

**APPENDIX A2**

**DWSRF PRIORITY RANKING SYSTEM**

1. **Scope and Purpose.** The Drinking Water State Revolving Fund Act §§71-5314 to 71-5327 requires that loans shall be made to eligible public water systems (PWSs) for eligible projects. The purpose of the priority ranking system is to establish a list of eligible projects to be funded in such a manner that priority for the use of the Drinking Water Facilities Loan Fund or the Land Acquisition and Source Water Loan Fund will be given to projects that (A) address the most serious risk to human health; (B) are necessary to ensure compliance with the Title 179, Public Water Systems; and (C) assist systems most in need, on a per person basis according to the affordability criteria.

The priority ranking system shall be reviewed annually by the Director of NDHHS-DPH. The Department shall seek public review and comments prior to adopting the priority ranking system for ranking eligible projects. Ineligible PWSs and ineligible projects will not be evaluated for priority points. For this fiscal year, an exception was made from the standard wherein late survey submissions are typically ranked with zero priority points, as there remains the potential for a national infrastructure stimulus. Late surveys received in a timely manner before the Governor’s Advisory Council on Public Water Supply meeting were ranked in accordance with the system below.

The only change for this year, is a clarification to the Sustainability ranking factor (No. 2.a.i.3-3<sup>rd</sup> bullet below), wherein “Major Distribution System Replacement Projects” are where at least half of the cost is for water main replacements. In conjunction, the IUP bypass criteria will be expanded to state that preference will be given to projects that have a replacement component in excess of the 50% minimum, for allocating any remaining forgiveness assistance.

2. **DWSRF Priority Ranking System.**

- a. **Priority Ranking System for the Use of the Drinking Water Facilities Loan Fund.** The following DWSRF priority ranking system shall be used to rank the projects on the DWSRF IUP priority lists for the use of the Drinking Water Facilities Loan Fund. Priority ranking of projects will be based on total points awarded for the first three categories. Points for only one benefit in each category shall be awarded; when a project has more than one significant benefit, the benefit with the highest point value shall be used. The greater the total number of points, the higher the ranking. The ranking will be done and the priority lists prepared annually, prior to IUP drafting.
  - i) **Health or Capacity Development Benefit Provided by Project.** This category incorporates the type of project and the level of benefit to human health or improvement to the PWS. These projects are for the development, construction or modification of the PWS to ensure compliance with the requirements of the Nebraska Safe Drinking Water Act (NSDWA) and the regulations adopted there under.

<b><u>Health or Capacity Development Benefit</u></b>	<b><u>Priority Points</u></b>
1. <b><u>Maximum Contaminant Level (MCL)/Treatment Technique Requirements.</u></b> Maximum allowable levels are established for those parameters which may be detrimental to public health. Detected contaminant levels in excess of 80% of the MCL within the past 4 years may qualify the project for ranking under this category.	
a. Acute Health Effects – Microbiological, Nitrates, etc.	130
b. Chronic Health Effects – Arsenic, Selenium, Uranium, etc.	115
c. Lead and Copper	100

2. <u>Critical Capacity Development</u> . These projects would be for the development, construction or modifications of the public water system to correct major deficiencies relating to the Design Standards in Title 179 NAC 2-007. Projects include: <ul style="list-style-type: none"> <li>• Backup Wells/Sources for Single Well PWSs</li> <li>• Replacement of significantly aged or deteriorated major infrastructure, including Wells and Storage. The eligibility of a project for assignment of this priority point subcategory will be made at the discretion of the Director.</li> </ul>	85
<b><u>Health or Capacity Development Benefit</u></b>	<b><u>Priority Points</u></b>
3. <u>Sustainability Factors</u> . These projects would address upgrade to and/or the replacement of existing major infrastructure, such as: <ul style="list-style-type: none"> <li>• Supply Wells, Ground or Elevated Storage</li> <li>• Major Treatment Plant Renovations</li> <li>• Major Distribution System Replacement projects (Replacement project phases are at least a minimum of 50% of the overall project cost)</li> </ul>	55
4. <u>Secondary Contaminant Level (SMCL)</u> . Recommended maximum levels are set for parameters which are not harmful to health but make the water undesirable for use. Project would enhance water quality and include disinfection.	40
5. <u>System Design Deficiencies</u> . These projects would be for the development, construction or modifications of the public water system to or prevent deficiencies relating to the Design Standards in Title 179 NAC 7. Projects would address: <ul style="list-style-type: none"> <li>• Inadequate source capacity</li> <li>• Inadequate distribution pressure/storage</li> </ul>	25
6. <u>Other Factors</u> . These projects would address other water supply system concerns such as: <ul style="list-style-type: none"> <li>• Replacement or rehabilitation of other minor system components that are aged and/or have exceeded design life</li> <li>• Controls/automation to improve operational efficiency</li> <li>• Security measures and/or Standby Power</li> <li>• Chlorine and/or Fluoride Feed Systems</li> </ul>	10

- ii) Financial Impacts. This category addresses the financial impact of the proposed project on the users that will provide the revenue to repay the loan. Priority points are awarded according to the annual cost of the loan per person as a percentage of the median household income (MHI). A 20-year loan shall be assumed with the interest rate based on the minimum effective interest rate of the DWSRF Program.

<b><u>Annual Loan Costs Per Person as a Percentage of Median Household Income</u></b>	<b><u>Priority Points</u></b>
Greater than 0.8 Percent	45
Greater than 0.6 to 0.8 Percent	35
Greater than 0.4 to 0.6 Percent	25
Greater than 0.2 to 0.4 Percent	15
Less than or equal to 0.2 Percent	5

- iii) Enforcement Action. This category addresses compliance with Title 179 drinking water standards and/or the enforcement actions taken by the Department requiring the system to address the deficiencies/water quality concerns that contribute to noncompliance.

<b><u>Enforcement Action</u></b>	<b><u>Priority Points</u></b>
Administrative order issued/other enforcement action taken relating to design/infrastructure deficiencies/water quality concerns addressed by the proposed project.	25

iv) **Readiness to Proceed.** This addresses establishing the Priority Funding List per the status of a PWSs project, assessing the readiness to proceed within SFY 2019. The criteria that was utilized in establishing the Priority Funding List are as follows:

- (1) PWS with a Finding of No Significant Impact (FNSI) or Categorical Exclusion (CatEx) issued by the program; with priority over,
- (2) Status of Plans and Specifications (P&Ss) – P&Ss for Ranked Project prepared or under contract for design; with priority over,
- (3) Status of Engineering Report w/ Test Hole – Report for Ranked Project has been prepared and if applicable, a Test Hole has be completed; with priority over,
- (4) Status of Engineering Report – Report for Ranked Project has been prepared, first and/or where additional ranking preference may be given to those projects with demonstrated readiness to proceed.

In the above listed order, preference shall be first given to placing those High Priority PWSs/projects in ranked order on the Priority Funding List. Where such projects in sufficient number do not exist, readiness to proceed criteria 2 through 4 shall be repeated for Low Priority PWSs/projects. Where ties in ranking points occur, the projects are ranked in descending order per the established tiebreaking criteria in Section 4 below. The intent of the Readiness to Proceed criteria is to identify those projects most likely to receive funding in the coming fiscal year based upon the information provided by the PWSs (or their Engineers). A limited comprehensive bypass may also be developed using the above-listed criteria, should additional funds become available during the fiscal year.

Two exceptions are made to the above-listed criteria. First, those projects that have been obligated or offered better funding through another Federal (USDA-Rural Development) or State (NDED-CDBG) infrastructure funding program will not be included on the Priority Funding List. Second, those PWSs that have turned down or passed on better funding offers from the DWSRF for the listed project in past fiscal years. Those systems will still be included on the Priority Planning List, and can request in writing placement on the Priority Funding List at any time during the public participation process (i.e., the Advisory Council through EQC IUP approval), should that PWS disagree with DHHS-DPHs proposed ranking.

Lastly, all High Priority Projects planned for communities with high Median Household Incomes shall be placed on the Funding Program List, should loan only funding assistance project available for the fiscal year.

b. **Priority Ranking System for the Use of the Land Acquisition and Source Water Loan Fund.** The following priority ranking system shall be used to rank the projects on the DWSRF IUP project list for the use of the Land Acquisition and Source Water Loan Fund. Priority ranking for the projects will be based on total points awarded for the following three categories. Points for only one benefit in each category shall be awarded; when a project has more than one significant benefit, the benefit with the highest point value shall be used. The greater the total number of points, the higher the ranking.

i) **Health Benefit Provided by Project.** This category incorporates the type of project and the level of benefit to human health. These projects are for the acquisition of land or a conservation easement to protect the source water of the system from contamination and to ensure compliance with the NSDWA and Title 179.

<b><u>Health Benefit</u></b>	<b><u>Priority Points</u></b>
1. <u>Acquisition of Land or a Conservation Easement to Protect the Source Water of the System from Contamination.</u>	
a. Acute Health Effects	
i) Microbiological/Nitrate	40
b. Chronic Health Effects	35
2. <u>Community Water System Implementing Voluntary Incentive Based Source Water Protection Measures.</u>	
a. Acute Health Effects	
i) Microbiological/Nitrate	40
b. Chronic Health Effects	35

- ii) Financial Impacts. This category addresses the financial impact of the proposed project on the users that will provide the revenue to repay the loan. Priority points are awarded according to the annual cost of the loan per person as a percentage of the MHI. A 20-year loan shall be assumed with the interest rate based on the minimum effective interest rate of the DWSRF Program.

<b><u>Annual Loan Costs Per Person as a Percentage of Median Household Income</u></b>	<b><u>Priority Points</u></b>
Greater than 0.4 Percent	25
0.2 to 0.4 Percent	15
Less than 0.2 Percent	5

- iii) Enforcement Action. This category addresses compliance with Title 179 drinking water standards and/or the enforcement actions taken by the Department requiring the system to address the issues that contribute to noncompliance.

<b><u>Enforcement Action</u></b>	<b><u>Priority Points</u></b>
Administrative order issued/other enforcement action taken relating to source water protection addressed by the proposed project.	25

3. Service Meters. Water service meters will be required as a part of the project, if the water system does not have service connections individually metered.
4. Tie Breaker. Two or more projects may receive the same total number of priority points on the IUP project list. Ties shall be broken only when (A) two or more projects receive the same total of priority points based on the above three categories, (B) the environmental reviews have been completed, (C) the systems are ready to sign the loan contracts, and/or (D) adequate funding for all these projects is not available. The status of the plans and specifications will be considered first in breaking the tie. Projects with plans and specifications approved by the Department shall have a higher priority than those projects with plans and specifications currently in the Department’s review and approval process. For projects with a similar status of plans and specifications, as approved, the project with the higher annual loan cost per person as a percentage of the MHI shall have the higher priority. This last tiebreaking criterion is critical in establishing the projects to be included on the prioritized Funding Program Lists.
5. Small System Priority. Fifteen percent of the total funds available for loan shall be earmarked for systems serving fewer than 10,000 persons. In addition, priority ranking for funding small systems will be given over medium systems or systems with MHI’s greater than 120% in order to meet the

expected EPA grant requirement of not less than 20% up to 30% of additional subsidization for the FFY 2017 and the pending FFY 2018 grant.

6. Affordability (Disadvantaged) Criteria. The purpose of the affordability criteria is to determine which of the projects receiving funds from the DWSRF may also qualify for financial assistance beyond the ordinary benefits available through the DWSRF. Eligible PWS may qualify for additional financial assistance if their population is equal to or less than 10,000 people with a MHI less than 120 (one hundred twenty) percent of the state MHI.

All High Priority PWSs ranked for funding in SFY 2019 will be eligible for loan forgiveness at an estimated percentage not to exceed 20% of project costs or the maximum percent listed in the IUP based on the PWSs MHI – see subsequent appendix. PWSs under an Administrative Order through NDHHS-DPH, or any PWS which is a single well system due to the loss of a production well(s) to avoid an A.O. or other enforcement action through the NDHHS-DPH within the past five years, or any PWS that is a multiple well system and has lost two or more production wells to avoid an A.O. or other enforcement action through the NDHHS-DPH within the past five years may be eligible for forgiveness up to 25% of project costs, should forgiveness funding remain available. Information on the financial disadvantaged assistance program, the extent of the availability of such disadvantaged funds for this program, and the disadvantaged determination criteria are included in Part III(H) Section II of the IUP. Systems that meet the minimum disadvantaged criteria determination are also eligible for extended loan terms up to 30 years.

Last year, a pilot program was continued for infrastructure replacement, wherein planning grants were provided to small communities, less than 500 population. That program will be continued for at least this fiscal year, and still planned to carry forward with planned forgiveness assistance on infrastructure projects. The original purpose of the program remains, to determine how to permanently offer grant and forgiveness assistance to communities primarily for public water system infrastructure replacement needs. However, the results of the pilot program are not yet developed, and Federal grant requirements must still be met. Therefore, for SFY 2019, forgiveness assistance for infrastructure replacement projects may be offered up to 15% to communities with populations of 3,300 to 10,000, and up to 20% for those less than 3,300 population, all still based on the existing disadvantaged criteria determination.