



**NEW JERSEY DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

**DRINKING WATER
STATE REVOLVING FUND**

**PROPOSED
FFY2016 PRIORITY SYSTEM,
INTENDED USE PLAN, AND
PROJECT PRIORITY LIST**

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Chris Christie
Governor



Bob Martin
Commissioner





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OVERVIEW OF THE FFY2016 PROPOSED PRIORITY SYSTEM, INTENDED USE PLAN, AND PROJECT PRIORITY LIST

The Federal Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) to assist publicly owned and privately owned community water systems and nonprofit noncommunity water systems finance the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements and to protect the public health in conformance with the objectives of the SDWA. Section 1452 (b) of the SDWA requires each State to prepare an Intended Use Plan (IUP) annually to identify the use of funds in the DWSRF and describe New Jersey's planned use of its allotment of federal moneys authorized by the SDWA Amendments.

This document serves as the New Jersey Department of Environmental Protection's (NJDEP) DWSRF Proposed Priority System, IUP, and Project Priority List and has several purposes regarding the use of anticipated federal funds, including:

- 1- the establishment of the ranking criteria under which DWSRF projects will be ranked and placed on the Federal Fiscal Year (FFY) 2016 Priority List;
- 2- the establishment of program requirements and document submittal deadlines for award of DWSRF loans in SFY 2017 (specifically, May 2017) using FFY2016 federal capitalization grant funds and any remaining funds from previous federal capitalization grant funds, repayments, transfers from Clean Water SRF repayments, state match and interest earnings (see Appendix A);
- 3- the establishment of loan terms for projects financed through the Environmental Infrastructure Financing Program using FFY2016 federal capitalization grant funds; and
- 4- the establishment of the proposed uses of the set-asides using FFY2016 federal capitalization grant funds.

This IUP details how the State of New Jersey intends to finance projects to be included in New Jersey's program and which projects are proposed to be managed by the NJDEP, with respect to the FFY2016 capitalization grant. The nonproject 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. Project expenditures involve loans made by the DWSRF to water systems for the planning, design, and construction of drinking water facilities.

The SDWA initially authorized a total of \$9.6 billion nationally for the DWSRF through FFY2003 and Congress has since annually appropriated funds to the United States Environmental Protection Agency (USEPA) for the DWSRF. The current allotment to New Jersey for FFY2014 to 2017 of 1.90 percent of the Federal DWSRF appropriation is based on the results of the 2011 Drinking Water Infrastructure Needs Survey, published in June 2013. Funds available to the State for future appropriations will be allotted according to a formula that will reflect the results of the 2015 Drinking Water Infrastructure Needs Survey currently underway conducted pursuant to Section 1452(h) of the SDWA. A gradual decrease since the 1997 Needs Survey (1995 data) in New Jersey's DWSRF allotment – from 2.44% to the current 1.90% – has occurred as New Jersey's

reported percentage of the total national needs has decreased (see Appendix B.1). The continued involvement of the water systems in New Jersey's Needs Surveys is critical to future DWSRF allotments.

The DWSRF is administered as a component of the Environmental Infrastructure Financing Program (EIFP) which also administers the state's Clean Water State Revolving Fund (CWSRF). The Clean Water component of New Jersey's EIFP provides low interest loans to publicly owned systems for planning, design and construction of wastewater treatment facilities and other water quality improvement projects under the federal Clean Water Act and state law. The CWSRF program is covered under a separate Intended Use Plan (IUP). Prospective project sponsors must complete a ranking form for each program to be included in the respective Priority Lists and to be eligible for financing under each program.

The Bureau of Safe Drinking Water (BSDW) jointly manages the DWSRF program with the Municipal Finance and Construction Element (MFCE) of the NJDEP and the New Jersey Environmental Infrastructure Trust (Trust). Through leveraging by the Trust (that is, the sale of revenue bonds, the proceeds of which are loaned to project sponsors), the State is able to provide low interest loans to more projects than if leveraging was not done. It should be noted that the 1981 Water Supply Bond Act authorized financing only to publicly owned systems, and the 1996 SDWA amendments did not change this. The State utilizes the 1981 Water Supply Bond Act to provide the 20 percent match to the federal capitalization grant funds, a condition under both the Clean Water and the Drinking Water SRF programs. Federal funds can be used to fund both privately owned and publicly owned water systems.

Legislative appropriation and authorization bills are introduced annually in the spring for each funding cycle. The DWSRF program has closed on numerous loans over the past eighteen funding cycles from 1998 to 2015 which are presented in Appendix C. Loans were generally fully executed in November of each year (with a second closing in March 2010 for the 2009 funding cycle). Starting with the SFY2012 cycle, loans are executed in May of the following year to give time for a water system to award construction contracts before loan closing.

The 1996 SDWA amendments and subsequent appropriations bills 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. An amount up to 33 percent of the DWSRF 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 NJDEP has transferred up to the maximum amount authorized from the CWSRF loan repayments to the DWSRF such that the transfer did not jeopardize the ability to fund Clean Water projects. In general, the CWSRF program evaluates funds to determine whether adequate monies are available for Clean Water projects in the current fiscal year. In addition, the CWSRF program reviews the type and number of DWSRF projects and makes a determination regarding the transfer of funds from CWSRF loan repayments to DWSRF accounts. In accordance with approved procedures, the USEPA has approved a total of ten transfers of funds from CWSRF repayments to DWSRF for a sum of \$98,372,340 (see Appendix B.3). The NJDEP fully supports efforts to enact legislation to continue to allow the transfer of funds between the two

programs. The NJDEP will consider the option to transfer funds from the CWSRF to the DWSRF each fiscal year, to the extent allowed by law, as long as it is determined that adequate monies are available for the proposed CWSRF projects and there is a need for the funds in the DWSRF program. Historically, any eligible project under the CWSRF and DWSRF programs that meets the program requirements and is ready to proceed has been able to receive a CWSRF or DWSRF loan; an evaluation will be made in FFY2016 to determine if a transfer is needed.

The Environmental Infrastructure Financing Program (EIFP) has received USEPA's approval to utilize cross-collateralization in its financing structure for both the DWSRF and the CWSRF Programs. Under the cross-collateralization option, repayments of loans from either fund MAY be used to cover any default in loan repayments. The ability to use this feature between the clean water and drinking water programs will result in significant savings to the project sponsors, particularly the drinking water project sponsors, since there is not a large pool of loan repayments available for this newer program. However, the State's cross-collateralization would involve only a temporary use of funds from the CWSRF to the DWSRF or vice versa if a default in loan repayment did occur (which, to date, has not occurred under either program). Further, the Trust and NJDEP would take steps to collect the defaulted loan repayments, and the appropriate drinking water or clean water fund would be reimbursed.

Under the current Trust structure, all three of the bond rating agencies (Fitch, Moody's, Standard and Poor's) have given the Trust's bonds the highest rating possible. The higher the bond rating, the lower the interest rates on the bonds and, therefore, the lower the cost to the loan recipients. For example, for the last funding cycle of the DWSRF, the Trust successfully sold bonds at 2.95 percent for the 2015A series bonds. The Trust reduces the costs that must be passed on to a project's users, because project funding is provided at half the typical market interest rate. By funding projects through the Trust, project sponsors (and in turn users) can expect to save up to 30% on the financing of the total eligible costs of a project. A summary of Trust bond rates are included in this IUP in Appendix C.1.

Historically, any eligible project under the DWSRF program that met the program requirements and was ready to proceed was able to receive a DWSRF loan. But now, as the dollar amount of eligible projects exceeds the limited funds available, it is possible that some eligible projects will not be within reach of the NJDEP's fundable range. Since the 1981 Bond Fund and state match monies cannot be utilized for private water companies, sources of monies may become a consideration when developing future funding.

In the past, adequate resources were available to cover the NJDEP's costs for administration of the project without levying a fee. Since the SFY2003 Appropriations Act, NJDEP has been required to collect fees from all borrowers in order to overcome fiscal constraints. Since SFY2005, the NJDEP fee has been standardized at two (2) percent. A description of the NJDEP fee and a chronological summary of the fees are included in this IUP. There is no SRF funding involved in the NJDEP loan origination fee.

SRF recipients that expend \$750,000 or more in a year of DWSRF funds in a year shall have an audit conducted in conformance with the Single Audit Act.

PRIORITY SYSTEM

I. Priority List - General

Placement on the Project Priority List is a prerequisite for being considered eligible for financial assistance. The “Call for Projects” for all funding cycles is continuous and projects may be added to the list during the time period between the publication of the proposed IUP and the public hearing date. This allows for public review prior to the loans being issued. The Project Priority List is created using the Letter of Intent – Drinking Water Loan (see Appendix A) submitted by potential applicants online at www.njeit.org/forms.htm. The prospective applicant has the responsibility of submitting all the required application material in a timely manner and in accordance with the deadlines published in this IUP.

In general, failure of a prospective applicant to submit complete planning, design and application documents within the time periods specified by this IUP results in NJDEP bypassing the project in favor of other priority project(s) which are ready to proceed. Additionally, project sponsors may elect to bypass the project until a future cycle. Please see N.J.A.C. 7:22-3.9 for a general description of the bypass process.

Presently, there are 498 projects totaling \$1.5 billion on the proposed Master SFY2016 Project Priority List, which identifies proposed projects for the May 2017 funding cycle. The NJDEP also maintains a “Project Priority Comprehensive List” which includes any projects that may be eligible for future funding cycles. More details are available in Appendix C.

II. Ranking Methodology

NJDEP 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 (see Appendix C) according to their ranking. Projects with more points are ranked above those with fewer points. The annual 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, may result in annual 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.

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.

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. 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.

The prospective applicant must notify NJDEP of any changes to project scope or any other circumstance that may affect the calculation of priority points. NJDEP 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 Program¹

1.	Systems that utilize surface water that are not in compliance with the surface water treatment requirements, or have had any acute violations (either fecal coliform or nitrates), and have been issued an administrative order or directive by NJDEP requiring the correction of any noncompliance of its treatment facilities to address an immediate public health threat.	500 Points
2.	Systems which 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 fecal coliform or nitrates) and have been issued an administrative order or directive by NJDEP 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 fecal coliform or nitrates).	300 Points
4.	Systems that have had, or NJDEP 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

¹ 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.

5.	Systems that were classified as vulnerable, as a result of a 2007 NJDEP Interconnection Study	200 Points
6.	Systems that have been issued a notice of noncompliance by NJDEP for reasons other than water quality; i.e. inadequate storage, inadequate source, lack of emergency power, etc.	175 Points
7.	Purchase and/or consolidation of a water system to comply with the SDWA for capacity development.	170 Points
8.	Systems that are proposing improvements for drought or other related water supply management initiatives, as identified or designated by the State.	160 Points
9.	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
10.	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
11.	Existing treatment facilities that need to be rehabilitated, replaced, or repaired to ensure compliance with the SDWA.	100 Points
12.	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
13.	Existing pump stations or finished water storage facilities that need to be rehabilitated or replaced to maintain compliance with the SDWA.	60 Points
14.	New finished water storage facilities or pump stations that are needed to maintain pressure in the system and/or prevent contamination.	50 Points
15.	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. (please see Security Measures at Public Water Systems in Appendix B.6)	45 Points

16	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
17.	Systems which have had any exceedance of any secondary drinking water regulations that have received notification issued by NJDEP 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 NJDEP requiring correction of the exceedance.	40 Points
18	Installation of new water meters and/or other water conservation devices, including but not limited to retrofit plumbing fixtures.	35 Points
19.	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
20.	Replacement of water meters.	25 Points
21.	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 NJDEP.	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 the NJDEP, 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 (5) years. Also, twenty five (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

NJDEP 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 (0) 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 twenty (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 fifteen (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 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 riders. Therefore the NJDEP will provide five (5) 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.shtml>.

3. Brownfield Development Area (BDA)

The NJDEP sponsors a program to promote the re-use of formerly contaminated sites. The NJDEP'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, NJDEP 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 (5) 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)

NJDEP promotes green infrastructure, water and energy efficiency, and environmental innovation in its water improvement projects. Therefore the NJDEP provides fifteen (15) additional priority points to any project that is a categorically eligible project, in accordance with Section I of this Intended Use Plan.

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.

The NJDEP determined that for the purposes of the DWSRF Program, a municipality whose median household income is 35 percent 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 from 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 ten municipalities, the ten 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:

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

III. Project Priority

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 Project Priority List (see the Intended Use Plan, Section I.B, Eligible Projects);
2. Very Small Systems serving less than 500 persons and Small Systems serving between 501 and 10,000 persons or less, up to 15 percent of DWSRF Funds (see the Intended Use Plan, Section III, Small Systems);
3. Supplemental Loans for projects which have received loans but require additional funds, either due to the award of all project related contracts or for increased costs due to differing site conditions (see the Intended Use Plan, Section I.E, Supplemental Loans);
4. Legacy Projects, or projects that were not able to meet the previous financing cycle deadlines for the Trust Bond sale but were awarded an interim loan before June of that year. Projects that were not able to be funded through the Disaster Relief Appropriations Act (DRAA) DWSRF Program may also qualify as legacy projects if these projects are for an activity consistent with the DWSRF base program. (see the Intended Use Plan, Section I.B, Eligible Projects);
5. Current Year's Projects; and
6. Track II Projects, or projects that will be submitted between the October 9, 2015 deadline and the Match 4, 2016 deadline.

INTENDED USE PLAN

This IUP provides information on funds available through the Drinking Water SRF Program to provide financial assistance for projects using FFY2016 capitalization grants, state match, and Trust bond proceeds. Placement on the Project Priority List is a prerequisite to be considered eligible for financial assistance. Projects are certified for funding based on the Project Priority List rank, amount of available funds, and compliance with the DWSRF Program's requirements and deadlines for completion of planning, design, and loan application. If the total dollar amount of projects exceeds funds available and some projects are not within NJDEP's funding range, projects below the fundable limit may not receive a loan in the current funding cycle.

Any projects not ready to proceed during the funding year are bypassed, but remain on the Project Priority Comprehensive List and thus are eligible to pursue loan awards in a future funding cycle. Project sponsors must submit a new Letter of Intent – Drinking Water to confirm interest in any future funding cycle. Additionally, project sponsors may elect to bypass their project until a future cycle. These projects will receive a letter stating that the project is bypassed for this funding cycle but the project is still eligible under future funding cycles. In general, failure of a prospective applicant to submit complete planning, design and application documents within the time periods specified by this IUP results in NJDEP bypassing the project in favor of other priority project(s) which are ready to proceed. Please see N.J.A.C. 7:22-3.9 for a general description of the bypass process.

This proposed IUP provides an opportunity for those interested in being considered for the FFY2016 priority list to review the ranking criteria and other DWSRF loan information

FFY 2016 Schedule

Letter of Intent and Environmental Planning	October 9, 2015
Track II Letter of Intent Submittal	March 4, 2016
Engineering Design with Plans & Specifications and Loan Application	March 4, 2016
Application submitted for all Permits	March 4, 2016
Loan Award	May 2017

To ensure that all projects have an opportunity to access to NJEIFP funding, the NJDEP is proposing to grant priority status to DWSRF ranked projects that are ready to proceed based on the date of project approval. As such, there is a strong incentive for applicants to submit necessary application related documents and secure approvals as soon as possible. The NJDEP is committing resources for the timely approval of all applications. A list of active projects with target dates or actual completion dates for active drinking water projects will be on the website and the NJEIT website quarterly.

Moreover, short term funding of such projects will be available immediately upon approval through either the Interim Financing (Construction Loan) Program or the Statewide Assistance

Infrastructure Loan (SAIL) Financing Program, further ensuring that such projects commence construction as soon as possible.

If these deadlines are not met, the NJDEP bypasses the project in favor of other ready priority project(s). Please note that the submittals are due by close of business on the respective dates specified above. Additionally, the submittal of an electronic copy of the complete planning, design, and application packages will be due to the Trust in electronic format by close of business on October 9, 2015 and March 4, 2016, respectively. All electronic submissions to the Trust are required to be in a format specified by the Trust. Please refer to the Trust website at <http://www.njeit.org/forms.htm> under loan applications for further guidance.

For reference, the FFY2015 schedule was as follows:

FFY2015 Schedule

Letter of Intent and Environmental Planning	October 10, 2014
Engineering Design with Plans & Specifications and Loan Application	March 6, 2015
Application submitted for all Permits	March 6, 2015
Loan Award	May 2016

The FFY2015 Schedule (i.e., for loan awards in May 2016) was published in the NJDEP's IUP for the DWSRF Program finalized in July 2015. Please note that the prospective project sponsors that met the deadlines in the FFY2015 Schedule were given priority in order of ranking. Refer to the Priority System chapter of this IUP, Section III.

It is highly recommended that all prospective project sponsors attend a preplanning meeting with the BSDW and MFCE of NJDEP and the Trust prior to the prospective project sponsor's submission of a Letter of Intent – Drinking Water Loan. The purpose of the preplanning meeting is to discuss DWSRF Program requirements and schedules and the prospective project sponsor's project(s) and schedules. After the preplanning meeting, those prospective project sponsors wishing to pursue project financing through the DWSRF Program should submit a Letter of Intent – Drinking Water Loan (online) to the NJDEP/Trust and proceed according to the applicable schedule.

An acceptable planning submittal must consist of a complete project report, the appropriate environmental planning documentation for the level of environmental review determined applicable by NJDEP, cultural resources information, documentation of completed public participation activities, a detailed map, and the results of preliminary coordination activities with lead agencies regarding environmental and permit reviews. The requirements for the planning submittal can be found in N.J.A.C. 7:22, Subchapter 10.3 to 10.6, Financial Assistance Programs for Environmental Infrastructure Facilities. Three copies of the planning document (with an online submittal to the Trust: at www.njeit.org) must be submitted by the deadline to:

Eugene Chebra, Assistant Director
Mail Code 401-03D
NJ Department of Environmental Protection
Division of Water Quality
Municipal Finance & Construction Element
P.O. Box 420
Trenton, NJ 08625-0420

The DWSRF may only provide assistance for expenditures (not including studies, monitoring, operation, and maintenance expenditures) which will facilitate compliance with national primary drinking water regulations applicable to the system or otherwise significantly further the health protection objectives of the SDWA. For those projects that have the potential to facilitate substantial growth or cause significant adverse environmental impacts, the NJDEP will place increased emphasis on the evaluation of the planning submitted by the project sponsor with respect to the water quality/quantity impacts, impacts to riparian corridors, the existing pollution control needs, assessment of the resulting environment, detailed assessment of proposed alternatives and cost-effectiveness of the proposal. The NJDEP's funding decisions will be based upon the projects' aggregate impacts as determined through such evaluations.

Additionally, the Statewide Water Quality Management (WQM) Planning rules, N.J.A.C. 7:15 establish a mechanism for the determination of consistency between proposed projects or activities requiring NJDEP issued permits and the WQM Plans. In addition, procedures for the modification of water quality management plans, when necessary, either through amendment or revision are also specified. More information on the WQM can be accessed at <http://www.nj.gov/dep/wqmp>.

I. Eligible Systems and Projects

A. Eligible Systems

Public community water systems (as defined by the National Primary Drinking Water Regulations), both privately and publicly owned, and nonprofit noncommunity water systems are eligible for DWSRF assistance. Eligibility is limited to these types of water systems that are required to comply with the New Jersey State primary drinking water regulations. Facilities that are defined as water systems but are exempt from regulation under the SDWA are not eligible. Federally owned systems and State owned systems (State agencies, such as state police, parks and forestry, and corrections) are not eligible to receive DWSRF assistance. However, State authorized systems (water commissions, water supply authorities, and water districts) are eligible to receive DWSRF assistance.

B. Eligible Projects

The main objective of DWSRF funding is to protect the public health in conformance with the objectives of the SDWA. A list of project elements eligible for Project Priority Ranking for the Drinking Water State Revolving Fund Program is presented in Table 1 as part of the Ranking Methodology for the Project Priority List. Placement on the Project Priority List is a prerequisite to

be considered eligible for financial assistance. The major program elements of eligible projects are summarized below.

The DWSRF provides assistance for expenditures (not including monitoring, operation, and maintenance expenditures) which facilitate compliance with National Primary Drinking Water Regulations and applicable USEPA guidance, so that water systems may further achieve the health protection objectives of the SDWA. These include projects to maintain compliance with existing regulations for contaminants with acute health effects (e.g., the Surface Water Treatment Rule, the Total Coliform Rule, Ground Water Rule and nitrate standard) and existing regulations for contaminants with chronic health effects (e.g., Lead and Copper Rule, regulated inorganics, volatile organics and synthetic organics, disinfection by-products, and radiological contaminants). In addition, projects that address the exceedance of a recommended upper limit for a secondary contaminant are DWSRF eligible. Certain types of projects that address water supply issues related to public health protection are also eligible.

Projects to replace aging infrastructure are also eligible if they are needed to maintain compliance or further the public health protection goals of the SDWA. Examples of these include projects to:

- rehabilitate or develop sources (excluding reservoirs, dams, dam rehabilitation, and water rights) to replace contaminated sources;
- install or upgrade treatment facilities, if the project would improve the quality of drinking water to comply with primary or secondary drinking water standards;
- install or upgrade storage facilities, including finished water reservoirs, to meet minimum system storage requirements or prevent the introduction of microbiological contaminants to the water system;
- install or replace transmission and distribution pipes to prevent contamination caused by leaks or breaks in the pipe, or improve water pressure to safe levels; and
- install and enhance security at drinking water systems, including fencing, lighting, motion detectors, cameras, and alternative auxiliary power sources.

Projects to consolidate water supplies are eligible for DWSRF assistance, as follows: 1) extension of water mains by a community water system to individual homes with contaminated wells; or 2) purchase or consolidation (i.e., restructure) of a water system that is unable to maintain compliance for technical, financial, or managerial reasons only if the financial assistance will ensure that the system returns to and maintains compliance with SDWA requirements and the owner or operator of the water system agrees to undertake feasible and appropriate changes in operations necessary to ensure the system has the technical, managerial, and financial capability to maintain long term viability and compliance with SDWA requirements.

An amendment to the existing Financial Assistance Programs for Environmental Infrastructure Facilities Rules, adopted in the *New Jersey Register* dated October 6, 2003 (35 NJR 1475(a)), added a requirement for mandatory connection ordinances for water main extension projects to ensure that the public health issue is addressed, to assure the cost-effectiveness of the project, and to ensure adequate operation of the system to be built. This amendment also required project sponsors to adopt or obtain a mandatory well sealing ordinance if the NJDEP determines that it is warranted to

prevent usage of contaminated water, prevent cross-connections, and/or the migration of contaminants.

Additional considerations for eligibility for DWSRF funding:

Emergency Projects

Emergency Repair Projects are defined as, and limited to, projects that 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. The DWSRF only funds the portion of any repair that is necessary to restore lost service to the affected population under the emergency loan provisions. A water purveyor may only receive emergency funding for a specific Emergency Repair Project ONCE. Any long term solutions, modifications, and/or upgrades to prevent future emergency occurrences must be addressed in future financing cycles as a project and published on the Project Priority List.

Emergency Repair Projects are not ranked on the current Priority List in accordance with the DWSRF Interim final rule, 40 CFR Parts 9 and 35, Section 35.3555. However, the project will need to be identified in the following IUP and the Annual Report to USEPA. Emergency Repair Projects receive priority funding over other projects on the Project Priority List.

The affected system must notify the Chief of the Bureau of Safe Drinking Water, Water System Operations Element in the Division of Water Supply and Geoscience, Sandra Krietzman, at (609) 292-5550 by close of business on the day of the emergency or by 12:00 PM of the next business day. For example, if an emergency occurs on a Friday morning, the NJDEP must be notified by the end of the Friday business day or if an emergency occurs on a Saturday or Sunday, the NJDEP must be notified by 12:00PM on the following Monday. The NJDEP will confirm notification of the possible emergency project with a fax describing what information is to be submitted to the NJDEP. Within 30 days of the emergency occurrence, the affected system must submit to the DWSRF a comprehensive report including the following: nature/location of the emergency, need for repair and description of the initial efforts to repair the damage, detailed description of the repair needed with costs, list any required permits, and a description of the long term solution. In addition, a Certification signed by the water superintendent, chief engineer or director must be provided by the water system stating that there was an emergency situation and that the repairs are required.

The NJDEP recognizes that environmental infrastructure emergencies may occur that endanger public health and welfare and can result in substantial environmental damage. Such circumstances require an immediate response for which a complete technical and environmental review in advance of construction is not possible. On July 15, 2005, the NJDEP issued a generic Environmental Decision Document (EDD) for environmental emergency response projects and on January 3, 2006, amendments to the program's rules at N.J.A.C. 7:22 were adopted to allow the EIFP to fund certain emergency projects. The generic EDD and the rule changes identify the specific types of projects and conditions that must exist to qualify under the emergency project provisions of the Financing Program. With the EDD and the rules as guidelines, the NJDEP has developed a process to respond rapidly when emergencies occur, obtain basic project information, make an eligibility determination

and issue a pre-award approval so that owners/operators can undertake the needed repairs and maintain eligibility for those expenditures through the EIFP. For ranking purposes, projects that qualify as emergency projects will receive funding priority over all other projects on the Project Priority List.

All program requirements must be met to the NJDEP's satisfaction prior to the water system being reimbursed for the emergency repair.

Multi-year Projects

The construction of a new well presents challenges for the DWSRF financing program. This is due to the extended length of time required to satisfy all permit requirements and obtain permit approvals. In order to provide more financing options and to get funds to the water systems earlier in the well construction process, the NJDEP proposes to provide more than one loan for new well projects. This unique multi-year type of loan takes the appearance of a reimbursement, as the project sponsor must utilize its own money to initially finance the addition of the new well before the DWSRF loan is issued.

Initially a loan can be awarded for only the installation of a well. Under this process, a project sponsor will apply for a loan to drill a well (new or replacement). The project sponsor would be eligible for loan award after DWSRF programmatic requirements are met and a Bureau of Water System Engineering (BWSE) permit to construct is issued and appropriate well permitting conditions are met. In the case of a test well, a well drilling permit is required only. In this scenario, the well could be constructed but not operated until a final permit is issued. If in the event of unforeseen conditions in which the well could not be utilized or re-designated from a test well to a production well, the project sponsor would be eligible for an additional loan to construct a second well. However, the project sponsor will be required to submit documentation describing the failure of the first well and adequate technical analysis supporting the construction of the second well. The project sponsor would remain liable for both loans for both wells. The intent of this program is to ensure that the project sponsor has a usable well that will perform as intended over the life of the loan(s).

After a major modification for the Water Allocation diversion permit is issued, if applicable, the project sponsor could apply for an additional loan to construct the necessary appurtenances, such as a well house, pump, associated treatment, etc. If the project sponsor does not pursue an additional loan for the construction of well appurtenances, the project sponsor must still commit to finalizing the project such that the result is a fully functioning, permitted production well.

An overview that details the process and duration of the new well funding process, such as the steps to obtain the Bureau of Water System Engineering and Bureau of Water Allocation and Well Permitting permits, obtain pre-award approvals, and submit all required DWSRF loan documents is summarized in a timetable, a copy of which is available by contacting the DWSRF staff at (609) 292-5550.

Green Project Reserve (GPR)

GPR Projects are defined by USEPA as projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. Projects meeting this definition will follow the same process as all other DWSRF projects. Certain projects, associated with the drinking water system improvements, are considered by USEPA as categorically eligible projects; such as solar power, wind turbines, geothermal or hydroelectric power, green roofs, bioretention, porous pavements, grey water use, US Building Code LEED certified facilities, installing water efficient devices, new meter for an unmetered area, replacing existing meters with an automated meter reading system and pressure reducing valves. Certain projects may be eligible but need extra justification under a business case review; such as cleaning and lining of water mains, replacing water meters with traditional meters, replacement of water mains or storage tanks to reduce water losses, energy efficient upgrades to pump stations or treatment plants and installation of SCADA systems.

The NJDEP provides fifteen (15) additional priority points to any project that is a categorically eligible project, in accordance with Section I of this Intended Use Plan.

Further clarification on GPR can be accessed at: <http://www.epa.gov/reg3wapd/infrastructure/gpr.htm>

Equipment Purchases Program

The NJDEP is proposing to reserve up to \$1M for equipment purchases. For the purposes of the equipment purchase reserve, equipment is limited to portable generators and other equipment where construction services (such as the installation of a pad to support a generator) are not needed to effectuate the project.

Legacy Projects

The legacy project designation has been created for projects that were not able to meet the current SFY financing deadlines but received all necessary approvals, and were awarded Interim Loans on or before June of that year. This new class of projects or legacy projects from the current year program will be prioritized over any new projects seeking loans in the next SFY program (including Track II projects, if applicable). Projects that were not able to be funded through the Disaster Recovery Act DWSRF Program may also qualify as legacy projects if these projects are for an activity consistent with the DWSRF base program. Legacy priority status is not extended to the Small System and Very Small System funding programs (see the Intended Use Plan Section III).

C. Projects not eligible for funding

The DWSRF cannot provide funding assistance for the following projects and activities:

- Dams, or rehabilitation of dams;
- Water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy;
- Reservoirs, except for finished water reservoirs and those reservoirs that are part of the

- treatment process and are located on the property where the treatment facility is located;
- Laboratory fees for monitoring;
- Operation and maintenance expenses;
- Projects needed mainly for fire protection;
- Projects for systems that lack adequate technical, managerial, and financial capability, unless assistance will ensure compliance;
- Projects for systems that have a USEPA Enforcement Targeting Tool score greater than or equal to 11, unless funding will ensure compliance (www.epa.gov/compliance/resources/policies/civil/sdwa/drinking_water_erp_2009.pdf); and
- Projects primarily intended to serve future growth.

1. Lack of technical, managerial, and financial capability

The DWSRF may not provide any type of assistance to a system that lacks the technical, managerial, or financial capability to maintain SDWA compliance, unless the owner or operator of the system agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance from the DWSRF will ensure compliance over the long term. A capacity development program was created to evaluate each system to be funded to ensure each meets the capacity development requirements (see Appendix B).

2. Compliance with Enforcement Targeting Tool

The DWSRF may not provide assistance to any system that has an Enforcement Targeting Tool (ETT) score of 11 or greater unless the NJDEP determines that the project will enable the system to return to compliance and the system will maintain an adequate level of technical, managerial and financial capability to maintain compliance.

D. Compliance without DWSRF Funding

The inability or failure of any public water system to receive assistance from the DWSRF or any other funding agency shall not alter the obligation of a drinking water system to comply in a timely manner with all applicable drinking water standards.

E. Supplemental Loans

In the event that additional monies are needed, either because the low bid building cost is higher than the original loan amount or because of differing site conditions, the project sponsor may request a supplemental loan. The NJDEP may execute a supplemental loan agreement only after passage of a subsequent legislative appropriations act providing monies for the specific project. In either instance, the project sponsor is responsible for other costs. The NJDEP will give supplemental loans funding priority over projects on a current Priority List. Please note that supplemental loan applications must be submitted to NJDEP by the March deadline for the funding cycle in which the supplemental loan is requested.

F. Pre-award Approval

In order to maintain eligibility under the DWSRF program, a project sponsor cannot advertise for bids before executing a loan unless the NJDEP and the Trust issue written pre-award approval. Therefore, written pre-award approval is needed before the project sponsor advertises for bids. Any project sponsor is eligible for pre-award approval once programmatic requirements have been met. A project sponsor needs to receive all applicable permits; an Environmental Decision Document (EDD) from the NJDEP, Municipal Finance and Construction Element, Bureau of Environmental and Engineering Reviews; written approval of plans and specifications from the NJDEP, Municipal Finance and Construction Element, Bureau of Environmental and Engineering Reviews; and satisfy all conditions of the Socially and Economically Disadvantaged businesses (SED) participation goals. After written pre-award approval is received, a project sponsor may advertise for bids. Please note that pre-award approval is not a guarantee of funds.

G. Allowable costs

1. Land acquisition

Land acquisition is eligible only if it is integral to a project that is needed to meet or maintain compliance and further public health protection. In this instance, land that is integral to a project is only that land needed to locate eligible treatment or distribution projects. In addition, the acquisition has to be from a willing seller.

2. Planning and design of a drinking water project

NJDEP has adopted rules at N.J.A.C. 7:22 entitled “Financial Assistance Programs for Environmental Infrastructure Facilities.” N.J.A.C. 7:22-5.12 establishes the eligible allowance to defray the cost of planning and design, for project sponsors whom do not seek reimbursement of actual planning and design costs. Please see Table 1, entitled “Allowance for Facilities Planning and Design” in N.J.A.C. 7:22 to calculate the planning and design allowance for projects whose sponsor does not seek reimbursement for actual planning and design costs.

3. Construction related cost of a drinking water project

The Financing Program rules (N.J.A.C. 7:22) provide eligible costs of 3 percent of the construction contract costs for administrative expenses, 5 percent of the construction contract costs for construction contingencies, and the actual cost of engineering/construction management services (NJDEP will use 12 percent to estimate the cost of engineering/construction management services for the purposes of developing the project priority list).

4. Growth

Assistance may be provided to address population growth expected to occur by the date of initiation of operation of any improvements to be funded by DWSRF assistance, but not solely in anticipation of future population growth. In determining whether or not a project is eligible for assistance, NJDEP must determine the primary purpose of the project. If the primary purpose is to supply

water to or to attract new population growth, the project is not eligible to receive DWSRF funds. If the primary purpose is to address a compliance or public health problem, the entire project, including the incidental portion necessary to accommodate a reasonable amount of growth to the date of initiation of operation of any improvements to be funded by DWSRF assistance from the NJDEP, is eligible. The remaining capacity related to growth has, until this time, been eligible for funding by the Trust.

H. Socially and Economically Disadvantaged (SED) Business Participation

Project sponsors are required to set a goal of awarding at least 10 percent of a project's costs for construction, materials, or services to small business concerns owned and controlled by SED individuals as defined in the Small Business Act (15 U.S.C. 637(a) and (d)) and any rules promulgated pursuant thereto. The NJDEP and the Trust have adopted the SED rules (at *N.J.A.C.* 7:22-9) that identify the SED utilization requirements that project sponsors will have to meet.

I. Administrative Fees

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, each SRF project is financed with two loans, one from the NJDEP which utilizes federal SRF capitalization grants and one from the NJ Environmental Infrastructure Trust, which utilizes bond proceeds from the Trust bond sale. State Fiscal Year 2014 Appropriation Act required the NJDEP to assess an annual administrative fee and provided monies to the State Treasury to help offset the cost of DWSRF administration. The NJDEP received legislative approval in June 2005 to institute a 2 percent loan origination fee to fund the annual fee requirement. This origination fee was based on a five-year program cost evaluation. This evaluation will be conducted annually to ensure funding is adequate. This fee will be assessed on the total loan amount regardless of any amounts subject to principal forgiveness. This fee is generally financed as part of each borrower's Trust Loan.

Any fees collected above the amount necessary to fund that year's program will be held by the Trust in a separate account. Interest earned on this account will be applied toward DWSRF administrative costs. Specifically, funds from the account will be disbursed to Treasury every year to meet the anticipated State revenue established under the Annual Appropriations Act. If the fees collected are insufficient to fund the program, the NJDEP will request that the shortfall amount be appropriated from the special account. (Note: Monies collected through the NJDEP Fee can only be used for EIFP administrative costs.) There is no SRF funding involved in the NJDEP loan origination fee. The NJDEP's loan origination fee is not included in the principal amount of the DWSRF loan and is separately accounted for. The fee schedule is detailed in Table 3.

The Trust's loan is issued at the same market interest rate as the Trust obtains from the sale of its bonds. A Trust Loan administrative fee of 0.01 percent is applied to the Trust Loan to fund the costs of issuance associated with the bond sale. This fee is generally financed as part of each borrower's Trust Loan. These issuance costs include such activities as: bond counsel, financial advisor, rating agencies, printing and publishing of the Notice of Sale, the Preliminary Official

TABLE 3. Drinking Water Administration Fees

Year (SFY)	NJDEP Fee Rate	Amt. Collected
2003	0.90%*	\$ 199,293
2004	3.37%	1,557,178
2005	1.75%	986,123
2006	2.00%	982,936
2007	2.00%	1,624,457
2008	2.00%	1,720,077
2009	2.00%	1,212,304
2011	2.00%	1,206,073
2012	2.00%	1,657,109
2013	2.00%	994,756
2014	2.00%	1,283,697
2015	2.00%	1,058,329

* In SFY2003 only, the fee was collected against the Trust portion of the loan

** Starting in SFY2010, 1 percent of the fee was charged at closing and the Trust will bill the borrower 0.25 percent every year for the next four years to come up to the full 2 percent fee.

Statement, the Official Statement, and other costs related to the Trust's bond sale. In addition, the Trust will charge participants an annual administrative fee for loan administration payable semiannually. The annual amount may not exceed 0.3 percent of the initial principal amount of the Trust loan to cover the balance of the closing cost and the annual operating expenses associated with the operations of the Trust and the on-going costs associated with the Loan Service and Trustees. The Trust Annual Fee is not included in the principal amount of the loan. The annual fees collected by the Trust are held in an account outside of the SRF. The Trust anticipates collecting administrative fees associated with the DWSRF and CWSRF programs of approximately \$5 million in this fiscal year. The Trust may charge non-governmental participants for any expenses incurred by or on behalf of the Trust in connection with the evaluation of the acceptability of any collateral provided as security for the Trust and Fund loans, regardless of whether the loan is actually closed. The Trust will not incur such expense without the prior notification to the potential borrower.

J. Credit Worthiness Policy

The Trust has a new credit worthiness policy for loan applicants to clarify and define what financial information is expected of applicants that are applying for an SRF loan in conjunction with the financial addendum form. Please call the NJ Environmental Trust at (609) 219-8600 for further information.

II. Description of DWSRF Use of Funds

A. Sources of Funding

In addition to the USEPA's capitalization grant, funds are also available from two other sources: the New Jersey Water Supply Bond Fund created under the Water Supply Bond Act of 1981 and the Trust. The 1981 Bond Act authorized the creation of a general obligation debt in the amount of \$350,000,000 for the purpose of providing loans for State or local projects to rehabilitate, repair, or consolidate antiquated, damaged, or inadequately operating water supply facilities and to plan, design, acquire, and construct various State water supply facilities. The Trust has the authority to issue bonds and to reserve any funds necessary to make loans to applicants for environmental infrastructure projects.

NJDEP intends to continue to provide loans through the capitalization grant in combination with leveraging state match funds by the Trust to maximize the Program's cash flow. The NJDEP provides loans at zero percent interest (with a principal forgiveness portion for the small systems loan program and top ranked projects) for a maximum of 20-year repayment terms, not to exceed the useful life, for a portion of the allowable costs as described in the loan terms below. The Trust offers market rate loans for the remaining allowable project costs, also for up to a 20-year term.

Table 4 illustrates the NJDEP's intended use of the FFY2016 funds from all sources.

B. Loan Terms

Base Program

NJDEP intends to continue to provide loans the eligible, ranked, and ready-to-proceed projects through the DWSRF capitalization grant in combination with leveraging state match funds by the Trust to maximize the Program's cash flow. The DWSRF Base Program intends to provide loans at 0% interest for a maximum of 20-year repayment terms, not to exceed the useful life, for 75% of the allowable project costs. The Trust would provide 25% of the project cost at market rate.

Principal Forgiveness Funds

Projected amounts of principal forgiveness funds must be less than 30% of the capitalization grant. For the FFY 2016 fiscal year, principal forgiveness money will be allocated in priority order to 1) Very Small Systems, 2) Small Systems, 3) Municipally-owned systems needing treatment for a National Primary Drinking Water Contaminant, or State-regulated primary contaminant (N.J.A.C. 7:10-5).

TABLE 4. NJDEP's Intended Use of the FFY2016 funds

<u>Funds Available</u>	<u>FFY2016</u>
Federal Capitalization Grant	\$16,828,000
State Match 20% 1:1 match on set-asides	\$ 3,343,600
Transfers from CWSRF to DWSRF	\$0
Estimated DW Repayments Available as of 2015	\$40,721,113
Interest Earnings	\$3,000,000
Remaining monies from previous Cap Grants **	\$0
	\$63,892,713
<u>Projected Expenditures</u>	
Administration (4%)	(\$668,720)
Nonproject Set-asides (see Table 5)	(\$1,483,236)
Small System Tech Assistance (2%)	95,412
Program (10%)	1,387,824
Funds Available for Projects	\$41,049,727
Trust Reserve Fund***	\$0
NJDEP \$\$ Available	\$58,916,624
Trust Bond Proceeds	\$7,489,373.05
Funds Available for Projects*** (NJDEP & Trust)	\$66,405,997.05

* If applicable, some funds from previous DWSRF capitalization grants, previous transfers from CWSRF repayments, interest earnings, repayments, and state matching funds may be available for funding the May 2017 funding cycle projects. The above amount is estimated as zero dollars, but NJDEP intends to use any remaining balance of monies to fund construction projects. After review of the set aside work plans, any resources not used to promote and operate set aside activities will return to the construction fund.

*** Please see the Trust's Project Priority List and Financial Strategy dated January 2015 for a discussion about the Trust Reserve Fund.

*** This estimate is based on the traditional 75/25 DWSRF financing program. The details of the loan terms are discussed in this section of the IUP.

Eligible candidates for the Small System Loan Program are active public community water systems and nonprofit noncommunity water systems serving 10,000 persons or less. Current active water systems are identified as those systems having an active PWSID number in the NJDEP's NJEMS database and who are responsible for at least two complete prior years of requisite public water system compliance sampling.

The terms of the Very Small Water System and the Small Water System Loan Programs are as follows:

1) Very Small Water Systems (VSWS) Loan Program

Very Small Water Systems, serving 500 persons or less, can receive a principal forgiveness (PF) loan up to \$500,000, using NJDEP-only funds as long as they supply at least 15% of the project cost (available through outside sources or NJDEP base program). The project must be a discrete project that can be completed in full with the funds allocated.

2) Small Water System (SWS) Loan Program

Small Systems, serving 10,000 persons or less, can receive a loan up to \$1,000,000 allocated as follows: 50% project costs as PF, 25% zero interest, 25% NJEIT market rate, based on the established point priority ranking system, using the hierarchy as follows: 1) Water systems serving less than 500 residents, 2) Water systems serving 501 to 3,300 residents and 3) Water systems serving 3,301 to less than 10,000 residents.

In FFY 2016, the NJDEP will also provide VSWS or SWS loans to larger more viable water systems which are willing to take ownership of small water systems in the calendar year 2015 or later, and make needed capital improvements. Therefore, the larger water systems would be eligible for the same enhanced loan terms as the otherwise eligible small water system.

At this time, the financing program is discussing other advantages to small systems; such as waiving administrative fees, direct loans, getting the lowest costs for bond counsel, etc.

Restrictions apply to the VSWS and the SWS loan programs as follows:

- Limit of \$500,000 principal forgiveness for any individual water system in any three year funding cycle.
- VSWS and SWS loans are unavailable to private and public utilities who serve more than 10,000 residents statewide, except that larger public and private systems can utilize the VSWS and SWS to make infrastructure improvements to small water systems that they have recently acquired (since 2015).

At the time of letter of intent submittal, there will be a box where the applicant may note their interest in the Small Water System Loan Program. The NJDEP will work with these systems to provide the best available loan terms.

3) Municipally-Owned Systems Needing Treatment for a Primary Contaminant.

The DWSRF Loan Terms for municipally-owned water systems are as stated below:

- 20 percent of the total project costs (up to \$2 million) will be awarded as principal forgiveness loans;
- 40 percent of the total project costs (up to \$4 million) will be awarded as zero interest loans from the NJDEP and
- 40 percent of the total project costs (up to \$4 million) will be awarded as a loan at the market rate from the Trust.
- If the total project(s) cost (including the leveraged Trust portion) for a water system is more than \$10 million, then the remainder of the project will be covered by the following loan terms: the traditional DWSRF program, whereby
 - 75 percent of the balance greater than \$10 million will be awarded as zero interest loans from the NJDEP and
 - 25 percent of the balance greater than \$10 million will be awarded as a market rate loan from the Trust.

Any principal forgiveness funds not used in this funding cycle will be transferred to the next funding cycle.

Supplemental Loans

Loan terms for supplemental loans will be the same terms as were made for the original executed DWSRF loan.

Green Project Reserve

A minimum of 20 percent of the State's FFY2016 DWSRF allocation may be used for projects that meet the requirements of the Green Project Reserve (GPR). Green infrastructure projects, such as solar panels or wind turbines, will be given priority for GPR funding in ranked order. Additionally, the GPR can be provided for categorically eligible projects or other projects for water efficiency, energy efficiency or other environmentally innovative activities, as needed to reach the optional 20 percent goal. These projects are ranked along with other eligible DWSRF projects and are subject to the same base loan terms as described above.

Non-Project Set Aside Funds

Table 5 outlines the distribution of FFY2016 non-project set-aside funds. Nonproject set-aside funds identified in Table 5 are used for the activities shown or reserved for use in future fiscal years use, in accordance with USEPA guidance. NJDEP determines annually how much money is needed in each set-aside by evaluating staffing, supplies, consultants and other costs needed to adequately run the programs and fulfill the obligations of the SDWA Amendments. A work plan is submitted to USEPA based on those amounts. Funds not used for nonproject set-aside activities are returned to the project fund for use towards construction projects. NJDEP may move funds among set-aside activities or from the set-aside account(s) to the Fund after receiving an approved amendment to the

capitalization grant, where permissible. A description of the Nonproject Set-Aside Activities for FFY2016 is included in Section IV of this IUP.

TABLE 5. Nonproject Set-Aside Fund Uses FFY2016
(See Table 4)

PROGRAM	AMOUNT	REMAINING AMOUNT**
Program Administration of DWSRF Projects (4%)	\$668,720	0
Small System Technical Assistance (2%) *	\$95,412	\$1,467,579
State Program Management (10%) *	\$1,387,824	
State PWSS Program	\$418,524	\$1,884,018
Source Water Program Admin	\$77,469	\$40,477
Capacity Development	\$445,964	\$117,351
Operator Certification	\$445,867	0

* These figures are approximate, and are subject to a work plan submittal to USEPA.

** These figures are the unexpended funds in the DWSRF accounts as of April 30, 2015 which do not include outstanding contracts, expenses, and salaries for SFY2017.

Currently, the NJDEP's IUP does not call for providing additional funds for disadvantaged communities. However, disadvantaged communities, as identified in the Project Priority System-Category D, Affordability Criteria, receive more ranking points. Thus disadvantaged communities receive a higher priority to qualify for the low interest loans available under the DWSRF financing program.

Under the provisions of the SDWA of 1996, Section 1452(e), each State is required to deposit in the DWSRF an amount equal to at least 20% of the total amount of the capitalization grant. It is expected that the funding source of the State Match for New Jersey will be secured from the 1981 Water Supply Bond Fund. Each State must also agree to deposit into the set-aside account where the Section 1452(g)(2) funds will be deposited, a dollar for dollar match, not to exceed an amount of 10% of the capitalization grant.

III. Small Systems

The 1996 Federal SDWA amendments granted DWSRF funds to the States with the goal that the grantees would make at least 15% of the funding available to small water systems. In the New Jersey DWSRF program, a variety of small system technical, managerial and financial deficiencies, including creditworthiness concerns, have prevented the program from regularly meeting this goal, except in a few years (2007, 2008 and for ARRA in 2009).

In FFY2013, the DWSRF loan program implemented the Small Water Systems loan program. This program was initiated in order to proactively ease access to small system financing. From the applicants that met the first deadline of the DWSRF program, NJDEP identified project sponsors who qualified for the SWS program. The loan terms for small systems are outlined in Section II.

As with all applicants for the DWSRF program, the NJDEP strongly recommends that all applicants attend a pre-application meeting with appropriate staff within the Municipal Finance and Construction Element and the Bureau of Safe Drinking Water. To request a pre-application meeting, please contact Gautam Patel, Acting Chief, Bureau of Engineering and Environmental Reviews at (609) 633-1170. The NJDEP is continuing to require project sponsors to submit a planning checklist with the planning document submittal so that the submittals are more complete and the NJDEP can expedite reviews.

Please note that loan terms for supplemental loans will be the same terms as were made for the original executed DWSRF loan. The FFY 2016 program also includes a category of projects called legacy projects, projects that were not able to meet the previous financing cycle deadlines for the Trust Bond sale but were awarded an interim loan before April; included in this legacy project category will be those sponsors implementing resiliency measures or other improvements to those facilities as part of the Sandy DWSRF program that were not able to be funded, as long as the project is consistent with the DWSRF program requirements

IV. Nonproject Set-asides

Section 1452 of the Federal SDWA authorizes the states to provide funding for certain nonproject activities, as long as the amounts do not exceed ceilings specified in the statute. Table 5 provides a summary of the non-project set-asides for FFY2016. Required work plans are submitted to the USEPA with the capitalization grant application for the nonproject set-aside activities. The work plans provide a task, output, and budget breakdown for the set-asides. Each year, the NJDEP assesses the desired goals and outputs with actual accomplishments to determine the progress of the set-asides projects. Any costs that are not covered by the work plans are used to finance construction projects; where allowed, the NJDEP reserves the authority to apply for these set-aside funds for nonproject activities under future capitalization grant applications. The NJDEP balances the monies between the set-aside programs that further the objective of the SDWA and the distribution of loan monies to water systems to maintain compliance with the SDWA and protect public health. Dollar amounts identified for each set aside are estimated. Unless specifically noted, the activities outlined will be completed and the entire dollar amount cited will be expended by the end of SFY2017.

A. Utilizing Reserved Funds

Funds for the Small Systems Technical Assistance (SSTA) and the State Program Management categories of the set-asides have been reserved from each of the previous capitalization grants awarded to the NJDEP by the USEPA. Portions of the total set-aside monies requested from the previous capitalization grants were reserved for future capitalization grant applications and those funds were utilized for construction loans at that time.

B. Administration (4%, 6 full time employees or FTE)

These funds are used to administer the DWSRF in New Jersey. These administrative costs may include expenses such as development of the Project Priority System, the IUP and Project Priority List, the capitalization grant application, and other program documents. In addition, NJDEP's costs for project management for planning, design, construction, loan payment/repayment, annual reporting activities, infrastructure needs survey, etc., are also eligible. These costs include endeavors to market the DWSRF program in New Jersey, such as creating websites and publishing informational brochures. If this entire amount is not obligated in one year, the NJDEP will retain these funds to cover administrative costs in subsequent years. However, the NJDEP expends the entire 4.0% administrative set-aside each year.

C. Small System Technical Assistance (SSTA) (2%, 2 FTE)

The Small Water System Technical Assistance Program is being implemented by staff from two Bureaus of the NJDEP's Drinking Water Program.

The **Bureau of Safe Drinking Water** (BSDW) will maintain one FTE to perform program activities and oversee the contract described below to fulfill the following primary responsibilities:

- Training for Operators of Small Water Systems: The NJDEP continues to contract with the NJWA to provide group training sessions to owners and operators of small water systems in the Northern, Central and Southern regions of New Jersey. However, for the contract period January 1, 2015 through December 31, 2016, the Operator Certification set-aside funds are being used to fund this training. Training topics include Basic Accounting, Consumer Outreach, Distribution Planning, and SDWA requirements. Other topics are freely substituted based on feedback from the attendees. Sessions focus on many of the issues encountered by small water systems. These sessions also provide licensed operators with the training contact hours needed for license renewal and are well attended and receive positive reviews from the licensed operators.
- Engineering Services Contract: The NJDEP approved a new \$400,000 Engineering Services agreement on March 14, 2014 (three year contract) with NJWA. Under the agreement, small systems serving less than 3,300 customers may access a pre-approved list of consulting engineers to provide assistance in assessing the needs of the system and assistance in completing DWSRF applications and submittals for systems. The scope of work includes: 1) development of a preliminary asset management assessment and engineer's recommendations for needed improvements, as well as lower cost alternatives; and 2) engineering services for small water systems applying to the DWSRF loan program, such as preparation of planning documents, design documents and loan applications. The NJDEP will continue to administer the contract to assist participating systems in SFY 2017. Currently, the Small Systems Technical Assistance Program is overseeing the engineering assistance being provided to four systems, with available funds for two more water systems to participate.

Goals

The following items will be addressed during FFY2016:

1. Provide oversight for the Engineering Services Contract which provides funding to cover the engineering and design costs incurred by small public water systems serving less than 3,300 persons who apply for a Drinking Water State Revolving Fund Loan.
2. Initiate a new \$161,000 two-year contract with NJWA to provide for an additional seventy (70) group training sessions to owners and operators of small public water systems. Sessions will be held in Northern, Central, and Southern areas of the State.

The **Bureau of Water System Engineering** (BWSE) will maintain one FTE to address the following primary responsibilities:

There is a continuing cooperative effort with NJDEP Enforcement and County Health Departments (CEHAs) to assist public water systems with achieving and maintaining compliance.

The criteria for performing site visits under the Small System Technical Assistance Program have been prioritized as follows:

Site Visit Prioritization Framework

- 1) *Systems with unresolved or persistent (>1) Acute Violations* (Total Coliform Rule (TCR), Ground Water Rule (GWR), Nitrate) in the following order: community water system (CWS), nontransient noncommunity Water System (NTNCWS) serving as Schools, Daycare Centers, Other NTNCWS, transient noncommunity Water Systems (TNCWS);
- 2) *Systems with Chronic Non-Acute TCR Violations (two consecutive or three nonconsecutive within a twelve month period)* in the following order CWS, NTNCWS Schools & Daycare Centers, Other NTNCWS, TNCWS;
- 3) *Systems with Treatment Technique Violations* in the following order CWS, NTNWS Schools, Daycare Centers, Other NTNCWS, TNCWS;
- 4) *Systems appearing on EPA's ETT report with 11 or more points or Daycares/Schools (required to be addressed) with unresolved violations for two or more consecutive Quarterly Reports.*
- 5) *Systems with Non Acute (non TCR) MCLs or Action Level Exceedances (ALE) that are approaching compliance deadlines for corrective actions*, in the following order CWS, NTNCWS Schools & Daycare Centers, Other NTNCWS, TNCWS:
 - Past 6 months of 12 month period to achieve MCL compliance;
 - Past 3 months of 6 month period to address Corrosion Control Treatment (CCT) recommendations for ALE.
- 6) *Systems with Significant Deficiencies (as specified in italics below) that are identified during Sanitary Surveys (and CEHA or Enforcement has asked for BWSE to become engaged)* in the following order CWS, NTNCWS Schools & Daycare Centers, Other NTNCWS, TNCWS:

Source: the defined criterion is not a trigger point for a site visit;

Treatment Related: the defined criterion is a high priority trigger point for a site visit, applicable to both CWS and NCWS;

Distribution Related: the defined criterion is a medium priority trigger point for site visit – applicable to CWS;

Finished Water Storage: the defined criterion is not a trigger point for site visit;

Pumps: the defined criterion is not a trigger point for a site visit;

Monitoring/Reporting/Data Verification: the defined criterion is not a trigger point for a site visit.

O&M Procedures: the defined criterion is a low priority trigger point for site visit applicable to both CWS and NCWS.

Operator Compliance: the defined criterion is not a trigger point for a site visit.

Site visits may document a review of the following:

- a) System infrastructure (source, treatment, storage, & distribution processes);
- b) System operation and maintenance procedures;
- c) Compliance monitoring schedule, sampling plans and techniques;
- d) Guidance for selecting appropriate treatment technologies to address specific water quality concerns.

Goals

The following items will be addressed during SFY 2016:

1. Perform approximately 20 small water system technical assistance site visits per year and addressing follow-up activities.
2. Coordinate with NJDEP Enforcement and County Health Departments to assist public water systems with achieving and maintaining compliance.
3. Assist public water systems with addressing residents' water quality concerns through oversight of water system's investigations including sample collection and analysis.

D. State Program Management (10%)

NJDEP intends to use this set-aside to provide support for: (1) Public Water System Supervision (PWSS) programs such as the radon in water program, data management, development of program rules including administration of the consumer confidence report program, and sampling; (2) source water protection program; (3) development and implementation of a capacity development program and strategy to generate adequate technical, financial, and managerial capacity for water systems; and (4) the management of an operator certification program.

1. State PWSS Program (7.4%)

i. Radon in Water Program (1 FTE)

The Radon Multi Media Mitigation Program (MMMP) was intended to provide a more cost-effective alternative to achieve radon risk reduction, by allowing States (or community water systems) to address radon in indoor air from soil (the greatest risk compared to ingesting radon), while reducing the highest levels of radon in drinking water. The proposed National Primary Drinking Water Regulations describing the Radon MMMP have not been adopted and the USEPA

has not included radon in its most recent regulatory calendar. Congress directed the USEPA to consult with the states to evaluate options to implement a single drinking water standard for radon. USEPA was to prepare a Report to Congress on the radon in drinking water regulations as requested in the FY 2003 Appropriations bill. USEPA was expected to complete this report by November 2004 however it has never been finalized.

Given the uncertainty of the USEPA MMMP, the Department's Commissioner asked the Drinking Water Quality Institute (DWQI) to address radon in water. The DWQI formed the Radon Subcommittee which issued a final report in February 2009 recommending a MCL of 800 pCi/L for radon-222 in drinking water (http://www.nj.gov/dep/watersupply/radon_report_dwqi_2_17_09.pdf). The Radon Subcommittee further recommended that the Department pursue mandatory radon in air testing and other initiatives through the legislature.

The following items will be addressed during FFY2016:

- If so directed by the Commissioner of the NJDEP, participate in rulemaking process to propose an MCL of 800 pCi/L for radon in drinking water;
- If so directed by the Commissioner of the NJDEP, meet with legislators on dedicated funding of radon program, mandatory testing of homes and schools, and extension of radon resistant construction to Tier 2 areas;
- If so directed by the Commissioner of the NJDEP, maintain course outlines, material, instructors, and logistics for a certification program for radon in water professionals;
- Maintain technical reference materials for radon in water mitigation;
- Attend the National Radon Meeting;
- If so directed by the Commissioner of the NJDEP, develop a Homeowner's Guide to Radon in Water for private wells; and
- If so directed by the Commissioner of the NJDEP, provide training to water treatment professionals on how to treat radon in water and the special precautions required.

ii. Data Management (4 FTE)

New Jersey Environmental Management System (NJEMS)

The NJDEP continues to enhance an enterprise data management system, New Jersey Environmental Management System (NJEMS), which consolidates many existing individual data management systems across the Department and across many media (e.g., air, water, and land). This represented a significant step toward an integrated Department-wide data management system to be used primarily for permit, reporting, and enforcement activities.

The NJDEP Division of Water Supply and Geoscience continues to participate in enhancements to NJEMS for the benefit of the Water Supply components of the system, which continues to require an investment of time and work performance.

The NJDEP and the CGI Group Inc. implemented the NJEMS-SDWIS/State Interface application in 2007 to provide electronic data exchange between NJEMS and SDWIS/State, in an effort to maintain data integrity between the two data systems, with the intent to reduce duplicate manual

data entry into each data system, and electronically transfer data concerning drinking water systems, including inventory, violations, and enforcement actions. The NJDEP and CGI developed an update to the Interface to ensure compatibility with SDWIS/State web 2.3. The updated Interface has been completed and placed into production as of May 2011.

In the future, additional enhancements and the ongoing development of critical business/corporate data verification, query, report, management, and performance capabilities will support Safe Drinking Water system inventory data management and construction permit activities pertaining to the regulated public water systems.

Safe Drinking Water Information System (SDWIS/State)

NJDEP installed SDWIS/State 8.0 in June of 2004. As of May 2011 (SFY2011), NJDEP completed the upgrade to SDWIS web 2.3 and related applications. NJDEP accomplished this upgrade to SDWIS web 2.3 with the assistance of the USEPA and SAIC Inc. This upgrade included application, data, and server migration from SDWIS/State 8.0, a significant change requiring migration through four versions of SDWIS/State.

NJDEP completed work to design, develop, test and implement upgrades to the NJEMS-SDWIS/State Interface application and the E2 Reporting System to ensure compatibility with SDWIS web 2.3. The schedule for completion of these upgrades coincided with the schedule to implement SDWIS web 2.3. The updated Interface and E2 Reporting System have been completed and placed into production as of May 2011.

Due to the substantial complexity of SDWIS/State, with its considerable functionality and built-in modules, New Jersey has not yet achieved full implementation of SDWIS/State. Accordingly, NJDEP continues its ongoing efforts to attain greater knowledge and use of SDWIS/State, in order to further its desire to fully implement SDWIS/State.

USEPA continues its development, design, testing and implementation of upgrades to the current versions of SDWIS/State and related applications, currently SDWIS 3.2. USEPA proposes to begin cloud computing architecture development of SDWIS Prime applications, planned for FFY 2015 through FFY 2017. The NJDEP proposes upgrade to SDWIS 3.2 in the fall of 2015, with consideration for SDWIS Prime during SFY 2017 through SFY 2018.

New Jersey Electronic Environmental (E2) Reporting System

As of May of 2011, NJDEP and EnfoTech Inc. developed and implemented upgrades to the E2 Reporting System to ensure compatibility with SDWIS web 2.3. NJDEP is participating in the current efforts to upgrade the current version of the E2 Reporting System to ensure compatibility with SDWIS web 3.2.

NJDEP anticipates the ongoing effort to implement E2, including outreach, guidance and assistance to interested users will continue. A major step towards laboratory participation in the E2 effort was the NJDEP requirement that laboratories report microbiological and nitrate test results for transient noncommunity water systems to the Department electronically by July 1, 2009, and the requirement

that laboratories report most microbiological and analytical test results for community and nontransient noncommunity water systems to the Department electronically by April 1, 2010. These program changes resulted in revisions to standard operating procedures, system administration and report management roles, and design and development of various reports.

The New Jersey E2 Reporting System allows laboratories to submit three major categories of reports:

- Electronic Drinking Water Reports (DWR) related to the Safe Drinking Water Act;
- Private Well Testing Reporting under the Private Well Testing Act (PWTa); and
- New Jersey Quantitation Limit (NJQL) reports for Office of Quality Assurance lab certification program.

NJDEP anticipates the need to design and develop additional reports (e.g. Monthly Operator Reports, data evaluations, other system implementation activities) in support of the E2 Reporting System for DWS and PWTa reporting.

Resources (Staff)

The data management system improvements envisioned require additional resources to accomplish the current goals of data management system upgrades and future enhancements. This set-aside provides partial funding to assist in this process, as identified in previous IUPs. Additional staff resources to accomplish the Water Supply programs and corresponding data management activities may be needed in the future.

Goals

The combined impact of NJEMS, SDWIS/State, NJ E2 Reporting System, etc., is to provide New Jersey with greatly enhanced capabilities to maintain various Water Supply program data, e.g., Safe Drinking Water, Private Well Testing, Water Resource Allocation, Well Permit, Geographic Information Systems, and continuing opportunities to improve compliance decisions and federal reporting capabilities. NJDEP may propose to utilize available funding for contractual support for enhancements and maintenance of data systems, including but not limited to NJEMS, SDWIS, NJEMS-SDWIS/State Interface, and E2 Reporting System. The NJDEP proposes to perform additional development and ongoing implementation work to:

- more fully utilize the available functionality built into NJEMS and SDWIS/State;
- continue to implement SDWIS/State web 2.3 and upgrade to SDWIS 3.2 by the end of 2015;
- perform data clean-up and validation, investigate errors and data problems, to improve data management for Water Supply in NJEMS, SDWIS/State, and HighView;
- create, improve, and maintain Business Objects Universes for Water Supply in NJEMS and SDWIS/State;
- develop additional critical business/corporate data verification, query, report, management, and performance capabilities in NJEMS, SDWIS/State, and New Jersey E2 Reporting System;

- develop additional public access reports, as appropriate, for data in NJEMS and SDWIS/State, available through the NJDEP web;
- enhance drinking water system monitoring analytical data management, including selected modules developed by other States using SDWIS/State;
- enhance Drinking Water Watch;
- continue to implement SDWIS/FedRep, in support of the USEPA effort to modernize SDWIS/FED;
- continue ongoing activities to implement the New Jersey Electronic Environmental (E2) Reporting System as the New Jersey electronic laboratory-to-State data exchange XML schema to facilitate reporting requirements in accordance with the Safe Drinking Water Act and the Private Well Testing Act;
- enhance the New Jersey Electronic Environmental (E2) Reporting System for the Safe Drinking Water Act and the Private Well Testing Act;
- consider future enhancements to the COMPASS database system for the Private Well Testing Act;
- participate in the USEPA efforts to develop SDWIS Prime applications;
- install and implement SDWIS/eDV 2.0 and subsequent releases in support of the USEPA Data Verification process to identify and compare violations, and improve quality assurance;
- enhance the NJEMS-SDWIS/State Interface for compatibility with SDWIS web 3.2 and subsequent releases;
- enhance the New Jersey Electronic Environmental (E2) Reporting System for compatibility with SDWIS web 3.2 and subsequent releases;
- develop, test, and implement additional electronic data flow initiatives, e.g., ePermitting to allow electronic submission of permit applications and related data submissions through web-based applications;
- provide computer, database, and related electronic hardware and software upgrades;
- participate in providing web-based access applicable to County Environmental Health Authority (CEHA) agencies to enter and update data into NJEMS, concerning drinking water systems, including inventory, violations and enforcement actions;
- enhance and promote greater use of the Water Supply Internet web for public and interested outside agency access;
- consider development of a Water Supply Intranet web for NJDEP access; and
- enhance computer applications to facilitate environmental decision making as required under the Safe Drinking Water Act, or as required in support of the NJDEP Water Supply programs.
- develop, coordinate, and conduct computerized Geographic Information System (GIS) in support of NJDEP Safe Drinking Water Program, including but not limited to geospatial analysis, data layer development/maintenance, database development/maintenance, and map production.
- develop automated customized geospatial analysis tools to support and promote GIS services for the NJDEP Water Supply programs.
- coordinate with the NJDEP Office of Information Resources Management to develop mapping query applications to allow NJDEP staff (Intranet users) and the public (Internet users) to geographically query Safe Drinking Water data, as appropriate.

- participate with the NJDEP Office of Information Resources Management to develop and improve the NJDEP Information Technology Strategic Plan.
- Develop and implement a geodatabase schema for Safe Drinking Water permit GIS submittals to enable electronic sharing of drinking water infrastructure inventory information between NJEMS and the regulated water systems.

iii. Implementation of Program Rules (4 FTE)

In planning for the implementation of additional SDWA Regulations, the NJDEP anticipated that additional Program Management set-aside funding was needed. The NJDEP staff hired under this set-aside will continue to handle additional implementation activities associated with the following rules: Groundwater Rule, Radionuclide Rule, the microbiological/disinfection by products (M/DBP) cluster of rules including Stage II DBP and LT2 Enhanced Surface Water Treatment Rule, Lead and Copper Short-term revisions and the recent adoption of the Revised Total Coliform Rule.

In addition, staff will be dedicated to the implementation of the new Revised Total Coliform Rule that will take effect in April 2016. These activities will include, but not be limited to stakeholder outreach, rule amendments and the preparation of primacy documents.

The NJDEP may evaluate any need or determine to utilize contracted services to supplement program staff activities for the purpose of assisting public water system in complying with the requirements under federal or state Safe Drinking Water Act rules and regulations. Contracted services may include but not be limited to assistance to water systems required to perform Level 1 and 2 Assessments under the Revised Total Coliform Rule, or evaluation of routine monthly or daily operations reports for surface water treatment facilities required under the LT2 Enhanced Surface Water Treatment Rule (Subpart P and/or T). Contracted services may also include additional training on Sanitary Surveys and Comprehensive Performance Evaluations of community water systems.

Goals

The following items will be considered or addressed in FFY2016:

- Propose amendments to the State SDWA Rules at N.J.A.C. 7:10 to address State discretionary options in the RTCR.
- Conduct outreach and develop a Best Management Practice checklist for “start-up” procedures at the approximately 480 seasonal water systems in New Jersey.
- Develop tools including but not limited to an RTCR sampling plan checklist, sampling plan template, Level 1 and Level 2 assessment forms necessary to assist the public water systems with complying with the new rule.
- Conduct training for Licensed Operators, NJDEP staff, Certified Laboratories, County Environmental Health Agencies and others prior to the April 1, 2016 implementation of RTCR.

- Complete the RTCR Primacy Package including the Crosswalk and submit to USEPA for approval.
- Improve sanitary survey capabilities within the Division of Water Supply and Geoscience.
- Participate in AWOP conference calls and/or training.

iv. Sampling (0 FTE)

NJDEP receives funding for special purpose monitoring and laboratory analytical services, under the annual Public Water System Supervision (PWSS) grant authorized by the USEPA, for state administration of the SDWA. Funding for these services is eligible under the PWSS grant and also under the DWSRF, State Program Management Set-Aside for PWSS State Program.

PWSS and Set-Aside PWSS funds may not be used for routine sampling and analyses which are otherwise required of a CWS as part of its normal compliance monitoring requirements under the SDWA rules and regulations. However, PWSS and Set-Aside PWSS funds may be used for State sampling and analyses of special purpose monitoring, surveillance monitoring, and/or other discrete special one-time monitoring.

NJDEP proposes to use these additional funds for special purpose monitoring and laboratory analytical services as it determines necessary and appropriate. Additionally, the program does quality assurance check sampling of CWS to provide an additional level of assurance that standards are being met.

Accordingly, the NJDEP seeks additional State Program Management Set-Aside for PWSS State Program grant funding of monitoring and laboratory analytical services, estimated at \$85,000, in accordance with Section 1452(g)(2)(A) of the SDWA.

v. Security (0%, 0 FTE)

The NJDEP's Drinking Water Security Program supports drinking water infrastructure protection efforts and initiatives as established for public water systems by state, local, and federal agencies. Specific drinking water security activities include, but are not limited to, ensuring that public water systems, as applicable, perform security vulnerability assessments; develop emergency response plans; and receive training and assistance regarding various security requirements and guidance.

The NJDEP's Drinking Water Security Program has been solely supported by the Water Protection Coordination Grant appropriations available to states by the USEPA. This funding source has supported NJDEP's Drinking Water Security Program activities from 2002 through 2009, totaling approximately \$1,150,000. Calendar year 2009 was the last year of the annual USEPA Homeland Security funding. Remaining funding should support NJDEP's Drinking Water Security Program activities through September 2013. However, during CY2013 NJDEP requested and was approved a "No Cost Time Extension" that extended the grant period through September 2015.

The monies associated with current EPA grant are expected sustain expenditures for the Security Program through September 2015. Therefore, SRF set-aside monies of \$200,000 for 2015 and \$150,000 annually thereafter may be requested to support on-going Drinking Water Security Program tasks/activities.

2. Source Water Protection Program Management (0.4%, 2 FTE)

The source water program set-aside is the primary source of funding for continuing source water assessment and protection activities. The 1996 Amendments to the Federal Safe Drinking Water Act requires states to perform source water assessments for all public water systems. The New Jersey Source Water Assessment Program Plan was approved by the United States Environmental Protection Agency in November of 1999. Under the New Jersey Source Water Assessment Program, the New Jersey Department of Environmental Protection (NJDEP) performed a source water assessment of each source of public drinking water (surface water and ground water sources) determining each source's susceptibility to contamination. NJDEP reported the susceptibility rating results in water system specific source water assessment reports. All source water assessment reports (community and noncommunity) were completed by spring 2005.

NJDEP, in conjunction with the United States Geological Survey (USGS), performed the following steps to determine the drinking water sources' susceptibility.

- Identified the area that supplies water to a public drinking water system well or surface water intake (known as the source water assessment area). For ground water sources, this area is also known as the well head protection area. Approximately 10 percent of New Jersey's surface area is contained within a community water system well's source water assessment area. For surface water, approximately 53 percent of the state falls within a source water assessment area.
- Inventoried the significant potential sources of contamination within the source water assessment area.
- Determined how susceptible each drinking water source is to contamination. Susceptibility to the following categories of contamination was determined: pathogens, nutrients (nitrates), pesticides, volatile organic compounds (VOCs), inorganics, radionuclides, radon, and disinfection byproduct precursors (DBPs).

To determine susceptibility to these contaminants, the USGS, with NJDEP assistance, developed statistical models based on extensive analysis of existing well sample data and surface water intake data. The statistical models determined the relationship between environmental factors and the probability for contamination to occur. These models identified factors, such as land use or geology, found to be significantly "linked" to a public water system source's potential to become contaminated by one or more categories of contaminants.

Using the factors, the statistical models provided numerical ratings for each source of drinking water for each contaminant category, which were then converted into high (H), medium (M), or low (L) susceptibility ratings.

The Source Water Assessment Program was designed to encourage protection of drinking water sources by providing information to state and local regulatory agencies and the public to assist in watershed assessment and planning and to enhance the public's role as "water stewards." The results provide information to allow state and local agencies to determine if increased regulatory controls, including local land use ordinances, are warranted. In addition, the basic data gathered through the Source Water Assessment Program, including the locations of the public water system wells and surface water sources, will be available for NJDEP program use in efforts to improve environment regulatory actions, such as cleanup decisions in the hazardous and solid waste programs.

To that end, New Jersey is currently working on a project entitled *Historic Well Search Project*. NJDEP staff are manually verify the locations of older well permits and well records on State Plane maps, and data entering the locations of these wells into an electronic database to strengthen the usefulness of our electronic well search tool. The electronic search tool enables responsible parties to identify wells within a specified radius of a site, and to determine the extent of monitoring. This tool also allows a responsible party to determine the public water supply wells in the vicinity of a site. The *Historic Well Search Project* is over 90 percent complete, and the NJDEP anticipates completing this project by in 2014 as part of its Source Water Protection activities.

Goals

NJDEP will develop and implement source water protection initiatives to better safeguard current and future drinking water resources. The NJDEP will continue to review its existing regulatory programs that already protect drinking water sources and determine whether or not they should be revised to better protect these sources. The NJDEP will develop new and build upon existing strategies for protection of source waters, enhancing existing surface and ground water protection programs that regulate threats to drinking water, as well as support local well head protection ordinances.

- SWAP staff will continue to work with New Jersey public water systems and with the interested public to assure the accuracy of the source water assessments for existing sources. Based on updated information, changes may be necessary and may result in issuing revised source water assessments. This will include such activities as updating the NJDEP source inventory and processing changes to the location data, coordinating with the New Jersey Geological Survey regarding changes to well delineations, updating contaminant source inventories, re-running models, and re-issuing updated SWAP reports.
- In addition, new sources of public water will need to be evaluated and assessed. The Community water systems will be evaluated by the New Jersey Geological Survey. It is estimated that 25-50 new community water system wells are placed into service every year. NJDEP anticipates approximately 60 or more new noncommunity water systems (transient and nontransient) will become active every year and will require source water assessments.

Performing source water assessments and generating SWAP reports for new sources of water and/or new systems will continue to be an ongoing activity.

- NJDEP will also continue to assist those water systems that are responsible for generating consumer confidence reports (CCR) to ensure the most recent and accurate source water assessment information is provided within their consumer confidence reports.
- NJDEP will continue to maintain its Source Water Assessment Program website to keep the public informed of well head protection efforts, provide the most recent source water assessment reports, and answer questions the public may have concerning the program.

3. System Capacity Development (1.9%, 4 FTE)

In accordance with Section 1420 of the Federal SDWA New Jersey developed a capacity development program. The goals of New Jersey's Capacity Development Program are to prevent the formation and approval of new nonviable public water systems and to assist existing water systems in achieving and maintaining compliance with the Federal and State SDWA regulations.

In accordance with Section 1420 (a) of the federal regulations, for new systems, each State shall have the legal authority to assure that all new CWS and NTNC water systems demonstrate adequate technical, managerial and financial capacity (TMF). In New Jersey, P.L.1999 Chapter 176 the New Jersey SDWA (N.J.S.A. 58:12A) gives New Jersey explicit legal authority to require new public water systems to demonstrate capacity prior to commencing operation. New Jersey then adopted a new rule (N.J.A.C. 7:10-13), effective on August 21, 2000, that establishes the requirements to assure that all new public community and NTNC water systems have adequate capacity. Additionally, in accordance with Section 1420 (c) of the Federal SDWA each State is required to develop and implement a strategy to assist existing systems in acquiring and maintaining capacity. The USEPA approved New Jersey's Capacity Development Strategy on September 28, 2000.

Goals

This Intended Use Plan will review the future activities planned to implement the Capacity Development Program in order to comply with the federal SDWA requirements. New Jersey intends to accomplish the following tasks:

- Continue the process of conducting capacity evaluations for the community and noncommunity systems identified on the newest Strategy List and other systems identified as needing capacity development through other means (e.g., Small System Technical Assistance Program, Compliance & Enforcement Element, USEPA's Enforcement Tracking Tool (ETT) and County Environmental Health Agencies).
- Continue to evaluate and improve implementation of the Capacity Development Program and Strategy including without limitation any feedback from systems which receive assistance, attendees of workshops or training sessions, Managerial Capacity Workgroup members, and advisory boards such as the NJ Clean Water Council.

- Provide direct technical assistance to those water systems that fail to demonstrate adequate TMF capacity. This will be performed on an ongoing basis and will attempt to cooperatively incorporate the use of TMF assistance. Technical assistance will include direct consultation to assist targeted water systems to comply with existing regulations regarding construction and operation. Managerial and financial assistance will continue to incorporate the concepts of Asset Management to establish water system priorities in refurbishing, maintaining, and expanding needed infrastructure. Once these priorities are determined, the water system can then develop meaningful projections of expenses and evaluate how to garner revenues needed to effect improvements. The program anticipates involvement in meaningful rate setting discussions, when needed, so that targeted water systems can themselves determine how best to accrue the funds required to maintain their water system. USEPA's Simple Tools for Effective Performance (STEP) Guide Series, Check Up Program for Small Systems (CUPSS), or similar tools/software will be used when appropriate.
- Provide oversight to the one or more third-party contractors engaged to supplement our own efforts in providing, on-site technical assistance, asset management plan development, assistance in creating operations and maintenance (O &M) manuals and rate setting advice during SFY2016. To accomplish this goal, the program will oversee contracts with 1) Rural Community Assistance Partnership (RCAP) to assist select small systems in developing asset management plans and O&M manuals, and 2) New Jersey Water Association (NJWA) to provide engineering assistance, through subcontractors, to small systems applying for a DWSRF loan.
- Perform TMF evaluations on any new community and NTNC water systems.
- Obtain training for Capacity Development Program staff to enhance their overall ability to assess TMF capacity and help public water systems develop and implement asset management plans.
- Develop our own training materials or integrate/modify existing materials available from other States, Technical Assistance Centers, Environmental Finance Centers, and/or Non-Profit Organizations to educate owners, managers, board/council members, and licensed operators on the benefits of developing TMF capacity through asset management. Once developed, offer training sessions and workshops through various forums (e.g., one-on-one sessions with select public water systems, classroom seminars, webcasts, etc.)

4. Operator Certification (0.3%, 3 FTE)

N.J.A.C. 7:10A "*Licensing of Water Supply and Wastewater Treatment System Operators*" requires all public community and NTNC water systems to employ a licensed operator. The Bureau of Safe Drinking Water routinely checks to ensure that these systems are under the supervision of a licensed operator through coordination with the NJDEP Examinations & Licensing Office, NJDEP Enforcement Units, and County health departments. Use of a shared database has reduced the time needed to perform this task. Success of this program is anticipated to continue with less than 2% noncompliance. The NJDEP believes that a licensed operator with oversight at small systems will

alleviate many of the noncompliance issues that typically plague small systems and will result in a significant reduction of SDWA violations.

In addition, NJDEP requires licensees to obtain continuing education credits, called Training Contact Hours (TCH), for operator license renewal. NJDEP has recognized the State Operator Training Center (SOTC) at Rutgers University, the New Jersey Section of the American Water Works Association (NJAWWA), the New Jersey Water Environment Association (NJWEA), the American Water Works Service Company, Hunterdon County Polytech, Delaware Technical and Community College, and Aqua New Jersey as qualified course providers. NJDEP has also approved over 200 continuing education courses given by independent course providers for TCHs and continues to review requests for TCH approval from training providers. NJDEP approved 37 courses by 11 training providers in SFY2015. Also, NJDEP has identified the need for distance learning in New Jersey and has approved the California State University's Office of Water Programs as a provider of initial certification training courses and AWWA eLearning (formerly the AWWA Online Institute), CEU Plan, 360water.com, Pure Safety, Digital 2000, and United Rentals as providers of online continuing education courses.

NJDEP has engaged in several activities to support training programs in New Jersey. NJDEP contracted with the SOTC at Rutgers University to provide 50 percent tuition cost reimbursements for continuing education to water licensed operators. The reduced costs have made this training more accessible to operators. A \$198,000 contract executed on September 9, 2013 has funded 39 continuing education courses held in SFY 2015. During this time, 531 tuition discounts were provided to drinking water operators, totaling \$84,932.50 resulting in an average discount \$159.95 per person. The BSDW is in the process of initiating a new \$198,000 contract with Rutgers University to continue to provide tuition subsidies to operators. NJDEP also subsidizes operator continuing education courses provided by the NJAWWA. One seminar was held in SFY2015. In addition, NJDEP reimburses tuition and textbook costs to qualified individuals taking the required initial and advanced certification courses. NJDEP reimbursed \$5,772 in training cost to 5 individuals in SFY2015.

Goals

The following items will be addressed during FFY2016:

- NJDEP has developed duties and responsibilities guidance documents for each class of Water Treatment (T) and Water Distribution (W) licensed operators. This task was not completed in previous years, but is now awaiting management approval. These draft documents were submitted for peer review by licensed operator professional associations. We anticipate finalization and public dissemination of these documents by FFY2016.
- NJDEP will review requests of operators who wish to operate more than 10 public water systems.
- The NJDEP will track those individuals who fail the water/wastewater operator licensing examinations in order to ensure that they complete the appropriate review course, if they fail an exam three times.

- NJDEP will adjust continuing education renewal cycles of those operators who cannot meet requirements due to active military duty or medical reasons.
- NJDEP will continue to coordinate with local and county health department agencies and NJDEP regional field offices to ensure systems' noncompliance with the licensed operator requirement is a low percentage.
- NJDEP will continue to review requests by training providers to issue continuing education credits for operator license renewal.
- The NJDEP will continue to extend funding for tuition reimbursement to qualified water operators taking courses at Rutgers' SOTC through FFY2017.
- NJDEP will continue to provide for free or reduced cost operator training through NJWA seminars and teleconferences.
- NJDEP will continue to provide tuition reimbursement to any persons who are taking the introductory or advanced courses needed to obtain a drinking water operator license.
- NJDEP will continue to subsidize the training of persons wishing to become Very Small Water System (VSWS) operators.
- NJDEP will revise and update the Operator Certification portion of the Division of Water Supply website with new training and certification information.
- The NJDEP will interact with licensed operators to ensure that facilities are effectively operated and maintained, assist in providing direct technical assistance, and develop appropriate training for public water system operators throughout the State.
- In SFY 2015, the NJDEP canvassed all class 3 and 4 treatment systems, which require a full-time operator, to identify succession planning needs for licensed operator positions at these facilities. We will continue to track these systems to ensure adequate staffing to meet full time coverage requirements for the primary and backup licensed operator positions.

V. Short and Long-Term Goal Statements

Within the next two years, NJDEP will strive to accomplish short term goals. There are three goals that NJDEP would like to continue to pursue:

1. Provide funding for eliminating uncovered finished water reservoirs – Water systems that have uncovered finished water storage facilities must meet the requirements of 40 CFR 141.714. The Federal Safe Drinking Water Act rules require reservoirs to be covered, replaced or treated by April 1, 2009, or require the water system to be in compliance with a State approved schedule in order to ensure adequate protection of water supplies. The last three water systems with uncovered finished water reservoirs signed Administrative Consent

Orders by April 1, 2009 and are working with the NJDEP to meet the Federal requirement for the five remaining uncovered reservoirs. Multiple sources of funding will be needed, as the total cost is estimated at over \$100 million. One water system with an uncovered reservoir pursued funding under the November 2010 funding cycle. The DWSRF program will continue to work with the remaining water systems to be available to help finance the resolution to eliminating uncovered reservoirs.

2. Provide funding to small water systems to help finance improvements in order to meet the USEPA goal of a minimum of 15 percent of project funds for small water systems. With the help of the 2 percent set-aside for technical assistance to small systems, the NJDEP again entered into a contract with the New Jersey Water Association (NJWA) to provide engineering services to small systems. Under this contract, small systems serving less than 3,300 in population can access a pre-approved list of consulting engineers that will provide assistance completing DWSRF applications and submittals for systems. The engineers will be reimbursed through this contract instead of the project sponsor receiving a planning and design allowance. This will eliminate the need for small systems to utilize their own resources to pay for the engineering planning and design costs. This initiative is marketed by both the NJDEP and the NJWA. It is presented at various seminars throughout the state, at site visits, and via mailings targeting small systems. Additionally, the EIFP is evaluating more ways to help small systems in participating in the DWSRF loan program. In FFY 2013, the DWSRF loan program implemented the Small Water Systems loan program.
3. Decrease unliquidated obligations from older DWSRF capitalization grants. New Jersey has changed the loan process so that applicants must have executed construction contracts prior to executing a loan with the state. This will help minimize unexpended balances from older capitalization grants. NJDEP is actively pursuing older loans to request disbursements as soon as possible and to deobligate the monies once construction is completed and paid out. Additionally, NJDEP has revised its accounting system for the First in First out (FIFO) basis and that should also help in decreasing the unliquidated obligations.

NJDEP will strive to accomplish long term goals in the time period greater than five years. There are five goals that NJDEP would like to continue to pursue:

1. Loan Program Viability – This goal includes various steps. Since more than ten years have passed since the first DWSRF capitalization grant was awarded, New Jersey will take a look at the current program and consider any changes that should be considered for the near and long term future. Tools that may help in the process is the Financial Planning Model, a Financial Planning Committee and workgroup meetings with the Trust and financial consultants that can look at changes in loan terms, loan rates, any various other financial aspects of the program to ensure the fiscal integrity of the Fund and the best program available to water systems in difficult economic times. Also, New Jersey needs to assess future federal, state and local regulations and compliance issues to evaluate the future revisions to the project priority system.
2. Smart Growth/Sustainable Planning - New Jersey is a small, but densely populated state, and has made smart growth and sustainable planning a priority. The Department of State

and the NJDEP have smart growth and sustainable planning sections that concentrate on these issues in New Jersey. The DWSRF program will work with these sections and other interested parties in New Jersey to review changes in our funding program to address smart growth, green funding and sustainable planning. This could possibly result in changes to the project priority system or funding package, as this aspect of the program is evaluated each year.

3. Green Projects Reserve (GPR) – This becomes more important as there is a national and state emphasis placed on green projects and as the country becomes more aware of replacement with energy and water efficiency projects as water systems upgrade. The project priority system and smart growth funding package were revised in the FFY2011 IUP to include GPR, and these revisions were also carried forward in the IUP since then including the FFY 2016 IUP. However, each year GPR will be evaluated and New Jersey will decide what, if any, changes need to be made to provide more incentives for green funding with water system improvements.
4. Asset Management Planning – This has become an important issue with the NJDEP. Asset management is now a mandatory component of a DWSRF project.
5. Data Management System- A data management system for the DWSRF program is under development to improve the efficiency, operation and organization of the program. The EIFP is currently developing a new data management system named H2IOan System.

VI. Summary of Outreach Efforts

Federal DWSRF rules require that States' DWSRF programs include public participation activities. NJDEP sent a Notice of Public Hearing for the Proposed Project Priority System to community and nonprofit noncommunity water supply systems, county and municipal health authorities, selected environmental groups, selected engineering consultants, water associations and assorted State agencies requesting their input on the drinking water financing program. Appendix C lists all construction projects on the comprehensive project priority list, projects expected to be funded in May 2015 and May 2016 under the master list(s), and a summary of projects already funded from November 1998 to 2014.

Information about this program and essential contact information are available on the NJDEP, Division of Water Supply and Geoscience home page, <http://www.nj.gov/dep/watersupply> and the Trust website, <http://www.njeit.org/forms.htm>. Copies of this IUP, "FFY2016 Proposed Priority System, Intended Use Plan, Project and Priority List" are available on these websites. The NJDEP and the Trust make periodic presentations to groups, such as the NJWA, explaining and answering questions about the DWSRF program. NJDEP staff visits small systems to directly promote the DWSRF program. The capacity development staff is well versed in the opportunities afforded small systems through the DWSRF program and actively promotes the DWSRF during site visits and presentations. DWSRF staff will interact with the capacity development staff and Enforcement staff to ensure that any systems identified by these sections that are in need of loan monies are aware of the DWSRF program. The NJDEP will specifically target systems identified in the annual Safe Drinking Water Act Violations report for participation in the DWSRF. The DWSRF staff has also participated in presentations at events sponsored by Rutgers, the State University of New Jersey, the New Jersey chapter of the American Water Works Association and the North Jersey Water Conference.

Continuous public participation activities will include participation in training sponsored by other agencies such as the NJWA, Rutgers Continuing Education, the New Jersey Chapter of the AWWA, and other groups upon request. In addition, the Trust has conducted outreach efforts targeted to both public and privately owned purveyors. The Trust includes in its periodic newsletter articles pertaining to the DWSRF. This newsletter is mailed to public and privately owned water purveyors, municipal and county officials, and licensed professionals such as engineers and attorneys. Also, the Trust conducts its annual seminar each year for borrowers to review the financial requirements, deadlines and obligations associated with the program. The Trust's website can be viewed at <http://www.njeit.org> and the Municipal Finance and Construction Element's website can be viewed at <http://www.state.nj.us/dep/dwq/mface.htm>.

APPENDIX A

- 1) Critical Steps for DWSRF Loans
- 2) FFY2016/SFY2017 Drinking Water Financing Program Schedule
- 3) FFY2015/SFY2016 Drinking Water Financing Program Schedule
- 4) Letter of Intent – Drinking Water

Appendix A.1
Critical Steps for DWSRF Loans
FFY2016

1. Identify Project on the Priority List:

- Submit a letter of intent – drinking water
- Forms should be completed online at <http://www.njeit.org/forms.htm> and go to the letter of intent – drinking water. For first time users, call the NJ Environmental Infrastructure Trust at (609) 219-8600 and designate an authorized representative to complete the form online.

2. Attend a NJDEP Pre-Planning Meeting:

- Although this step is not required, it is highly recommended
- Discuss program requirements and schedules

3. Submit Letter of Intent – Drinking Water and Planning Document:

- The FFY2016 cycle deadline is October 9, 2015
- Planning document is a general summary of project scope and environmental concerns (must include a map) as described in N.J.A.C 7:22-10 at http://www.state.nj.us/dep/dwq/pdf/njac722_sub10.pdf
- Note that electronic submissions to the Trust must be in a format as specified by the Trust and submitted by October 9, 2015

4. Submit Design Document and Loan Application:

- Plans, specifications, loan application and all permit applications must be submitted
- The FFY2016 cycle deadline is March 4, 2016
- Note that electronic submissions to the Trust must be in a format as specified by the Trust and submitted by March 4, 2016

5. Submit Financial Documents:

- The deadline is in December of each year
- The NJEIT financial seminars are held earlier in February

6. Loan Award:

- Loans are closed in escrow in March of the following year
- Loans are awarded May of the following year
- Must have all applicable permits and approvals in place and be certified by NJDEP by February of the following year
- Projects that are certified and meet the Trust's credit worthiness review are funded in order of placement on the Priority List as described in the Intended Use Plan

Please see www.njeit.org for copies of these documents.

Appendix A.2
FFY2016/SFY2017 Drinking Water Financing Program Schedule
(Using FFY 2016 and Other Available Federal Monies)

<u>DATE</u>	<u>ACTION</u>
September 2015	-Public hearing on FFY2016 Priority System, Intended Use Plan and Project Priority List proposal
Before October 9, 2015	-Prospective project sponsors attend preplanning meeting with NJDEP prior to submitting Letter of Intent – Drinking Water
October 9, 2015	- Letter of Intent – Drinking Water due & completed online -Applicants submit all planning documents to NJDEP -Submit electronic version to Trust
On or before January 15, 2016	-NJDEP/Trust submit list of projects (based on Priority System ranking methodology) to Legislature for forthcoming State Fiscal Year
March 4, 2016	-Applicants submit all design documents to NJDEP -Applicants submit complete loan application to NJDEP -Supplemental Loan applications due to NJDEP -Submit electronic version to Trust
On or before March 30, 2016	-Financial Plan for forthcoming State Fiscal Year submitted by Trust to Legislature
June 30, 2016	-Legislature acts on Financial Plan
December 2016	-Applicants submit financial addendum form to the Trust -Distribution of draft loan exhibits
March 2017	-Execute NJDEP/Trust loan agreements in escrow
April 2017	-Trust Bond Sale
May 2017	-Loan award

Appendix A.3
FFY2015/SFY2016 Drinking Water Financing Program Schedule
(Using FFY 2015 and Other Available Federal Monies)

<u>DATE</u>	<u>ACTION</u>
September, 2014	-Public hearing on FFY2015 Priority System, Intended Use Plan and Project Priority List proposal
Before October 10, 2014	-Prospective project sponsors attend preplanning meeting with NJDEP prior to submitting Letter of Intent – Drinking Water
October 10, 2014	- Letter of Intent – Drinking Water due & completed online -Applicants submit all planning documents to NJDEP -Submit electronic version to Trust
On or before January 15, 2015	-NJDEP/Trust submit list of projects (based on Priority System ranking methodology) to Legislature for forthcoming State Fiscal Year
March 6, 2015	-Applicants submit all design documents to NJDEP -Applicants submit complete loan application to NJDEP -Supplemental Loan applications due to NJDEP -Submit electronic version to Trust
On or before March 30, 2015	-Financial Plan for forthcoming State Fiscal Year submitted by Trust to Legislature
June 30, 2015	-Legislature acts on Financial Plan
December 2015	-Applicants submit financial addendum form to the Trust -Distribution of draft loan exhibits
March 2016	-Execute NJDEP/Trust loan agreements in escrow
May 2016	-Loan award

Appendix A.4
Letter of Intent – Drinking Water Loan

Please go to the website: www.njeit.org/forms.htm

APPENDIX B

- 1) Drinking Water Infrastructure Needs Survey
- 2) Revised Capacity Development Evaluation Procedure for DWSRF Project Sponsors
- 3) Chronological Summary of Capitalization Grants and Transfers
- 4) USEPA 5700.7 – Environmental Results
- 5) Sources of Funding
- 6) Security Measures at Public Water Systems

Appendix B.1

Drinking Water Infrastructure Needs Survey

The 1996 amendments to the SDWA require the USEPA to conduct an assessment every four years of capital improvements that are needed by community and nonprofit noncommunity water systems. Therefore, every four years a Drinking Water Infrastructure Needs Survey (Survey) is conducted to meet the above requirements. A Report to Congress is then issued by USEPA. These reports are available online at <http://www.epa.gov/safewater/needssurvey/index.html>. Therefore, it is very important for the drinking water systems in New Jersey to complete the surveys and analyze their needs over a twenty-year period.

Congress directed that allotments for fiscal year 1998 and subsequently would be distributed among states based on the results of the most recent Drinking Water Infrastructure Needs Survey and Assessment. The first survey was conducted in 1995 and then scheduled for every four years afterwards. The Survey is used to determine the total national need for the 20-year period and identify the proportional need for each state. Based on this proportional need, the yearly appropriations of the DWSRF were allotted among the 50 states and Puerto Rico. The DWSRF directs that states with 1 percent or less of the total need shall receive a minimum of 1 percent of the funds as an allotment. Also, the Virgin Islands, District of Columbia, Pacific Island territories, American Indian tribes, and Alaskan Native villages receive a proportion of the allotment.

The First Report to Congress, reflecting 1995 data, was released in February 1997, the Second Report to Congress, reflecting 1999 data, was released in February 2001, the Third Report to Congress, reflecting 2003 data, was released in June 2005, and the fourth report to congress, reflecting 2007 data was released in March 26, 2009. The allotment percentages for New Jersey based on the previous surveys were 2.44 percent, 2.30 percent and 2.21 percent, respectively. The gradual decrease in allotments has resulted in significant impact on the financial capability of New Jersey's DWSRF program.

The Fifth Report to Congress was released on June 4, 2013 and the results will affect State allotments for fiscal years 2014 through 2017. The revised state allotments were published by USEPA on June 4th, 2013. New Jersey's allotment decreased from 2.14 percent to 1.90 percent. Below is the total 20-year needs reported by each Needs Survey:

Survey	National	New Jersey	Dollars
1995	\$138.4 Billion	\$3.61 Billion	1995 Dollars
1999	\$150.9 Billion	\$3.66 Billion	1999 Dollars
2003	\$276.8 Billion	\$6.92 Billion	2003 Dollars
2007	\$334.8 Billion	\$7.96 Billion	2007 Dollars
2011	\$384.2 Billion	\$7.91Billion	2011 Dollars

Appendix B.2

Revised New Jersey Capacity Development Program for Projects Financed through the Drinking Water State Revolving Fund

Background

The Safe Drinking Water Act (SDWA) Amendments of 1996 (Pub. L. 104-182) authorize a Drinking Water State Revolving Fund (DWSRF). The DWSRF is designed to assist publicly owned and privately owned community water systems and nonprofit noncommunity water systems in financing the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements, and to meet the public health objectives of the SDWA.

Section 1452(a)(3) of the SDWA prohibits a state from providing DWSRF assistance to a system that lacks technical, managerial, and financial capacity or is in significant noncompliance with any requirement of a national primary drinking water regulation or variance, unless: 1) the use of the financial assistance will ensure SDWA compliance, or 2) the owner or operator of the system agrees to undertake feasible and appropriate changes to assure that adequate capabilities will be put in place, and agrees to implement such changes.

The following is a screening process that will be used to assess the technical, managerial, and financial capacity of any DWSRF project sponsors.

I. Technical Capacity

Technical capacity refers to the adequacy, operation, and maintenance of a water system's infrastructure. To assure adequate technical capacity, a project sponsor must demonstrate that its water system has adequate source water and adequate infrastructure, and must demonstrate that personnel operate its water system with technical knowledge about applicable standards. The project sponsor may demonstrate adequate technical capacity as follows:

The water system has no continuing violations of New Jersey's SDWA rules (N.J.A.C. 7:10) and Water Supply Allocation Permit rules (N.J.A.C. 7:19) unless the improvements will ensure SDWA compliance;

The water system has the appropriate licensed operator. Class 3 and 4 water treatment systems require a full-time operator. These facilities should have multiple staff holding the appropriate license(s) needed to cover the system and ensure continuity with adequate succession planning.

The water system has adequate primary and backup source capacity;

The water system has on site auxiliary power as needed and the water system has adequate storage as defined in the New Jersey Water Supply Management Act Rules (7:19-6.7)

The water system finished storage facilities are in good condition and structurally inspected at least every 5 years;

In addition to the above, the New Jersey Department of Environmental Protection may review other items for technical capacity if necessary.

II. Managerial Capacity

Managerial capacity refers to the personnel expertise required to administer the overall water system operations. To assure adequate managerial capacity, the project sponsor must demonstrate that relative to its water system it has clear ownership, proper and organized staffing, and effective interaction with regulators and customers. The project sponsor may demonstrate adequate managerial capacity as follows:

The water system is not in receivership;

The water system has an emergency response plan in case of a Natural disaster;

The water system has an organization chart that shows all positions with clear defined job descriptions; and

The water system has policy and procedures to track customer complaints in order to provide feedback on quality of service and infrastructure needs.

In addition to the above, the New Jersey Department of Environmental Protection may review other items for managerial capacity if necessary.

III. Financial Capacity

Financial capacity refers to the monetary resources available to a project sponsor for its water system to support the cost of operating, maintaining, and improving the water system. To assure adequate financial capacity, the project sponsor must demonstrate that relative to its water system it has sufficient revenues, fiscal controls and credit worthiness. The project sponsor's water system may demonstrate adequate financial capacity if the following is met:

The water system charges for water;

The water system is metered; and

The water system has a shut off policy for no payment.

In addition to the above, the New Jersey Department of Environmental Protection may review other items for financial capacity if necessary and will encourage water systems to develop asset management and capital improvement plans as needed to assure the long term viability of their utility.

IV. Systems with Inadequate Capacity

A water system that requires improvements to obtain adequate capacity can apply to the DWSRF provided that the improvements will ensure SDWA compliance. The NJDEP will make this assessment on a case-by-case basis, with emphasis on compliance with all applicable requirements, rules or statutes of the respective agencies. The water system must agree and demonstrate to the agencies' satisfaction the implementation of any required technical, managerial or financial changes necessary to obtain approval by the agencies.

V. Long Term Capacity

The NJDEP, where appropriate, will assess whether a water system has a long term plan to undertake feasible and appropriate changes in operations necessary to develop adequate capacity. Information such

as engineering reports, inspection reports, and other available information will be used in making these assessments. The NJDEP will encourage consolidation of water systems in an effort to improve capacity. The Small Water Utility Take Over Act (N.J.S.A. 58:11-59) and companion regulation (N.J.A.C. 7:19-5) may need to be reviewed and modified if necessary to address existing systems in significant noncompliance.

Appendix B.3
Chronological Summary of DWSRF Program
Capitalization Grants

Federal Fiscal Year	National Appropriation (\$)	Allotment Formula (%)	New Jersey's Appropriation (\$)	Date Awarded
FFY97	1,275,000,000	2.23	27,947,300	September 11, 1998
FFY98	725,000,000	2.44	17,347,900	September 11, 1998
FFY99	775,000,000	2.44	18,182,200	September 23, 1999
FFY00	820,000,000	2.44	18,896,600	July 13, 2000
FFY01	823,185,000	2.44	18,974,800	August 9, 2001
FFY02	850,000,000	2.30	18,538,600	September 19, 2002
FFY03	850,000,000	2.30	18,427,200	September 30, 2003
FFY04	830,310,200	2.30	19,115,600	September 28, 2004
FFY05	850,000,000	2.30	19,075,100	September 27, 2005
FFY06	850,000,000	2.21	18,211,700	September 20, 2006
FFY07	837,495,000	2.21	18,212,000	September 26, 2007
FFY08	829,029,000	2.21	18,027,000	September 10, 2008
FFY09	829,029,000	2.21	18,027,000	September 23, 2009
FFY09-ARRA	2,000,000,000	2.21	43,154,000	August 26, 2009
FFY10	1,387,000,000	2.14	28,995,000	September 29, 2010
FFY11	963,000,000	2.14	20,120,000	September 28, 2011
FFY12	917,892,000	2.14	20,174,000	September 18, 2012
FFY13	861,326,000	2.14	17,990,000	September 24, 2013
FFY 2014	850,000,000	1.90	16,828,000	September 23, 2014
TOTAL FFY97 to FFY14:			396,244,000	

Funds Transferred to the DWSRF from the CWSRF

Transfer Based on Capitalization Grant	Funds Transferred (\$)	Date
FFY 97	9,222,609	October 13, 1999
FFY98 and FFY99	11,724,933	October 19, 2000
FFY00 and FFY01	12,497,562	August 28, 2001
FFY02	6,117,738	September 27, 2002
FFY03	6,080,976	September 17, 2003
FFY04	6,308,148	September 28, 2004
FFY05	6,294,783	September 27, 2005
FFY06	6,009,861	October 11, 2006
FFY07	6,009,960	October 3, 2007
FFY08 through FFY11	28,105,770	April 26, 2012
FFY12	0	Not applicable
FFY13	0	Not applicable
FFY14	0	Not applicable
FFY 15	0	Not Applicable
TOTAL:	98,372,340	

Appendix B.4
USEPA 5700.7

DWSRF Environmental Results SFY2017		
<u>Anticipated Outputs & Outcomes for SFY2017</u>		
<u>Strategic Plan Objective 2.1</u>		
Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters), in fish and shellfish, and in recreational waters		
CONSTRUCTION LOANS	OUTPUTS	OUTCOMES
	2 Binding Commitments for nano loans	Improved sustainability for small systems
SET ASIDE	OUTPUTS	OUTCOMES
Small System Technical Assistance	Assist 5 daycare centers	Improved compliance and sustainability for daycare centers
	Provide oversight for the newly executed Engineering Services Contract	Help systems serving less than 3,300 customers to evaluate their systems and apply for nano loans under the DWSRF program
Radon	Continue to assist with promulgation of a radon in water MCL.	Provide guidance to the public to help them in treating their source of water
Data Management	Planning, design, development, testing, and implementation of enhancements to the NJEMS-SDWIS/State Interface to ensure compatibility with SDWIS 3.2	Maintain integrity of the data between the two data systems, NJEMS and SDWIS for improved data management efficiency
Implementation of Program Rules	Implement new rules for Revised Total Coliform Rule and provide guidance to water systems	Guidance to administer new rules to protect public health
Sampling	10 public water systems sampled	Increase the number of water systems returning to compliance and/or maintaining compliance
SWAP	Assist public water systems with their Consumer Confidence Reports including their source water assessment information	Keeping the public informed of the source and quality of their drinking water will allow the public to make personal health-based decisions regarding their drinking water consumption
Capacity Development	Arrange for seminars, workshops, and/or webcasts to provide training on how to evaluate and develop technical, managerial, and financial capacity and utilize CUPSS	Providing systems with the tools and resources to increase the viability of the water system

Operator Certification	Finalize the duties and responsibilities guidance documents for each class of Water Treatment (T) and Water Distribution (W) licensed operators.	Help the licensed operators to understand their duties and the license requirements, which should assist them in running the water systems properly
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Appendix B.5

Sources of Funding

- 1) NJDEP – Drinking Water SRF
Bureau of Safe Drinking Water
http://www.state.nj.us/dep/watersupply/dws_loans.html
609-292-5550
- 2) New Jersey Environmental Infrastructure Trust
<http://www.njeit.org>
609-219-8600
Fax: 609-219-8620
- 3) NJDEP – Clean Water SRF
Municipal Finance and Construction
www.state.nj.us/dep/dwq/mface.htm
609-292-8961
- 4) NJDEP – Green Acres
<http://www.nj.gov/dep/greenacres/progareas.html>
- 5) NJDEP – SRP
Environmental Claims Administration
www.nj.gov/dep/srp/finance
- 6) NJDEP – ISRA Office of Accountability
<http://www.nj.gov/dep/srp/guidance/isra/rfsguide.htm>
<http://www.nj.gov/dep/srp/finance/hdsrf/>
- 7) NJ Department of Community Affairs
<http://www.state.nj.us/dca/divisions/>
1-800-NJ-HOUSE
http://www.state.nj.us/dca/hmfa/media/download/owner/ho_potablewater_fs.pdf
Potable water loans for individual homeowners:
<http://www.state.nj.us/dca/hmfa/homeownership/owners/potable/>
<http://www.state.nj.us/dca/grants/>
- 8) NJ Economic Development Authority
www.njeda.com
609-292-1800
- 9) US Department of Agriculture
Rural Utilities Services – New Jersey Office
<http://www.rurdev.usda.gov/nj/wwd.html>
In New Jersey, contact Kenneth C. Drewes, Phone: (856) 787-7753 or
E-mail: kenneth.drewes@nj.usda.gov

- 10) CoBank – for private water companies
<http://www.cobank.com/Products-Services.aspx>
1-800-542-8072
- 11) US Federal Government grant opportunities
<http://www.grants.gov/>
http://water.epa.gov/grants_funding/
- 12) New Jersey Redevelopment Authority
www.njra.us
Leslie Anderson, Executive Director
609-292-1071
- 13) Rural Community Assistance Partnership (RCAP)
http://www.rcapsolutions.org/loan_funds.htm
RCAP Revolving Loan Fund
Donna Warshaw
RCAP Solutions Financial Services
978-630-6635
dwarshaw@rcapsolutions.org
- 14) USEPA
<http://water.epa.gov/drink/>
- 15) US Department of Commerce
Economic Development Administration
<http://www.eda.gov>

The NJDEP and the Division of Water Supply and Geoscience do not recommend or support any specific loan programs. Citation here does not equate to official endorsement and none should be inferred. The above list is not meant to be a comprehensive list of funding programs.

Appendix B.6

Security Measures at Public Water Systems

USEPA and New Jersey encourages water systems to protect their facilities and identify their vulnerability to security threats, vandalism and contamination. Information on this topic can be further clarified at the USEPA website (<http://cfpub.epa.gov/safewater/watersecurity/index.cfm>). Security protection (physical and electronic) of the water system should provide deterrence, detection, delay and response against vandals, terrorists, saboteurs and criminals.

A first step is to perform a Vulnerability Assessments (VA) which describes the water system components, determines the critical assets, identifies and prioritizes the adverse consequences to avoid, determines the probabilities of malevolent acts, evaluates existing security measures and provides recommendations for risk reduction. By Federal Regulation, all community water systems (CWS) serving more than 3,300 customers had to conduct a VA that addressed the entire water system. CWS serving a population greater than 100,000 (Tier 1) were to submit a VA by March 31, 2003. CWS serving a population of 50,000 to 99,999 (Tier 2) were to submit a VA by December 31, 2003. CWS serving a population of 3,301 to 49,999 (Tier 3) were to submit a VA by June 30, 2004. CWS serving a population of less than 3,300 (Tier 4) were excluded. NJ achieved 100% compliance with VA submittals.

DWSRF loan monies can be utilized for the installation of security measures, including but not limited to: fencing, security cameras, lighting, motion detectors, secure doors and locks, redundancy for systems and power, secure chemical storage, enhanced treatment options, backflow prevention devices, covering finished reservoirs, secure access panels, vents and hatches.

APPENDIX C

- 1) DWSRF Financing Program Summary
 - 2) Funded Projects by Type
 - 3) Summary of Projects Previously Funded through DWSRF
 - 4) Summary of Projects Previously Funded through Other Sources
 - 5) SFY2013 Projects Funded in May 2013
 - 6) Project Priority Comprehensive List
 - 7) Proposed FFY2013/SFY2014 Project Priority Master List
 - 8) Proposed FFY2014/SFY2015 Project Priority Master List
 - 9) Proposed FFY 2015/SFY 2016 Project Priority Master List
 - 10) Final FFY2015/2016 Project Priority Master List
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Appendix C.1 DWSRF Financing Program Summary

Project sponsors in the DWSRF program typically receive two loans: a 0% interest loan from the NJDEP and a market rate loan from the NJ Environmental Infrastructure Trust (the Trust). In most cases each loan is for half of the project cost and the borrower therefore realizes a loan with a rate approximately half of the market rate. DWSRF loans are available for terms not to exceed 20 years. Table C.1: Trust Loan Rates table shows the standard rates for Series A (for public borrowers) and Series B (for private borrowers) bonds from 1998 to 2010.

TABLE C.1 Trust Loan Rates

Year	Series A Bond Rate (public)	Series B Bond Rate (private)
1998	4.55%	4.68%
1999	5.45%	5.67%
2000	5.13%	5.37%
2001	4.37%	4.65%
2002	4.30%	4.53%
2003	4.24%	*
2004	4.05%	4.45%
2005	4.26%	4.62%
2006	4.19%	4.48%
2007	4.22%	*
2008	4.79%	*
2009-Fall Pool	3.52%	5.21%
2009-Winter Pool	3.39%	*
2010**	3.89%	3.85%
2012	2.75%	3.24%
2013	2.50%	2.95%

* There were no Series B bonds sold in 2003, 2007, 2008 and 2009 winter pool.

** The 2010 Bonds were Series 2010B (public) and Series 2010C (private) for the 2010 cycle

Under the Smart Growth provisions of the DWSRF program that were first made available to FFY04 project sponsors, sponsors with projects located in Urban Centers and Urban Complexes designated by the State Planning Commission, Transit Villages designated by the Department of Transportation, and Brownfield Development Areas (BDA) designated by the NJDEP and Green Project Reserves (GPR) may be eligible for a modified rate. In these loans, up to 75%, as opposed to 50%, of the project cost can come from the NJDEP loan, which is provided at 0% interest, and no less than 25% of the project costs can come from the Trust loan, which is provided at market rate. Table C.2: NJDEP/Trust Proportions table summarizes the projects that have executed loans and have participated in the Smart Growth Initiatives and the proportionality of the loans. Please note that the 75/25 loan terms have been available to all participants since 2009.

Appendix D

Nonproject Set-aside List

The NJDEP may approve expenditures for the following activities in accordance with Section 1452(k) of the SDWA.

LOANS:

- _____ for water systems to acquire land or a conservation easement from a willing seller or grantor, for source water protection purposes and to ensure compliance with national primary drinking water regulations.
- _____ for community water systems to implement local voluntary, incentive based source water protection measures delineated under a source water protection program.
- _____ for community water systems to provide funding for the development of a source water quality protection partnership petition (optional program under consideration by NJDEP).

TECHNICAL AND FINANCIAL ASSISTANCE:

- _____ for water systems as part of a capacity development strategy developed and implemented under Section 1420 (c) of the SDWA.

STATE EXPENDITURES:

- _____ for the State to make expenditures for the establishment and implementation of wellhead protection programs under Section 1428 of the SDWA.