserved last year. Any amounts that remain unobligated at the end of SFY18, continue to be available for these purposes in SFY19.

Sandy Relief

Sandy Relief funds are for clean water and drinking water facilities that were damaged by Superstorm Sandy and are constructing repairs or resiliency to prevent future damage to a treatment facility or water system from a similar event. Resiliency projects include elevating critical infrastructure, flood walls, backup power sources and more. Sandy Relief funds were made available in a one-time installment and offered while funds remain. All the Sandy Relief DWSRF funds were awarded in SFY2017. As such, the NJ Water Bank will continue to accept clean water submittals under the Sandy Relief program, which includes a principal forgiveness component of approximately 19% of the allowable costs. If all the CWSRF Sandy Relief funds are awarded in SFY17 or SFY18, new submittals will be eligible under the Base SRF loan structure.

Barnegat Bay

A total of \$3 million in principal forgiveness funds (plus any of the \$10M amount reserved in SFY18 that is unallocated at the end of the SFY) is reserved for stormwater and non-point source pollution management projects in the Barnegat Bay Watershed. 50% principal forgiveness will be offered with a \$2 million limit on principal forgiveness per applicant and awarded on a first come basis. The remaining project amount is financed 25% DEP interest-free, and 25% I-Bank market rate financing.

Replacement of Lead Service Line Set-Aside Program

The existence of lead service lines in some of our aging drinking water infrastructure poses potential risk to public health. This risk can be significantly reduced through the identification and replacement of lead service lines. Lead service line replacement projects will be funded in priority ranked order, with those water systems exceeding the action level receiving priority. Water systems that have exceeded the lead action level that serve communities with a median household income less than the median household income for the county in which they are located are eligible for DEP's lead line replacement program. MHI is calculated in accordance with <https://www.census.gov/quickfacts/NJ>. Loans will be offered as 90% principal forgiveness and 10% funding from the DEP at 0% interest. Project applicants are capped at \$1 million. Lead pipes and components are defined as containing at least 90% or more lead by weight. The DEP has set aside \$5 million for principal forgiveness. Water systems that do not exceed the lead action level but want to replace lead pipes are eligible for Water Bank base programs. The following criteria must be met for the project to be eligible for Water bank loans:

- Be able to document the presence of lead pipes and components
- Provide documentation through historic records that the lines to be replaced are lead. Acceptable records include information on the age of the houses and high probability of lead lines and components being present, line installation records, etc.
- Partial lead line replacements are not allowable.

Nano Loan Program

Small systems will be funded in ranked order. \$4 million, subject to any federal limitations, is available for loans to small water systems serving 10,000 or fewer customers. These loans are offered at 75% DEP interest-free and 25% I-Bank market rate. Projects are capped at \$1 million. Additional financing is available at 50% DEP interest-free and 50% I-Bank market rate or 25% DEP interest-free and 75% I-Bank market rate for amounts greater than the \$1 million cap.

Nano-lite Loan Program

Small water systems serving fewer than 500 customers are eligible to receive a financing package that includes principal forgiveness: 50% project costs as principal forgiveness, 25% DEP interest-free, 25% I-Bank market rate. The DEP has set-aside \$1 million for these very small systems. The project cost cap is \$500,000. Financing at 50% DEP interest-free and 50% I-Bank market rate or 25% DEP interest-free and 75% I-Bank market rate will be available for project costs greater than \$1 million. These projects are selected based on priority ranked order.

Small Water System Engineering Contract Program

Under a \$400,000 contract with the NJDEP and the New Jersey Water Association (NJWA), small water systems that serve fewer than 3,300 persons are provided with engineering services needed to close on a Water Bank loan. Under the terms of this contract, NJWA partners the small water systems with engineering firms to complete project milestones, including permitting, submittal of the Environmental Decision Document (EDD) and loan closing. When these projects are ready for financing, they will be ranked, and financed to the extent that the DEP can accommodate their loan requests under the Nano or Nano-lite programs.

Community Engineering Corps

DEP is partnering with the Community Engineering Corps to identify water systems that serve fewer than 500 persons and need assistance to come into compliance. \$2 million of SRF funds is being made available for this program. 100% principal forgiveness loans will be available to those systems that are assisted by the Community Engineering Corps, with a cap of \$500,000 per project. The DEP will not charge permit fees to these small systems.

Financing Options

The NJ Water Bank offers the following low interest financing options for eligible projects.

Base CWSRF & DWSRF

At the time a project is at or near construction completion, long-term financing will be issued. The Base CWSRF funding package consists of 75% DEP interest-free and 25% I-Bank market rate financing for allowable costs. This is offered to all eligible clean water borrowers.

For the DWSRF FFY2018/SFY19 and the FFY19/SFY20 program, the DEP is proposing to finance those projects that will be ready for authorization to advertise prior to February 2020 in priority ranked order. The DWSRF Project Ranking methodology is in Appendix 3.

In addition, the DEP is proposing to change the DWSRF base program shares for the financing package wherein 50% of the allowable project costs for publicly owned water systems are provided by the DEP interest-free and 25% of the allowable project costs for privately-owned water systems are provided by the DEP interest-free and the remaining allowable project costs financed by the I-Bank. Project applicants for privately owned water systems are capped at \$10 million per project. Project costs over \$10 million can be financed by the I-Bank.

Loan rates will also be based on water system ownership (publicly-owned vs. privately-owned), system size, and affordability criteria as described in Appendix 3. The DEP determined that for the purposes of the DWSRF Program, a municipality whose median household income equal to or less than 65% of the State's MHI (New Jersey's MHI was \$68,444 as reported in the 2010 Census) is a Disadvantaged Community. The publicly-owned water systems serving these communities will receive a funding package of 75% DEP/25% I-Bank.

Brownfield Redevelopment (Public Private Partnership)

A total of \$60 million in NJ Water Bank loans is proposed to be reserved for brownfield redevelopment projects in SFY19. Brownfield redevelopment by private entities is eligible for a funding package of 50% DEP and 50% I-Bank financing. Private entities must have a public conduit that will sponsor the project.

Planning and Design

The Water Bank is offering 100% interest-free financing for up to three years through the planning and design loan program. Planning and design include projects such as the development of asset management plans and CSO long-term control plans. CSO permittees developing long-term control plans for their CSO sewershed may receive loans for up to 10 years, with portions of principal repayments commencing at the end of the 3rd year. Loans are given with the expectation that such plans will result in an eligible capital improvement project.

SAIL Program

The Statewide Assistance Infrastructure Loan (SAIL) program is a disaster relief loan program designed for project sponsors that anticipate receiving FEMA or other federal disaster relief grants. The SAIL program's goal is to provide timely and cost-effective funds, in advance of federal reimbursements, to expedite and support the impacted communities' recovery and rebuilding of environmental infrastructure. SAIL finances projects within a declared disaster area to rebuild water systems directly impacted by a declared disaster as well as costs associated with improving the resiliency of Clean Water and Drinking Water systems, regardless of direct disaster impact.

Short-Term Loans

All projects are encouraged to secure short-term loans at the time of execution of an engineering design contract for the entirety of the project (planning, design, and construction). Funding will be committed upon certification of each operable segment and satisfaction of the program's credit worthiness standards. Such loans are currently at 0% interest for terms of up to 3 full fiscal years.

NOTEWORTHY PROGRAM FEATURES

Application

All applications are submitted on the H2LOans website (h2loans.com). To create an H2LOans account, the project sponsor's authorized official will need to call the Water Bank at 609-219-8601 for security reasons. The authorized official can then designate a project manager (authorized representative) to submit required information. Application deadlines have been removed and rolling applications are being accepted any time of the year.

H2LOans Tutorial Video (https://www.youtube.com/watch?v=UgDDV_SyqL0)

Loan Awards

Loan awards for new projects will be made in FFY2018/SFY2019 in accordance with [N.J.A.C. 7:22-3, 4, and 5.9](#) (<http://www.nj.gov/dep/dwq/722.htm>). The loan term will generally be 30 years for CWSRF funded projects but cannot exceed the useful life of the facility. The loan term for DWSRF projects will be 20 years but cannot exceed the useful life of the project.

Local government units are required to meet the technical, administrative, and environmental provisions of the rules of DEP and the Water Bank ([N.J.A.C. 7:22-3, 4, 5, 8, 9, and 10](#) <http://www.nj.gov/dep/dwq/722.htm>). Disbursement and loan repayment provisions must be consistent with the rules.

Pre-award Approvals/Emergency Projects

Eligible projects can qualify to receive pre-award approvals if the requirements of the rules ([N.J.A.C. 7:22-3.32 and 4.32](#) <http://www.nj.gov/dep/dwq/722.htm>) are met and if executed contracts to implement the project have been received by DEP.

DEP & I-Bank Fee

In accordance with the USEPA Policy on Fees Charged on Assistance Provided Under the SRF Programs, states must disclose information regarding the assessment and use of any fees associated with SRF activities that are passed on to the program participants. In New Jersey, DEP reserves 4% of the annual SRF capitalization grant to cover a portion of the administrative costs of administering the program. In addition, the annual legislation for the SFY2006 Program established a "Department Loan Origination Fund" that is administered by the Water Bank. The DEP now has a stable fixed fee of 2% of the participant's loan amount. No SRF funding is involved in DEP's loan origination fee. DEP's loan origination fee is not included in the principal amount of the CWSRF and DWSRF loan and is separately accounted for.

The Water Bank's loan is issued at the same market interest rate as the Water Bank obtains from the sale of its bonds. Rather than bonding for all the eligible closing costs associated with each financing, the I-Bank charges the borrowers a one-time charge of 0.1% of the principal Water Bank loan amount to partially cover the costs associated with that particular series' bond issuance expenses. These costs include such activities as: bond counsel, financial advisor, rating agencies, printing and publishing of the Notice of Sale, the Preliminary Official Statement, the Official Statement, and other costs related to the Water Bank's bond sale. In addition, the Water Bank charges an annual administrative fee of 0.3% of the Water Bank's bond principal loan amount to cover the balance of the closing cost and the annual operating expenses associated with the operations of the Water Bank and the on-going costs associated with the loan servicer and Trustees. The Water Bank's annual administrative fee is not included in the principal amount of the loan and is held in an account outside of the SRF. The Water Bank is evaluating its existing fee structure

and considering a return to an annual administrative fee equal to 0.30% on 50% of a borrower's total loan amount. Any changes to the Water Bank's fee annual structure are subject to all applicable approvals and publication in the SFY2019 Financial Plan in May of 2018.

Sources and Use of Funds

The Table below represents estimated amounts available from prior program years and anticipated uses for the FFY2018/SFY2019 Environmental Infrastructure Financing Program:

SFY 2018 Financing Program

Anticipated Sources:

Funds Available from prior years	\$272 M
Repayments from prior years' loans	\$133 M
<u>FY 2017 CW/DW SRF Grants</u>	<u>\$ 78 M</u>
Subtotal	\$483 M

Anticipated I-Bank Share:	\$162 M
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Total Program Sources:	\$644 M
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Anticipated Uses:

Projects to be Financed in the SFY 2018 Program	\$450 M
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SFY 2019 Financing Program

Anticipated Sources:

Funds Available from prior years	\$194 M
Repayments from prior years' loans	\$133 M
<u>FY 2018 CW/DW SRF Grants</u>	<u>\$ 78 M</u>
Subtotal	\$405 M

Anticipated I-Bank Share:	\$135 M
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Total Program Sources:	\$540 M
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Anticipated Uses:

Projects to be Financed in the SFY 2019 Program	\$450 M
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UPDATED ESTIMATES FOR DRINKING WATER PROGRAM ONLY:

SFY2019 Financing Program

Anticipated Sources:

Funds Available from prior years	\$ 48 M
Repayments from prior years' loans	\$ 38 M
FFY2018 DW SRF Grant	\$ 16 M
<u>CW to DW Transfer</u>	<u>\$ 6 M</u>
Subtotal	\$ 108 M
Anticipated I-Bank Share (est. 50%)	\$ 108 M

Total Program Sources: \$ 216 M

Anticipated Uses:

Projects to be Financed in the SFY2019 Program	\$ 216 M*
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SFY2020 Financing Program

Anticipated Sources:

Funds Available from prior years	\$ 0 M
Repayments from prior years' loans	\$ 38 M
FFY2019 DW SRF Grant	\$ 16 M
<u>CW to DW Transfer</u>	<u>\$ 6 M</u>
Subtotal	\$ 60 M

* Current DWSRF obligations and project applications exceed this amount.

Financial Relationships between the CWSRF and the DWSRF

The federal Safe Drinking Water Act Amendments of 1996 offer states the flexibility to meet the funding needs for drinking water and wastewater facilities by transferring funds from one SRF program to the other. Annually, an amount up to 33% of the Drinking Water SRF Capitalization Grant may be transferred from the CWSRF program to the DWSRF program, or vice versa. The USEPA has issued guidance that would allow utilization of transfer credits and transfer of funds on a net basis (i.e., funds could be moved in both directions), provided that the final transferred amount does not exceed the authorized ceiling.

The SRF program evaluates funds available to determine if adequate monies are available to be used for clean water projects in the current fiscal year. In addition, the type and number of DWSRF projects are reviewed and a determination is made on the need of the funds to be transferred from the CWSRF accounts to the DWSRF accounts or vice-versa.

DEP reserves the right to transfer funds from the CWSRF to the DWSRF (or vice-versa) each fiscal year to the extent allowed by law, including Sandy SRF funds. While all projects that meet the program requirements and are ready to proceed have been able to receive a CWSRF or DWSRF loan in the past, the

ability of the programs to finance all qualifying projects in the future is uncertain because of reduced federal funding levels and the increase in the demand for the limited DWSRF funds.

In addition to the potential transfer of funds between the CWSRF and DWSRF, DEP is continuing its policy to cross-collateralize the DWSRF with the CWSRF. This feature results in significant savings to project sponsors. And, in particular, benefits the drinking water project sponsors since there is a large source of revenue available via the CWSRF repayments to cover possible loan defaults. Under the EPA-approved procedures associated with cross-collateralization, a temporary transfer of funds between the two SRFs may occur as if necessary to cover the default of a loan repayment or other financial obligation. DEP and the Water Bank would take steps to collect any obligations resulting from a loan default and reimburse the appropriate drinking water or clean water account.

Additional SRF Provisions:

Programmatic requirements are listed below. It is anticipated that these provisions will be maintained in a subsequent federal reauthorization act or federal policy. If substantial changes in the Act necessitate DEP's revision of the FFY2018 document, additional public participation efforts will be conducted.

1. The schedule of state capitalization grant payments, jointly agreed upon by the administrator of the EPA and each state, is based upon the state's IUP.t
2. States are required to deposit in the SRF, from state monies, an amount equal to at least 20% of the total amount of all capitalization grants made to the state.
3. The CWSRF fund created with federal capitalization grants can only be used to provide assistance for (a) the construction of publicly owned treatment works, (b) the implementation of a NPS (nonpoint source) management program, which includes construction of stormwater/NPS management facilities, and (c) the development and implementation of an estuary conservation and management plan. Although CWSRF loans may only be provided for publicly-owned wastewater treatment and stormwater sewer systems, if a government unit assumes ownership of a privately-owned system, a loan may be provided under the authority of section 603(c) of the federal CWA. A state may also deem the public ownership requirement as being met for small/on-site systems if adequate inspections and operations are ensured through the establishment of a septic management district or use of service easements.
4. Monies in the CWSRF may be used to provide loans at or below market interest rate, for terms not greater than 30 years or the useful life, whichever is less. For DWSRF, the terms are not greater than 20 years or the useful life, whichever is less. Repayments must begin no later than one year after completion of the project and must be credited to the SRF (principal and interest). The recipient of a loan must establish a dedicated source of repayments. The CWA authorized the use of federal CWSRF monies to refinance local debt obligations, provide guarantees, or purchase insurance.

Section 1452 of the federal SDWA authorizes the states to provide funding for certain non-project activities, as long as the amounts do not exceed ceilings specified in the statute. The non-project set-asides provide for DWSRF activities that are not construction related and include administration of the DWSRF, technical assistance for small systems, state public water system supervision (PWSS) programs, source water program administration, capacity development, and operator certification. Each state must have a capacity development and operator program, or EPA may withhold up to 20% of the annual capitalization grant.

The DEP issued a workplan for the FFY2018 non-project set-asides on June 15, 2018 which was distributed to community and nonprofit noncommunity water systems and other stakeholders for a 30-day comment

period. The DEP did not receive any comments on the FFY2018 non-project set-aside workplan. This final workplan was submitted as an attachment to the FFY2018 Capitalization Grant. The DEP was awarded the Capitalization Grant in September 2018.

The Table below represents the amounts of the available sources and anticipated uses for certain non-project activities:

<u><i>Funds Available</i></u>	<u><i>FFY 2018</i></u>
Federal Capitalization Grant	\$ 18,957,000.00
State Match	
20%	\$ 3,791,400.00
Projected Expenditures	
Administration (net position)	\$ 979,451.00
Non-project Set-asides	\$ 1,849,961.00
Small System Tech Assistance (2%)	\$ 183,708.00

APPENDIX 1: CLEAN WATER PRIORITY SYSTEM RANKING

METHODOLOGY

I. Project Priority List — General Information

Clean water projects must be listed on the Project Priority List in order to be considered eligible for financial assistance under the EIFP. The Priority List identifies the estimated total eligible building costs under the appropriate project category. Except for certain project types, the figure under the "Total Eligible Project Cost" includes the estimated total eligible building costs, the related costs for construction services (i.e., administrative, legal, engineering, inspection, one year start-up services, etc.), the allowance for planning and/or design (or best estimate of actual costs), 3% for the recipient's administrative costs, and a 5% contingency cost. The figure under the "Total State Amount" column represents 100% of the estimated total eligible project costs.

DEP has established a rolling application process and will update and post the Priority List several times during the fiscal year. The Department expects to notify potential borrowers and other interested parties upon each posting of an amendment to the Priority List on the DEP and I-Bank websites and establish a reasonable comment period for public input on those amended lists as they become available.

II. Ranking Methodology

DEP ranks all projects on the basis of the total number of ranking points each project receives and places the projects on the Priority List according to their ranking. The ranking system gives highest priority to projects that address discharges of raw, diluted, or inadequately treated sewage to the state's waters during wet weather, including projects to abate combined sewer overflows (CSOs) and projects to address sanitary sewer systems that overflow. CSO abatement projects are expensive and are usually located in financially distressed urban areas, making cost a serious concern. Discharges from combined sewer systems and sanitary sewer overflows can impair water uses.

DEP's Priorities List provides a strategic foundation for structural changes and includes objectives to implement projects that will help to protect, maintain and improve water quality in and around the Barnegat Bay, while also determining the best long-term approach for restoring the ecological health of Barnegat Bay. To support these efforts to improve the water quality of the Bay, the project ranking methodology for the FFY 2018 Financing Program provides an additional 300 priority points to nonpoint source and stormwater runoff control projects that are intended to benefit the Barnegat Bay. The additional 300 points will be assigned to wastewater reuse projects that are intended to offset the loss of freshwater flows caused by the regionalization of sewage treatment plants and the use of ocean outfalls.

A. Sustainable Community Planning Activities

The purpose of the provisions in this section is to encourage and facilitate implementation of environmentally sustainable practices at the local government level. Prudent environmental planning that incorporates sustainability measures is necessary to achieve cost-effective and environmentally sound water quality improvement within the watershed. Additional priority points will be awarded to projects located in or benefiting municipalities that have implemented programs and actions that go beyond compliance with existing regulatory requirements and incorporate the planning strategies discussed below.

Sustainable Community Planning: Sustainable communities develop and adopt master plans and ordinances that improve the overall quality of life for citizens of today as well as future generations by planning within natural resource capacity constraints and providing for a healthy economy, environment and society. Projects located in or benefiting municipalities where sustainable community strategies have been developed and master plans and/or ordinances adopted will be awarded an additional 100 priority points. These strategies/ordinances must include, but are not limited to, the following:

- A plan to reduce water consumption and increase water efficiency and re-use;
- Policies that require consideration of green design in municipal construction projects and redevelopment projects, such as green roofs, green streets, tree filters, rain gardens, rain barrels, porous pavements, etc.

Green design principles include green building practices that increase energy and water efficiency; use renewable energy; use environmentally friendly building materials that are made with recycled materials, are durable, sustainability harvested or produced locally; improve indoor air quality; and makes appropriate site selection and minimizes site disturbance to reduce environmental impacts.

B. Project Discharge Category Points

All projects receive ranking points based on the project discharge category. In case of multiple purpose proposals, projects qualify for the discharge category that represents the major scope of the project. If a project has aspects that can be described by more than one category, the project may be broken into separate projects. Tables IA and IB show the project discharge categories and their corresponding ranking points.

Table IA. Ranking Points Related to Project Discharge Category For Wastewater Treatment Facilities		
Project Discharge Category	Description	Points
Combined Sewer Overflow (CSO) & Sanitary Sewer Overflow (SSO)	Combined sewer system (CSS) rehabilitation/repair, the construction of treatment and/or storage facilities within CSS, at discharge locations or at STPs that reduce or eliminate CSOs, or the separation of combined sewer systems by the consolidation and elimination or sealing of CSO discharge points. Projects that implement corrective measures to fix overloaded conveyance systems that experience chronic overflows.	600
Sewage Treatment Plant (STP) Improvements	STP improvements include upgrades or other improvements to a treatment process or the elimination of an existing STP and the connection to an alternative treatment facility to meet applicable treatment levels and the purchase and installation of security and energy efficiency measures at the STP.	500

Sanitary Sewer System Rehabilitation	Wide variety of corrective measures to sanitary sewer collection and conveyance systems that do not experience chronic overflows, such as the rehabilitation, repair, or replacement of sanitary sewers, pump stations, interceptors, or the purchase of equipment to properly maintain the sanitary sewer system.	450
Sludge Treatment/Disposal Facilities	Projects involving the construction of facilities to manage sludge from STPs or from potable water treatment activities, such as the installation of dewatering equipment, the implementation of land application or composting activities or improvements or repairs to sludge incinerators.	350
Wastewater Reuse	The construction of facilities that promote the reclamation of water for beneficial reuse such as the use of treated effluent for agricultural or other purposes and/or construction of conveyance and distribution systems to allow for reuse activities.	300
Septic System Repair/Replacement	Projects that involve repairs, improvements, and/or replacement of individual or small community, on-site septic systems.	275
New Systems	The expansion of a STP's treatment capacity, and the construction of new facilities to provide collection, conveyance or treatment of sanitary sewage.	250

Projects that implement green infrastructure, water or energy efficiency improvements (including projects that are designed to reduce greenhouse gas emissions) will receive an additional 50 priority points if the green components represent a significant amount of the overall project activities.

Table IB. Ranking Points Related to Project Categories for Stormwater and Nonpoint Source Pollution Management Facilities		
Project Category	Description	Points
Stormwater Management and other NPS activities	The construction or rehabilitation of stormwater basins, sewer systems or storm drains, the extension of outfall pipes, green roofs, blue roofs, green streets, tree filters, rain gardens, rain barrels, porous pavement or the purchase of maintenance equipment (such as street sweepers, aquatic weed harvesters and skimmer boats). Projects that stabilize streambanks, restore lakes or address runoff from salt storage facilities and the implementation of measures to address pollution concerns from agricultural cropland activities and manure runoff management and feedlot operations.	225
Landfill Closure, Open Space Land Acquisition and	The implementation of measures to prevent and control pollutants from entering groundwater at non-operating landfill sites that are publicly owned and at abandoned	150

Conservation and Well Sealing	well locations. Open space land acquisition and conservation projects that help to protect or maintain water quality.	
Landfill Construction and Remedial Action Activities	The construction of facilities to collect, convey and/or treat leachate and runoff from new publicly-owned landfill cells or from publicly-owned contaminated sites.	75
Projects sponsored by Conduit Borrowers/ Private Activity	Environmental infrastructure projects where a developer, LLC, partnership or other private party is involved in the project; landfill closure measures and remedial action activities where the project site is privately owned. If a local government unit that sponsors a project on behalf of a private entity commits to providing a general obligation pledge (including its unlimited taxing power) or municipal guarantee as security for the DEP and Trust loans, the project is considered exempt from the conduit financing classification and corresponding funding limitations.	50

C. Water Use/Water Quality Points

Points are awarded based on the designated water uses of the receiving water as well as the existing water quality conditions in comparison to the ambient water quality standards. The assignment of points for “public nuisance” is given to on-site system projects where failures have been identified. Table II below shows the breakdown of the ranking points for water use; in general, the highest values are given for projects that discharge to water bodies with potable, recreational, and fishing uses.

Table II. Ranking Points Related to Water Use (Existing and Potential)			
Water Use		Basis/Description	Points
Public Potable Water Supply		Wastewater treatment plant discharges likely to have adverse impacts on an existing downstream potable surface water supply intake. Projects are evaluated based on relative distance between STP discharge and public potable water intake locations.	200
Recreation (“Primary Contact”)		Waters with bathing areas monitored routinely as public beaches as well as the Delaware River upstream of Trenton (north of East Bridge Street at the Lower Trenton Bridge).	125
Fishing	Shellfish	State water bodies that are designated as shellfish growing waters by <i>N.J.A.C. 7:12</i> .	125
	Trout	State freshwater bodies designated for trout production or maintenance by the NJ Water Quality Standards (<i>N.J.A.C. 7:9B</i>).	75
	Non-trout	State freshwater classifications not designated trout production or maintenance by <i>N.J.A.C. 7:9B</i> (see Trout description above), including all Delaware River freshwater zones above mile-point 85 as defined by the Delaware River Basin Commission.	25

Public Nuisance	Indirect water use impacts; applies to areas with identified on-site wastewater treatment system failures.	50
Agriculture	Surface water for agricultural use, such as irrigation and farm ponds, based on Department diversion permit (permits required for >70 gal/min diversion).	25
Industry	Surface water known to be used for industrial use such as cooling.	25

Table III shows the points for not meeting or marginally meeting certain water quality parameters. The points reflect the impact the parameters have on meeting the state's goal to protect and enhance surface water resources, quality criteria, and designated water uses. The magnitude of the contribution that municipal sewerage facilities have on each of the conditions is reflected in the points awarded under these categories.

Nutrients reflect the presence of phosphorus/phosphates and nitrates/nitrites in a water body. Excessive nutrient levels in freshwater streams and lakes may result a decrease in water quality and an increase in treatment costs. Points are given for nutrients only if the surface waters involved significantly impact existing potable water reservoirs, surface water impoundments or lakes, public bathing areas, or shellfish growing waters. Since there are no nutrient standards for coastal and estuarine waters, no points were assigned for discharges to those water bodies.

Points for toxics address the relative magnitude of ammonia, metals, pesticides, and organic chemicals in the water body. Toxics were given lower points since in most cases the significant contributions of toxic substances come from industrial sources that are better controlled through pretreatment and are only incidentally abated by municipal treatment facilities. In the case of the toxicity of ammonia, municipal facilities are usually the main source, but the most significant impact is associated with streams designated for trout production/maintenance, which already receive a high number of points under the water use category.

Table III. Ranking Points Related to Water Quality				
Water Quality		Points for Water Quality that		
		Meet	Marginally Meet	Do Not Meet
		The Water Quality Standard*		
Parameter	Dissolved Oxygen	0	50	100
	Fecal Coliform	0	50	100
Parameter	Nutrients	0	25	50
Category	Toxics	0	25	50

*The Surface Water Quality Standard for the applicable parameter or category.

D. Smart Growth Approvals

DEP seeks to coordinate and enhance the efforts to encourage smart growth through the implementation of the State Development and Redevelopment Plan. DEP assigns ranking points to projects that serve municipalities that have been approved under the Center Designation or Plan Endorsement Process.

For a project serving more than one municipality, the points were included for ranking purposes if the designated center or the endorsed plan is a significant component of the overall project. For further information regarding the State Development and Redevelopment Plan, contact the Office of Planning Advocacy in the New Jersey Department of State at (609) 292-7156.

Table IV. Ranking Points Related to State Planning Commission Approvals	
Community Type	Points
Urban Centers and Complexes	50
Regional Centers	25
Existing Designated Towns	15
Existing Villages	10
Hamlets	5

Projects located in or benefiting areas designated as Brownfield Development Areas, Transfer of Development Rights receiving areas or Transit Villages receive 10 points, so that these projects will rank higher than similar projects that are not located in, or provide benefit to, these smart growth areas.

E. Population Points

Projects are assigned points based on the population of the area served by the project. One point is given for every 1 million people living year-round in the project area. Thus, if projects have the same number of ranking points after having received all eligible points, population points become the tiebreaker, with higher priority given to the project serving the larger population.

Priority Growth Investment Areas

Core criteria for a Priority Growth Investment Area includes being within one or more of the areas identified in Table 1 and within the regional planning entity areas described below.

Table 1: Growth Areas

1. Former State Plan Policy Map Metropolitan Planning Areas (PA 1) and Nodes
2. Unexpired Commission Approved Centers, Urban Complexes and other areas designated for development or redevelopment as the result of the Commission formally endorsing municipal or county plans
3. Municipally Designated Transfer of Development Rights "Receiving Areas"
4. Municipally Designated "Urban Enterprise Zones"
5. Municipally Designated "Areas in Need of Redevelopment" or "Areas in Need of Rehabilitation"
6. Approved "Foreign Trade Zones"
7. Land within Higher Education Campuses suitable for development / redevelopment
8. NJDOT Certified Transit Villages
9. "Urban Transit Hubs" as defined by Economic Development Authority's Urban Transit Hub Tax Credit Program
10. Land owned by the New Jersey Sports and Exposition Authority

11. Commission approved requests for additional areas, for example, sites that have been historically utilized for large-scale commercial, research or industrial uses, that meet Commission requirements may be submitted for inclusion by a county with the support of relevant municipalities and, if relevant, the advice and consent of a regional planning entity. If a county declines to serve this role, requests will be accepted by a municipality or other appropriate entity.

Regional Planning Entities

As the Act requires, this Plan must treat land within the jurisdiction of a regional planning entity based on the adopted plans and regulations of that entity. As such, the following areas are recognized as Priority Growth Investment Areas:

New Jersey Sports and Exposition Authority (formerly Meadowlands Commission)

- Lands identified for development and/or redevelopment within the "Land Use Map and Map of the Meadowlands District Master Plan" and the "Hackensack Meadowlands District Official Zoning Map" as amended and supplemented

Pinelands Commission

- Lands identified by the Comprehensive Management Plan (CMP) as amended and supplemented as a "Regional Growth Area," a "Town" and developed sections of a "Military and Federal Installation Area"

Highlands Council

- Planning Area / Areas Not Conformed - Default to Table 1
- Planning Area / Areas in Conformance – Highlands Council Designated Centers and Redevelopment Areas

Fort Monmouth Economic Revitalization Planning Authority or its successor:

- Lands identified for development and/or redevelopment within the "Fort Monmouth Reuse and Redevelopment Plan" as amended and supplemented

APPENDIX 2: CLEAN WATER AFFORDABILITY CRITERIA

Section 603(i)(2) of WRRDA requires States to develop affordability criteria that will assist in identifying applicants that would have difficulty financing projects without additional subsidization. The law requires that states establish affordability criteria by September 30, 2015 after providing notice and an opportunity for public comment; which is being accomplished through this new feature of NJ's CW Intended Use Plan.

Section 603(i)(2)(A) of WRRDA requires that states base their criteria on:

- income;
- unemployment data;
- population trends; and
- other data determined relevant by the State.

In New Jersey, those applicants where the following income, unemployment data, and population trends exist, based upon the sources below for each factor, are considered to have satisfied the State's CWSRF affordability criteria:

- Median household income of \$90,000 or more;
- County-wide unemployment of 5% or lower; and
- Population trend of 2% or higher.

Applicants that do not meet the specifications above do not meet the State's CWSRF Affordability Criteria.

WRRDA allows states to provide additional subsidization to eligible recipients for the following:

- To benefit a municipality that meets the State's affordability criteria as established under the FWPCA section 603(i)(2);10;
- To benefit a municipality that does not meet the State's affordability criteria but seeks additional subsidization to benefit individual ratepayers in the residential user rate class; or
- To implement a process, material, technique, or technology that addresses water or energy efficiency goals; mitigates stormwater runoff; or encourages sustainable project planning, design, and construction.

In New Jersey, additional subsidization through principal forgiveness loans is allocated to implement a process, technique or technology that mitigates stormwater runoff. In the case of the CSO reserve, projects that implement green technologies to reduce runoff are only eligible for PFLs and, in the case of the Barnegat Bay reserve, only stormwater runoff mitigation projects qualify for PFLs.

NOTE: MHI (2009-2013) and Population Trend Data (percent change - April 1, 2010 to July 1, 2014) is from <https://www.census.gov/quickfacts/NJ> . County Unemployment data is from http://lwd.dol.state.nj.us/labor/lpa/content/maps/laus_month.pdf .

APPENDIX 3: DRINKING WATER PROJECT RANKING METHODOLOGY

Table 1 of Category A lists the types of projects eligible for DWSRF funding. A project must be assigned points from Category A to be eligible for ranking; points assigned from the remaining categories are in addition to the points received in Category A. Priority points are assigned only if the project scope includes actual repair, rehabilitation, or correction of a problem or improvement clearly related to priority Category A. Projects that include multiple elements, as listed in priority Category A, are separately listed by the elements involved and priority points assigned for each element.

DEP assigns points to each project using the Project Priority System and ranks all eligible projects according to the total number of points each project receives. All projects are subsequently placed on the Project Priority Comprehensive List according to their ranking. Projects with more points are ranked above those with fewer points. The addition of new projects to the Project Priority Comprehensive List, periodic revisions to the Priority System, or the identification of new information regarding a project, such as readiness to proceed, may result in changes to an individual project ranking.

The principal elements of the Priority System are: A) Compliance and Public Health Criteria, B) Water Supply Plans/Studies, C) State Designations, D) Affordability, and E) Population. Points are assigned for each of the five priority categories and are discussed in more detail below.

The order of project priority for funding is as follows:

1. Emergency Projects are considered a public health hazard and receive funding over other projects on the Comprehensive Priority List;
2. Surface Water Treatment Rule violations including uncovered finished water reservoirs;
3. MCL and Lead Action Level Exceedances;
4. Unregulated contaminants ([contaminants of emerging concerns](#));
5. Small Systems serving less than 10,000 persons, up to 15 % of DWSRF Funds;
6. Other projects currently on the comprehensive list.

DEP is proposing to reevaluate the project rankings at least twice a year.

The prospective applicant must notify DEP of any changes to project scope or any other circumstance that may affect the calculation of priority points. DEP recalculates, if appropriate, the prospective applicant's ranking utilizing the new information submitted and revises the priority ranking accordingly.

Points are assigned for each of the five priority categories discussed below, as applicable.

Category A. Compliance with the SDWA and Protection of Public Health

DWSRF funds are utilized to address contamination problems and to ensure compliance with the SDWA requirements. Priority is given to water systems in non-compliance with the surface water treatment requirements and those incurring acute primary maximum contaminant level (MCL) violations, or action level exceedances as defined in the National Primary Drinking Water Regulations and the New Jersey Safe Drinking Water Regulations (N.J.A.C. 7:10). Table 1 describes the project elements that are eligible for DWSRF funds:

TABLE 1. Project Elements Eligible for
Project Priority Ranking in the Drinking Water State Revolving Fund Program³

1.	Systems that utilize surface water that are not in compliance with the surface water treatment requirements or have had any acute violations (either <i>E. coli</i> or nitrates) and have been issued an administrative order or directive by DEP requiring the correction of any noncompliance of its treatment facilities to address an immediate public health threat.	500 Points
2.	Systems that utilize groundwater under the direct influence of surface water, that are not in compliance with the surface water treatment requirements or have had any acute violations (either <i>E. coli</i> or nitrates) and have been issued an administrative order or directive by DEP requiring the correction of any noncompliance of its treatment facilities to address an immediate public health threat.	350 Points
3.	Systems that utilize groundwater that have had any acute violation (either <i>E. coli</i> or nitrates).	300 Points
4.	Systems that have had, or DEP reasonably expects to have, any primary maximum contaminant level (MCL) violations (except acute violations) or exceedance of action levels (Lead and Copper Rule).	250 Points
5.	Systems that have, or DEP reasonably expects to have, exceeded a groundwater quality criterion, guidance, or advisory as deemed applicable by the DEP.	200 points
6.	Systems that were classified as vulnerable, because of a 2007 DEP Interconnection Study.	200 Points
7.	Systems that have been issued a notice of noncompliance by DEP for reasons other than water quality; i.e. inadequate storage, inadequate source, lack of emergency power, etc.	175 Points
8.	Purchase and/or consolidation of a water system to comply with the SDWA for capacity development.	170 Points
9.	Systems that are proposing improvements for drought or other related water supply management initiatives, as identified or designated by the State.	160 Points
10.	Systems that have lost well capacity due to saltwater intrusion and a solution is needed to preserve the aquifer as a viable aquifer.	150 Points

³ A project must be assigned points from Category A to be eligible for Project Priority List ranking; points assigned from Categories B through E supplement the points received in Category A.

11.	Extension of water mains, including associated appurtenances and water system facilities, to private wells that have had any maximum contaminant level exceedances or have exceeded lead and copper action levels.	125 Points
12.	Existing treatment facilities that need to be rehabilitated, replaced, or repaired to ensure compliance with the SDWA.	100 Points
13.	Existing transmission or distribution mains with appurtenances that need to be rehabilitated, replaced, repaired or looped to prevent contamination caused by leaks or breaks in the pipe or improve water pressures to maintain safe levels or to ensure compliance with the SDWA.	75 Points
14.	Existing pump stations or finished water storage facilities that need to be rehabilitated or replaced to maintain compliance with the SDWA.	60 Points
15.	New finished water storage facilities or pump stations that are needed to maintain pressure in the system and/or prevent contamination.	50 Points
16.	Addition or enhancement of security measures at drinking water facilities, including but not limited to fencing, lighting, motion detectors, cameras, secure doors and locks, and auxiliary power sources.	45 Points
17.	Green Infrastructure: renewable energy generation such as solar panels, hydroelectric, geothermal or wind turbines or infrastructure built at the water system facilities such as green roofs, porous pavement, bioretention or grey water reuse.	45 Points
18.	Systems which have had any exceedance of any secondary drinking water regulations that have received notification issued by DEP that exceedance of a secondary drinking water regulation causes adverse effects on the public welfare, and for which the system has received a directive issued by the DEP requiring correction of the exceedance.	40 Points
19.	Installation of new water meters and/or other water conservation devices, including but not limited to retrofit plumbing fixtures.	35 Points
20.	Construction of new or rehabilitation of existing interconnections between water systems to improve water pressures to maintain safe levels, promote availability of alternative source of supply, or to ensure compliance with the SDWA.	30 Points
21.	Replacement of water meters.	25 Points
22.	Redevelop wells, construct new wells, or construct or rehabilitate surface water sources with associated treatment facilities to meet the New Jersey SDWA rules for required pumping capacity.	15 Points
22.	Other project elements, not including items 1 through 21 above, that ensure compliance with the SDWA and protect public health, as approved by DEP.	1 Point

Category B. Water Supply Plans/Studies

Planning water system improvements that advance comprehensive water supply concepts can facilitate cost effective drinking water system rehabilitation. To provide an incentive for appropriate planning, 50 points are given if the project is clearly identified in other appropriate plans (i.e. five-year master plan, five-year capital improvement plan, rate setting study or comprehensive water supply plan for a particular region or watershed) approved by a municipal or State agency (such as DEP, the New Jersey Department of Community Affairs or the New Jersey Board of Public Utilities) within the last five years.

Thirty-five (35) points are given to each project that demonstrates that its water system structurally inspects its finished storage facilities every five years. Also, 25 points are given for a system that has a valve exercise program. Documentation must be provided to receive the above-mentioned points.

Please note that having an Asset Management Plan is now a requirement for project sponsors seeking a DWSRF loan.

Category C. State Designations

1. State Plan

DEP assigns points to projects in municipalities that the State Planning Commission has approved under the Plan Endorsement or Center Designation Process. Please note that if a local entity has not received designation by the State Planning Commission, projects within that entity would receive zero points for this element.

- a. Projects located predominantly within or designed to provide service to a designated growth area that lies within a municipality that has received Plan Endorsement of its Master Plan from the New Jersey State Planning Commission or is an Urban Center or Urban Complex are eligible for 20 points.
- b. Projects located predominantly within or designed to provide service to a designated growth area that lies within a municipality that are identified in the Master Plan currently recognized as endorsed by the New Jersey State Planning Commission as a designated center other than an Urban Center (Regional Center, Town, Village, Hamlet) are eligible for 15 points.

For a current list of those local governments that have gained Plan Endorsement from the New Jersey State Planning Commission, please check the Office for Planning Advocacy at the Department of State website at <http://www.nj.gov/state/planning/plan.html> and then refer to the current State Plan Policy Map to determine if the project area lies within a designated growth area.

Contact the Office for Planning Advocacy, Department of State, P.O. Box 820, Trenton, N.J. 08625-0820 or call (609) 292-7156 for further information on the State Development and Redevelopment Plan.

2. Transit Village Initiative

The New Jersey Department of Transportation (NJDOT) participated in a multi-agency Smart Growth partnership known as the Transit Village Initiative. The Transit Village Initiative helps to redevelop and revitalize communities around transit facilities to make them an appealing choice for people to live, work and play, thereby reducing reliance on the automobile. The Transit Village Initiative is an excellent model for Smart Growth because it encourages investment in portions of New Jersey where infrastructure and public transit already exist. Aside from Smart Growth community revitalization, two other goals of the Transit Village Initiative are to reduce traffic congestion and improve air quality by increasing transit ridership. Therefore, DEP will provide five additional priority points to any project

sponsored by a Transit Village community or to any project that is constructed within a Transit Village community. For more information about Transit Villages, please see <http://www.nj.gov/transportation/community/village/> and for a list of Transit Villages, please see <http://www.nj.gov/transportation/community/village/faq.shtm>.

3. Brownfield Development Area (BDA)

DEP sponsors a program to promote the re-use of formerly contaminated sites. DEP's Brownfield Program, spearheaded by the Office of Brownfield Reuse, serves as a vital component of the state's Smart Growth efforts to stem the tide of sprawl and channel new development into cities and towns. Under the innovative Brownfield Development Area (BDA) approach, DEP works with selected communities affected by multiple brownfield sites to design and implement plans for these properties simultaneously, so remediation and reuse can occur in a coordinated fashion. The DWSRF supports this initiative by providing five additional priority points to any project serving a BDA. For more information about Brownfield Development Area Initiative, please see <http://www.nj.gov/dep/srp/brownfields/bda>.

4. Green Project Reserve (GPR)

DEP promotes green infrastructure, water and energy efficiency, and environmental innovation in its water improvement projects. Therefore, DEP provides 15 additional priority points to any project that is a categorically eligible project.

Please note that the points from these four items of Category C can be cumulative. Please note for water systems that service more than one municipality; the municipality that has the highest population served will be counted for this category.

Category D. Affordability

The purpose of the affordability criteria is to determine which project sponsors' water systems are eligible for additional points under the Affordability Category.

Affordability is the degree of need for financial assistance based upon the New Jersey median household income compared to the municipal median household income (MHI). Affordability is determined by the following formula:

$$(\text{Municipal MHI} / \text{Statewide MHI}) \times 100 = \text{Affordability Factor}$$

Points are assigned as shown in Table 2.

TABLE 2. Point values assigned based on Affordability Factor calculation

1. Affordability factor of 100 or greater	0 Points
2. Affordability factor from 85 through 99	15 Points
3. Affordability factor from 66 through 84	30 Points
4. Affordability factor less than or equal to 65	80 Points

The median household income of the municipality which the water system serves and the statewide median household income will be determined from income data in the most recent United States Census, which is currently the 2010 Census.

DEP determined that for the purposes of the DWSRF Program, a municipality whose median household income is 35 % or more below the State's MHI is considered a Disadvantaged Community and receives 80 priority points which is proportionately greater than the other affordability factor points. (New Jersey's MHI is \$68,444 as reported in the 2010 Census.)

A weighted MHI is calculated for a project sponsor whose water system serves more than one municipality, as shown in the example below.

Example:

Municipalities Served	MHI	Populations Served	Fraction of total population served	Weighted municipal MHI
Lancaster	30,000	5,000	0.167	5,000
Mayberry	20,000	10,000	0.333	6,660
Holmeville	25,000	15,000	0.500	12,500
Total		30,000	1.00	24,160

Please note for water systems that service more than 10 municipalities, the 10 municipalities that have the highest populations served will be considered in the above table for the affordability factor.

Category E. Population

As a tiebreaker, projects are assigned points based on the permanent population of the water system service area. For a resort community where the summer and winter populations vary greatly, the permanent population will be calculated by taking the sum of twice the winter population and once the summer population and dividing by three (see below). For water systems that service more than one municipality, a total of all the permanent population served in the multiple service areas is used. Priority points are calculated as the permanent population served by the water system divided by 100,000, expressed as a decimal. In the event that projects remain tied, the project which serves a greater proportionate population in the water system's area is given higher priority.

Population served for resort communities will be calculated by the following equation:

$$[(2 \times \text{Winter Population}) + \text{Summer Population}] / 3 = \text{Weighted Permanent Population}$$

Appendix 4: Frequently Asked Questions

DWSRF FAQs:

Background Information: The New Jersey Department of Environmental Protection (NJDEP), in partnership with the NJ Infrastructure Bank (I-Bank), collectively known as the Water Bank, provides low interest loans to local government units and public water systems (including investor-owned (private) systems) for drinking water projects and sanitary sewer, stormwater, and remediation projects (collectively “Clean Water” projects). There are adequate funds to continue to support anticipated Clean Water project financing through SFY20 at the current loan rates; ***there are inadequate funds to finance “Drinking Water” projects anticipated to be ready for funding in SFY2019 and SFY2020.***

Why is this happening?

Improvements to the Financing Program over the past several years, including offering attractive loan rates (75% NJDEP zero interest, blended with 25% market rate I-Bank funds), principal forgiveness (grant-like funding), and rolling applications have resulted in the award of more than \$240 million in low interest loans for drinking water projects in the past two years. The demand for drinking water funds for SFY2019 has been much higher than anticipated and exceeds the current amount of available funds. Therefore, the NJDEP is in the process of reevaluating the priority for funding and readiness of drinking water projects currently under review, as well as the financing packages offered to focus its limited available funds to maximize their effectiveness.

The NJDEP will be amending the FFY2018/SFY2019 Intended Use Plan (IUP) which will propose changes to the program for the remainder of SFY2019. A formal notice to amend the drinking water portion of the IUP was issued September 24, 2018 with an opportunity for public comment.

What are the big changes that the NJDEP is proposing to the Drinking Water SRF program?

- The NJDEP is proposing changes in the ***funding priorities*** that were outlined in the Proposed FFY2018/SFY2019 Intended Use Plan (IUP) for the Drinking Water State Revolving Fund (SRF) Program. For example, lead service line projects will still be funded, but in priority order according to the ranking system (those with action level exceedances).
- The NJDEP is proposing to fund all drinking water projects in the ***project priority order***, not readiness to proceed, based on the ranking methodology listed in the FFY2018/SFY2019 Proposed IUP.
- The NJDEP is proposing modifications to the ***loan rates*** for publicly-owned water systems, privately-owned water systems, small water systems and water systems that do not meet the affordability criteria in the IUP to increase the number of high priority projects funded.
- The NJDEP will eliminate the 100% principal forgiveness asset management set-aside program for small drinking water systems.

Does this affect clean water projects?

- Clean Water SRF projects are not affected by these changes. Only drinking water projects are affected by these changes.

What drinking water projects are not affected by changes in the Water Bank Financing Program?

- If you have already received drinking water funding – either short-term or long-term – your project will not be affected by these proposed changes.

- Projects that have already received an approval of an asset management plan contract, an authorization to advertise or an authorization to award by July 31, 2018, your project will continue to qualify for financing under the terms of the original IUP issued for SFY 2019, provided you close on a short-term loan by June 30, 2019.

Who is affected by changes in the Water Bank Financing Program?

- Those applicants for drinking water projects that have not reached the decision points above are affected by the changes that the NJDEP is proposing. Applicants for Drinking Water SRF funding are community water systems and nonprofit noncommunity water systems.

How does this affect my drinking water project if I have not yet received funding?

- The funding of your drinking water project will now depend on its ranking, which is determined by the number of priority points that your project received. The higher the number of priority points, the more likely that your project will be funded. If your project is funded, the loan rate will reflect the NJDEP policy priorities, such as affordability. High priority projects include projects that address compliance with the Surface Water Treatment Rule (covering of uncovered finished water reservoirs); treatment for violations of the drinking water standards (for example, corrosion control or lead service line replacement for exceeding the lead action level); or treatment for unregulated contaminants of emerging concern. If you have several drinking water projects on the NJDEP's project priority list, not all projects are guaranteed to be funded. Those with the highest number of priority points are more likely to receive funding.

What are the changes in loan rates that the NJDEP is proposing for drinking water projects?

- Projects will be funded in ranked order so that the highest priority public health projects are funded. Highly ranked projects will receive the following loan terms:
 - Publicly owned water systems: 50% NJDEP interest-free/50 % I-Bank market rate
 - Privately owned water systems: 25%/75% with \$10 million cap per project; balance I-Bank market rate
 - Water systems with an action level exceedance, lead service line replacement projects: 90% principal forgiveness/10% NJDEP interest-free capped at \$1 million per municipality served that has a median household income less than the median household income of the county
 - Affordability
 - Publicly-owned water systems: 75% NJDEP interest-free/25% I-Bank market rate with \$10 million cap for those water systems located in a municipality with a median household income less than 65% of the State median household income; balance 50% NJDEP interest-free/50% I-Bank market rate
 - Small water systems ($\leq 10,000$ customers)
 - \$5M set-aside
 - \$1M for water systems serving <500 customers: 50% principal forgiveness/ 25% NJDEP interest-free/25% I-Bank market rate (same as proposed FFY2018/SFY2019 IUP), projects capped at \$500,000 principal forgiveness
 - \$4M for 75% NJDEP interest-free/25% I-Bank market rate, projects capped at \$1 million

What if I am ready to proceed with a project, but my project is ranked low?

- The NJDEP will continue to issue Authorizations to Advertise and Award but not a project Certification for funding until the Final IUP is issued after appropriate response to comments. The NJDEP will re-initiate authorization approvals with clear messaging that this authorization only represents the satisfaction of program requirements thus far; it does not represent a commitment of loan ratios or even available funding except for those projects highly-ranked. This approach allows projects to proceed to certification ('at risk') and potential construction should funding become available or sponsor continues to self-finance.

Does the NJDEP have any other source of funding for this project?

- The federal Safe Drinking Water Act allows the NJDEP to transfer a portion of its annual allocation from the Clean Water SRF to the Drinking Water SRF. The NJDEP is carefully reviewing all drinking water projects for potential funding under the Clean Water SRF. 'Installation by a Public Entity of Water Meters' is an example of a project that is eligible for Clean Water SRF financing under the Water Conservation Category.

Do we have an opportunity to comment on these changes?

- The NJDEP issued an *Amendment to the Proposed FFY2018/SFY2019 Intended Use Plan* on September 24, 2018. The NJDEP will accept comments for 30 days. The NJDEP has also scheduled public hearings at the following locations:
 - NJDEP Public Hearing Room, 401 E. State Street, Trenton, New Jersey, on October 12, 2018. The hearing will commence at 1:00 p.m. and conclude at 3:00 p.m. or the end of testimony (whichever is sooner).
 - North Jersey Transportation Planning Authority, 1085 Raymond Blvd., 17 th Floor (One Newark Center), Newark, NJ 07102, on October 16, 2018. The hearing will commence at 9:30 am and conclude at 11:30 am or the end of testimony (whichever is sooner). For directions and parking information click on <https://www.njtpa.org/home>.
- The NJDEP will respond in writing to all comments received in the Final IUP.

When are these changes effective?

- The NJDEP issued an *Amendment to the FFY2018/SFY2019 Intended Use Plan* on September 24, 2018. After the 30-day comment period, the NJDEP will respond to all comments and issue a Final IUP. The changes will become effective when the Final IUP is issued.

How can I learn more about the changes to drinking water financing after the IUP is adopted?

- The NJDEP intends to hold additional information sessions. Information about these sessions will be posted on the NJDEP website at <https://nj.gov/dep/dwg/cwpl.htm> and https://www.state.nj.us/dep/watersupply/dws_loans.html