



**NEW JERSEY DEPARTMENT OF  
ENVIRONMENTAL PROTECTION**

**DRINKING WATER  
STATE REVOLVING FUND**

**FFY2011 FINAL PRIORITY SYSTEM,  
INTENDED USE PLAN,  
PROJECT PRIORITY LIST AND RESPONSE DOCUMENT**  
July 2010

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Governor



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Although the information in this document will be funded wholly or in part by the United States Environmental Protection Agency under an assistance agreement to NJDEP's DWSRF program, it may not necessarily reflect the views of the Agency and no official endorsement should be inferred.

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## **OVERVIEW OF FFY2011 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 to 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. 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 SDWA initially authorized a total of \$9.6 billion nationally for the DWSRF through Federal Fiscal Year (FFY) 2003. The United States Environmental Protection Agency (USEPA) appropriated \$829,029,000 for the DWSRF for FFY2009 and \$1,387,000,000 for FFY2010. The results of the 2007 Drinking Water Infrastructure Needs Survey, which was published in March 2009, determine the current allotment to New Jersey (2.14%) for FFY 2010 to 2013. Funds available to the State for future appropriations will be allotted according to a formula that is reflected in the most recent Needs Survey conducted pursuant to Section 1452(h) of the SDWA. Therefore, it is important to have the continued involvement of the water systems in New Jersey as their participation in future Needs Surveys directly impacts future DWSRF allotments. A gradual decrease in New Jersey's allotment has occurred since the start of the program.

This document serves as the New Jersey Department of Environmental Protection's (NJDEP) DWSRF Priority System, Intended Use Plan (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 FFY2011 Priority List;
- 2- the summary of program requirements and document submittal deadlines for award of DWSRF loans in State Fiscal Year (SFY) 2011 (specifically, November 2010) using FFY2010 federal capitalization grant funds and any remaining funds from previous federal capitalization grant funds, repayments, transfers from CWSRF repayments, state match and interest earnings;
- 3- the establishment of program requirements and document submittal deadlines for award of DWSRF loans in SFY2012 (specifically, November 2011) using FFY2011 federal capitalization grant funds and any remaining funds from previous federal capitalization grant funds, repayments, transfers from CWSRF repayments, state match and interest earnings; and
- 4- the establishment of the proposed uses of the set-asides using FFY2011 federal capitalization grant funds.

The Priority System includes the project ranking criteria. Section 1452 (b) of the SDWA requires each State to prepare an Intended Use Plan 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. The IUP details how the State of New Jersey proposes to finance projects to be included in New Jersey's program and which projects are to be managed by NJDEP, with respect to the FFY 2011 capitalization grant. The NJDEP intends to apply for the DWSRF capitalization grant including both project and nonproject set-aside expenditures. 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 Bureau of Safe Drinking Water Technical Assistance will jointly manage the DWSRF program with the Municipal Finance and Construction Element 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 each spring for each funding cycle. The DWSRF program closed in escrow on 214 loans (\$886,688,655) over the past twelve funding cycles in 1998 to 2009 with loans being fully executed in November of each year (with a second closing in March 2010 for the 2009 funding cycle).

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. NJDEP, until 2008, had 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 available to determine that adequate monies are available to be utilized for Clean Water projects in the current fiscal year. In addition, the type and number of DWSRF projects are reviewed and a determination is made regarding the transfer of funds from the CWSRF loan repayments to the DWSRF accounts. In accordance with approved procedures, a total of nine transfers of funds from CWSRF repayments to DWSRF have been approved by

USEPA for a sum of \$70,266,570 (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, although such a transfer of funds did not occur in FFY 2008 through FFY 2010. It is not anticipated that a transfer will be made in FFY 2011.

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 New Jersey Environmental Infrastructure Trust (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) has 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 3.52 percent for the 2009A series bonds (Fall Pool) and 3.39 percent for the 2010A series bonds (Winter Pool). 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 proposed IUP.

In an effort to promote Smart Growth Initiatives, the NJDEP will continue to offer the "75/25" funding package, which was first available to FFY04 project sponsors, available to projects that serve Urban Centers and Urban Complexes designated by the State Planning Commission. Transit Villages designated by the Department of Transportation were added to the Smart Growth Initiatives in FFY06. In the FFY07 cycle, the NJDEP extended this funding package to Brownfield Development Areas (BDA). In the FFY10 cycle, the NJDEP extended this funding package to the Green Project Reserve (GPR).

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 is in excess of the limited funds available, it is possible that some projects that

are eligible and ready to proceed will not be within reach of the NJDEP's fundable range. Therefore, some projects may fall below the NJDEP's fundable line on the Project Priority List.

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

SRF recipients that expend \$500,000 or more in a year of DWSRF funds shall have a single audit conducted in conformance with the Single Audit Act.



## **PRIORITY SYSTEM**

### **I. Priority List - General**

Placement on the Project Priority List is a prerequisite to being considered eligible for financial assistance. The “Call for Projects” for all funding cycles will be continuous and projects can be added to the list during the time period between the publication of the proposed IUP and the public hearing date. This will still allow for public review prior to the loans being issued. The Project Priority List will be created using the Letter of Intent – Drinking Water Loan (see Appendix A) submitted by potential applicants online at [www.njeit.org/forms.htm](http://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 will result 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 406 projects totaling \$1.330 billion on the Project Priority Master List, which identifies proposed projects for the November 2010 and future funding cycles. There are 62 projects totaling \$154 million (including supplemental loans) on the Comprehensive 2010 Project Priority List, which identifies proposed projects for the November 2010 funding cycle.

### **II. Ranking Methodology**

NJDEP will assign points to each project using the Project Priority System and rank all eligible projects according to the total number of points each project receives. All projects will subsequently be placed on the Project Priority Master 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 Master 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) Approved Drinking Water Infrastructure Plan, 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, will be separately listed by the elements involved and priority points will be assigned for each element.

Priority points will be 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 shall then recalculate, if appropriate, the prospective applicant’s ranking utilizing the new information submitted and revise the priority ranking accordingly.

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

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

DWSRF funds are to be 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, or action level violations as defined in the SDWA and the NJSDWA rules (N.J.A.C. 7:10). Table 1 describes the twenty project elements that are eligible for DWSRF funds:

TABLE 1. Compliance and Public Health Criteria

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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 maximum contaminant level violations (except acute violations) or exceedance of action levels (lead and copper rule).	250 Points
5.	Systems that have lost well capacity due to saltwater intrusion and a solution is needed to preserve the aquifer	175 Points

as a viable aquifer.

6. Systems that are proposing improvements for drought or other related water supply management initiatives, as identified or designated by the State. 160 Points
7. Purchase and/or consolidation of a water system to comply with the SDWA for capacity development. 150 Points
8. Extension of water mains, including associated appurtenances and water system facilities, to private wells that have had any maximum contaminant level violations or exceeded lead and copper action levels. 125 Points
9. Existing treatment facilities that need to be rehabilitated, replaced, or repaired to ensure compliance with the SDWA. 100 Points
10. 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
11. Existing pump stations or finished water storage facilities that need to be rehabilitated or replaced to maintain compliance with the SDWA. 60 Points
12. New finished water storage facilities or pump stations that are needed to maintain pressure in the system and/or prevent contamination. 50 Points
13. 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
14. 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
15. 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 40 Points

has received a directive issued by the NJDEP requiring correction of the exceedance.

- |   |           |
|---|-----------|
| 16. Installation of new water meters and/or other water conservation devices, including but not limited to retrofit plumbing fixtures.  | 35 Points |
| 17. 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 |
| 18. Replacement of water meters.  | 25 Points |
| 19. 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 |
| 20. Other project elements, not including items 1 through 19 above, that ensure compliance with the SDWA and protect public health, as approved by NJDEP.   | 1 Point   |
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### **Category B. Approved Water Supply Plans/Studies**

Planning water system improvements that advance comprehensive water supply concepts can facilitate cost effective drinking water system improvements. To provide an incentive to plan in this way, priority points will be given to each project that implements the actual repair, rehabilitation or correction of a problem, improvement clearly identified in a five year master plan, five year capital improvement plan, asset management inventory or rate setting study acceptable to NJDEP, or that is linked to a comprehensive water supply plan for a particular region or watershed acceptable to NJDEP. Points are assigned as follows:

1. 50 priority points will be assigned to a water system that connects to a regional solution that is contained in a comprehensive water supply plan for a particular region or watershed acceptable to NJDEP, a local five year master plan, or five year capital improvement plan acceptable to NJDEP. The plan should contain a description of the components of the system, population growth estimates, testing done, current deficiencies, immediate recommendations, recommendations for the next five years, and a map of the distribution system (not just a capital budget).
2. 25 priority points will be assigned to a water system that has a current asset management inventory or rate setting study acceptable to the NJDEP or other state agencies, including but not

limited to NJ Department of Community Affairs and the Board of Public Utilities, conducted within the last five years.

### **Category C. State Designations**

#### **1. State Development and Redevelopment 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 Department of Community Affairs Office of Smart Growth website at <http://www.nj.gov/dca/osg/plan/endorsement.shtml> and then refer to the current State Plan Policy Map at <http://www.state.nj.us/dca/divisions/osg/plan/df.html#maps> to determine if the project area lies within a designated growth area.

Contact the N.J. Office of Smart Growth, Department of Community Affairs, 101 South Broad Street, 7th floor, P.O. Box 204, Trenton, N.J. 08625-0204 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.shtm>.

### 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 will support this initiative by providing five (5) additional priority points to any project serving a BDA.

### 4. Green Project Reserve (GPR)

NJDEP is promoting green infrastructure, water and energy efficiency, and environmental innovation in its water improvement projects. Therefore the NJDEP will provide fifteen (15) additional priority points to any project that is a categorically eligible project, in accordance with Section I.B.6 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 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 2000 census.

The NJDEP has 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 shall be considered a Disadvantaged Community, and will receive 80 priority points which is proportionately greater than the other affordability factor points. (New Jersey’s MHI is \$55,146 from the 2000 Census.)

A weighted MHI will be 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
<b>Total</b>		<b>30,000</b>	<b>1.00</b>	<b>24,160</b>

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 will be 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, total all the permanent population served in the multiple service areas. Priority points will be 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 will be 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**

Emergency projects are considered a public health hazard and will receive funding over other projects on the Project Priority List, as described in Section I.B.5 of this IUP. Supplemental loans for projects which have received loans to date that require additional funds, either due to the award of all project related contracts or for increased costs due to differing site conditions, will be given priority over new projects eligible for funding, other than small systems. In summary, the order of project priority is as follows:

1. Emergency Projects;
2. Small Systems (as defined in Section III, Small Systems) up to 15 percent of DWSRF Funds;
3. Supplemental Projects; and
4. Current Year's Projects.



## INTENDED USE PLAN

This IUP provides information on funds available through the Drinking Water SRF Program to provide financial assistance for projects using FFY2011 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 will be 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 that are not ready to proceed during the funding year will be bypassed, but will remain on the Project Priority Master List and thus be 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 will result 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 IUP provides an opportunity for those interested in being considered for the FFY2011 priority list. Project sponsors must meet the program schedule below in order to be funded in November 2011:

### FFY2011 Schedule

Letter of Intent and Planning Document	October 4, 2010
Design Document and Loan Application	March 7, 2011
Application submitted for all Permits	March 7, 2011
Loan Award	November 2011

These deadlines must be adhered to or the NJDEP will bypass the project in favor of other priority project(s), which are ready to proceed. Please note that the March 7, 2011 submittal of the loan application and design documents to NJDEP must be received by close of business on that date. Additionally, the submittal of an electronic copy of the complete application package must be submitted to the Trust in electronic format by close of business on March 7, 2011. All electronic submissions must be on CD or DVD in PDF, TIFF, or JPG format. Please refer to [www.njeit.org/forms.htm](http://www.njeit.org/forms.htm) under loan applications for further guidance.

Additionally, all supplemental loan applications pursuing funding in November 2011 must submit a loan application and any permit applications by March 7, 2011. All supplemental loan applications pursuing funding in November 2010 must submit a loan application and any permit applications by March 1, 2010.

For reference, the FFY 2010 schedule is as follows:

FFY2010 Schedule

Letter of Intent and Planning Document	November 2, 2009
Design Document and Loan Application	March 1, 2010
Application submitted for all Permits	March 1, 2010
Loan Award	November 2010

The FFY2010 Schedule (i.e., for loan awards in November 2010) was published in the NJDEP’s IUP for the DWSRF Program finalized in July 2009 and amended in September 2009 and February 2010. Please note that the prospective project sponsors that met the deadlines in the FFY2010 Schedules will be given priority in order of ranking. Refer to Section III- Project Priority, in the Priority System section of this IUP.

Historically, any eligible project under the DWSRF program that met the program requirements and was ready to proceed received a DWSRF loan. But now, as the dollar amount of eligible projects is in excess of the limited funds available, it is possible that some projects that are ready to proceed will not be ranked high enough on the Project Priority List to receive funding. It is possible that this “fundable” line will fluctuate as project sponsors elect for their projects to be bypassed or project sponsors are notified that their projects will, for various reasons, be bypassed. The projects below the fundable line will be considered to be eligible but not reachable. These project sponsors may continue to pursue funding through the DWSRF program as the fluctuation of the fundable line may increase or decrease the number of projects that are reachable but placement on the Project Priority List does not guarantee funding. The NJDEP will continue to pursue additional sources of monies as a source of funding for DWSRF construction projects. Additionally, the NJDEP is considering changes to the financing program such as changes to loan terms and Trust-only loans for projects below the fundable line.

It is highly recommended that all prospective project sponsors attend a preplanning meeting with the Bureau of Safe Drinking Water Technical Assistance (BSDWTA) and Municipal Finance and Construction Element 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 includes discussion of 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 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 must be submitted by the deadline to:

Philip Royer, Section Chief  
Bureau of Safe Drinking Water Technical Assistance  
NJ Department of Environmental Protection  
PO Box 426  
Trenton, NJ 08625-0426

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 [www.nj.gov/dep/watershedmgt/wqmps.htm](http://www.nj.gov/dep/watershedmgt/wqmps.htm)

## **I. Eligible Systems and Projects**

### **A. Eligible Systems**

Drinking water systems that are eligible for DWSRF assistance are both privately and publicly owned community water systems and nonprofit noncommunity water systems. 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**

#### **1. Compliance and public health**

The DWSRF may only provide assistance for expenditures (not including 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.

Projects to address SDWA health standards that have been exceeded or to prevent future violations of the rules are eligible for funding. 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 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).

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 prevent microbiological contaminants from entering 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 as follows are eligible for DWSRF assistance: A) extension of water mains by a community water supply system to individual homes whose wells are contaminated; or B) purchase or consolidation of a water system that is unable to maintain compliance for technical, financial, or managerial reasons.

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.

## 2. New Wells

Previously, for projects seeking to finance the addition of the new well, the funding process took place over multiple years. This is due to the extended length of time required to satisfy all permit requirements and obtain permit approvals. This unique 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.

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. 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 Systems and Well Permitting (BWSWP) permit to construct is issued and appropriate well permitting conditions are met. 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 Systems and Well Permitting and Bureau of Water Allocation 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.

### 3. Brownfields

The USEPA has published guidelines #816F06044 for using the DWSRF to support Brownfields. Please see <http://nepis.epa.gov/EPA/html/Pubs/pubtitleOW.htm> to view USEPA fact sheets. The NJDEP proposes to implement a policy to fund Brownfield projects. All Brownfield projects that are endorsed/sponsored by an entity that maintains a NJ drinking water system and possesses a NJ PWSID number will be eligible for funding however, projects that are defined by the NJDEP as Brownfield Development Areas (BDAs) will be eligible for the 75/25 smart growth funding package. Please see <http://www.nj.gov/dep/srp/brownfields/bda/announce2005a.htm> for additional information concerning the NJDEP's BDA initiative and application information.

### 4. Consolidation of systems that are in noncompliance or that lack the technical, managerial or financial capability to maintain the system

The DWSRF may provide assistance to an eligible public water system to consolidate (i.e., restructure) with other public water system(s) only if the 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 comply with the SDWA requirements over the long term.

## 5. Emergency Projects

Emergency Repair Projects will be defined as, and limited to, projects that replace, in kind, the failure of an essential portion of a public water system that is expected to 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 will only fund the portion of any repair that is necessary to restore lost service to the affected population under the emergency loan provisions. The DWSRF will only fund a specific Emergency Repair Project for a specific entity 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 will not have to be 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 will 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 Technical Assistance, Water Supply Operations Element in the Division of Water Supply, 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 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 preaward 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.

#### 6. 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.

Further clarification on GPR can be accessed at :

[http://www.epa.gov/water/eparecovery/docs/STIMULUS\\_Guidance\\_Green\\_Reserve.pdf](http://www.epa.gov/water/eparecovery/docs/STIMULUS_Guidance_Green_Reserve.pdf)

In compliance with the federal DWSRF appropriations of the current year funding cycle, a percentage of the grant will be reserved for GPR. In 2010, the GPR minimum amount was 20 percent of the DWSRF grant allotment. The 2011 GPR reserve is estimated at 20 percent of the DWSRF grant allotment, or the amount stated in the FFY2011 appropriation bill. These projects will be ranked with all other DWSRF projects on the Project Priority List, and then a minimum of 20 percent of the DWSRF grant allotment of projects that are categorically eligible projects will be separated from the list and reviewed for funding, in ranked order. These projects will be eligible for the enhanced loan terms under the Smart Growth Package, see section G.5.

#### **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 in significant noncompliance, unless funding will ensure compliance; 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. Significant noncompliance

The DWSRF may not provide assistance to any system that is in significant noncompliance with any national drinking water regulation or variance 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 because the low bid building cost is higher than the original loan amount, 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 the event that additional monies are needed because of differing site conditions, the project sponsor may request a post-construction supplemental loan. The NJDEP may execute a post-construction supplemental loan agreement only after passage of a subsequent legislative appropriations act providing monies for the specific project. In both instances, the project sponsor is responsible for other costs. The NJDEP will give funding priority over projects on the current Priority List that are ready to proceed to projects that have previously received a loan in any previous funding cycle. Please note that a loan application must be submitted to NJDEP by the March deadline for the funding cycle in which the supplemental loan is being 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 Department 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 Bureau of Program Development and Technical Services of NJDEP's Municipal Finance and Construction Element, written approval of plans and specifications from the Bureau of Engineering of NJDEP's Municipal Finance and Construction Element and satisfy all conditions of the Socially and Economically Disadvantaged businesses (SED) participation goals. After written pre-award approval is received, a project sponsor can 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.

#### 5. Smart Growth

In an effort to promote Smart Growth Initiatives, the NJDEP will continue to provide modified funding to projects that serve smart growth areas or identified as GPR. Usually, project sponsors receive a loan for half of the project costs from the Trust at market rate and a loan for the remaining project costs from the NJDEP at zero percent interest. The NJDEP will provide up to 75 percent of the project costs at zero percent interest, while the Trust will provide 25 percent of the project costs at market rate to projects that serve smart growth areas. Smart Growth is an approach to land-use planning that targets the State's resources and funding in ways that enhance the quality of life for residents in New Jersey. Smart Growth principles include mixed-use development, walkable town centers and neighborhoods, mass transit accessibility, sustainable economic and social development and preserved green space. Therefore, the NJDEP will continue to make the "75/25" funding package available to projects that serve Urban Centers and Urban Complexes designated by the State Planning Commission, Transit Villages designated by the Department of Transportation, Brownfield Development Areas (BDA) designated by the NJDEP and include GPR projects. To address instances where a project does not exclusively serve a designated area, the NJDEP has determined that the 75/25 funding package will be provided only to that portion of the project that serves the designated area. Table C.2 of this IUP details the proportionality of past loans that received smart growth funding packages.

To date, the State Planning Commission has designated Atlantic City, Camden, Elizabeth, Jersey City, New Brunswick, Newark, Paterson, Trenton and Asbury Park as Urban Centers and one Urban Complex, the Hudson County Urban Complex, which includes the following municipalities: Bayonne, East Newark, Guttenberg, Harrison, Hoboken, Jersey City, Kearny, North Bergen, Secaucus, Union, Weehawken, and West New York. A list of Designated Centers and Endorsed Plans (Urban Center, Regional Center, Town, Village, and Hamlet) can be viewed at <http://www.nj.gov/dca/divisions/osg/plan/centers.html>. Transit Villages, in order of designation, include Pleasantville, Morristown, Rutherford, South Amboy, South Orange, Riverside, Rahway, Metuchen, Belmar, Bloomfield, Bound Brook, Collingswood, Cranford, Matawan, New Brunswick, Journal Square/Jersey City, Netcong, Elizabeth/Midtown, Burlington City and City of Orange Township. A list of BDAs can be viewed at <http://www.nj.gov/dep/srp/brownfields/bda/bdalist.htm>.

Both the NJDEP and the USEPA have developed policies for funding Brownfield projects that are eligible for funding through the DWSRF. The designation of a BDA is determined by the NJDEP. Approximately 31 entities have applied to the NJDEP to be considered as a BDA and have been reviewed by NJDEP's Office of Brownfield Reuse. Because of this approval, the DWSRF will make 5 extra priority points and the 75/25 smart growth funding package available to BDA projects. Brownfield projects that are eligible for a DWSRF loan, but do not have a BDA designation, will receive traditional funding. Both BDA and Brownfield projects are limited to a reasonable amount of growth.

The NJDEP's funding decisions will evaluate the project's growth potential, the location in the state and the projects' aggregate impacts as determined through such evaluations.

The NJDEP will continue to fully fund its share of reserve capacity costs at zero percent interest for projects in the smart growth areas. The rule amendments as adopted will allow the NJDEP to fully fund its share of reserve capacity costs for designated Urban Centers and Complexes, Transit Villages, and BDAs.

#### **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. It is anticipated that the State Fiscal Year 2011 Appropriation Act will require the NJDEP to assess an annual administrative fee and provide 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 years 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.

TABLE 3.  
Drinking Water Administration Fees

State Fiscal Year	NJDEP Fee Rate	Amt. Collected	Amt. Transferred to DEP
2003	0.90%*	\$199,293	\$199,293
2004	3.37%	\$1,557,178	\$1,557,178
2005	1.75%	\$986,123	\$986,123
2006	2.00%	\$982,936	\$904,301
2007	2.00%	\$909,695	\$909,695
2008	2.00%	\$2,260,319	\$2,260,319
2009	2.00%**	\$1,212,304	\$1,212,304
2010	2.00%	to be collected	to be collected

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

\*\*In SFY2009, 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.

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 origination 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 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 payable semiannually. The 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.

## **II. Description of DWSRF Financing Uses**

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 Fund provides loans at zero percent interest for a maximum of 20-year repayment terms, not to exceed the useful life, for one half of the allowable project costs. For Smart Growth Initiative projects, the NJDEP would provide up to 75 percent of the project costs at zero percent interest, while the Trust would provide 25 percent of the project cost at market rate (rather than the traditional "50/50" NJDEP/Trust split) to projects that serve Urban Centers and Urban Complexes, Transit Villages, GPR and BDAs. The Trust offers market rate loans for the remaining allowable project costs, also for a 20-year term. Table 4 illustrates the NJDEP's intended use of the FFY2011 funds.

Table 5 outlines the distribution of FFY2011 non-project set-aside funds. Nonproject set-aside funds identified in Table 5 will be 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. Then, a workplan is submitted to USEPA based on those amounts. Funds not used for nonproject set-aside activities will be 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.

TABLE 4. NJDEP's Intended Use of the FFY2011 funds

<u>Funds Available</u>	<u>FFY2011*</u>
Federal Capitalization Grant	\$18,000,000
State Match	\$ 3,600,000
Transfers from CWSRF to DWSRF	\$0
Estimated DW Repayments Available as of 2011	\$15,000,000
Interest Earnings	\$3,000,000
Remaining monies from previous Cap Grants **	\$0
Estimated Funds Available	\$39,600,000
<u>Projected Expenditures</u>	
Nonproject Set-asides (see Table 5)	\$ 2,880,000
Funds Available for Projects	\$36,720,000
Trust Reserve Fund***	\$0
NJDEP \$\$ Available	\$36,720,000
Trust Bond Proceeds	\$36,720,000
Funds Available for Projects** (NJDEP & Trust)	\$73,440,000

\*The federal funds are estimated at \$18,000,000 for FFY2011 for planning purposes, actual amounts will be proportionally equal.

\*\*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 November 2011 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 2010 for a discussion about the Trust Reserve Fund.

TABLE 5. Nonproject Set-Aside Fund Uses  
\$2,880,000 (See Table 4)  
FFY2011\*

PROGRAM	AMOUNT	REMAINING AMOUNT***
Program Administration of DWSRF Projects (4%)	\$720,000	\$0
Small System Technical Assistance (2%) **	\$360,000	\$254,959
State Program Management (10%) **	\$1,800,000	\$2,044,268
State PWSS Program (5.5%)	\$990,000	\$1,196,407
Source Water Program Admin (1.0%)	\$180,000	\$147,142
Capacity Development (2.0%)	\$360,000	\$61,012
Operator Certification (1.5%)	\$270,000	\$639,707

\* The federal funds are estimated at \$18,000,000 for FFY2011 for planning purposes.

\*\* These figures are approximate, and are subject to a workplan submittal to USEPA.

\*\*\* These figures are the unexpended funds in the DWSRF accounts as of December 31, 2009 which do not include outstanding contracts, expenses, and salaries for SFY2010.

Currently 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, will receive more ranking points. Thus disadvantaged communities will 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. Thus, the State Match for the State Program Management set-aside for FFY2011 is \$1,800,000. The dollar to dollar state match is anticipated to be met by half of the funds coming from the SFY1993 PWSS Program overmatch and A-280 Safe Drinking Water Tax Fund and half from the SFY2011 PWSS Program overmatch and A-280 Safe Drinking Water Tax Fund, as applicable.

### **III. Small Systems**

The Federal SDWA amendments of 1996 had a goal for states to provide at least 15 percent of all funds credited to the DWSRF project account to provide loan assistance to systems serving fewer than 10,000 persons. Therefore, 15 percent of the DWSRF fund will be reserved to provide financing for small systems serving fewer than 10,000 residents. However, if there are not enough small systems serving fewer than 10,000 that would be eligible for the 15 percent reserve, then the moneys would be utilized for eligible projects, in priority order, that have met program requirements.

One of NJDEP's short-term goals is to provide loan assistance to systems serving fewer than 10,000 persons, to the extent that there are a sufficient number of eligible projects to fund. New Jersey will continue to strive to meet this criterion; however it has proven to be a difficult goal to reach despite the best efforts and intentions of the NJDEP. For the first ten funding cycles, New Jersey did not meet the 15 percent goal. However, in 2007 and 2008, NJDEP surpassed the 15 percent goal and funded four and five small systems for a total of 17.13 percent and 18.05, respectively. In 2009, New Jersey funded eight small systems for a total of 12.47 percent under the traditional program and four small systems for a total of 34.33 percent with ARRA monies. More small systems are participating in the DWSRF, potentially because more small systems are facing contamination issues which rank higher on the priority list.

The NJDEP continues to reach out to small systems. The NJDEP distributes informational pamphlets, makes presentations, and provides small systems with an informational sheet tailored to small system concerns. NJDEP staff also target small systems for informational site visits. With the help of the two percent set-aside for technical assistance to small systems, the NJDEP entered into a contract with New Jersey Water Association (NJWA) to provide engineering services to small systems under the Small System Technical Assistance set aside in March 2004 which was renewed in 2006. Under this contract, small systems serving less than 3,300 people accessed a pre-approved list of consulting engineers that provided assistance completing DWSRF applications and submittals for systems. The engineers were reimbursed through this contract instead of the project sponsor receiving a planning and design allowance. This eliminated the need for small systems to utilize their own resources to pay for the engineering planning and design costs. Two systems utilized the 2004 contract and it was fully expended. NJDEP executed a new 36-month contract with NJWA in 2006. Five small water systems received assistance under this contract. Another contract with NJWA is being considered.

### **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. Required workplans will be submitted to the USEPA with the capitalization grant application for the nonproject set-aside activities. The workplans will provide a task, output, and budget breakdown for the set-asides. Each year, the NJDEP will assess 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 workplans will be 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. NJDEP wants to balance the monies between the set-aside programs that further the objective of the SDWA and distribute loan monies to water systems to maintain compliance with the SDWA and protect public health. Any dollar amounts identified for each set aside is estimated. Unless specifically noted, the activities outlined will be completed and the entire dollar amount cited will be expended by the end of SFY12.

#### **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 will be 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 has expended the entire 4.0% administrative set-aside each year.

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

The Small System Technical Assistance (SSTA) Program of the BSDWTA provides assistance to small water systems that are struggling to maintain compliance with the SDWA requirements and continues to utilize its own personnel for conducting these site visits. Forty-two site visits were conducted in FFY2009 and fifteen site visits were conducted in the first half of FFY2010. The SSTA program assists daycare facilities in demonstrating compliance with the State amendments to the "Manual of Requirements for Child Care Centers" (N.J.A.C. 10:122), specifically relating to achieving the Maximum Contaminant Levels (MCLs) in drinking water. The SSTA program also works with those nontransient noncommunity water systems with known radionuclide exceedances to deliver water that meets the primary drinking water standards although radionuclide monitoring is not required for these facilities under Federal regulation. There is a continuing cooperative effort with County Health Departments to assist water systems to return to compliance.

The above-referenced site visits were instrumental in alleviating confusion and resolving problems regarding potable water treatment. For example, treatment systems were installed or repaired at several systems in order to remediate high radionuclides.

Site visits are prioritized according to the following: 1) public community water systems with acute violations, 2) public community water systems with monitoring and reporting problems or other maximum contaminant level (MCL) violations (including all significant noncompliers or SNCs), and 3) the smallest and/or poorest communities or nontransient non-community (NTNC) water systems.

Site visits may include the following:

- a) Review of system operation and maintenance,
- b) Review of certified operator status and provision of information on certified operator training,
- c) Review of system sampling schedule and sampling techniques,
- d) Guidance on specific compliance related water quality or treatment problems,
- e) Review of system's source and distribution system protection,
- f) Review of data required for issuing a Consumer Confidence report,
- g) Guidance in selecting appropriate technologies for small system needs,
- h) Guidance on DWSRF and other available financial assistance, and
- i) Review of record keeping.

The NJDEP continues to contract with the New Jersey Water Association (NJWA) to provide group-training sessions. Group-training sessions are targeted in the Northern, Central and Southern regions of New Jersey. Training topics include Basic Accounting, Consumer Outreach, Distribution Planning, and SDWA requirements. Other topics are freely substituted based on feedback from the attendees. The training sessions are well attended and receive positive reviews from the licensed operators. NJWA conducted 14 group training sessions in FFY2009, using funds available from a \$154,000 agreement executed on January 5, 2009. This agreement will provide for approximately 35 group training sessions per annum through FFY2011.

NJDEP will continue field-sampling efforts to evaluate water quality at small public community water systems and noncommunity water systems that have either monitoring/reporting or MCL violations. The sampling effort provides a wide snapshot of water quality problems that affect public water systems throughout New Jersey. Although these samples are not part of a water system's normal compliance monitoring, the sample results allow the NJDEP to identify previously unnoticed water quality problems. NJDEP anticipates less sampling in FFY2011 than in previous years. Therefore, sampling will be primarily for new or reclassified community and nontransient, noncommunity public water systems. BSDWTA will also continue to sample all new or reclassified nontransient noncommunity water systems for radionuclides.

NJDEP has an agreement (extended until August 2011) with the NJWA to provide the necessary engineering services needed for small systems to apply to the DWSRF loan program. Under the agreement, small systems serving less than 3,300 customers may access a pre-approved list of consulting engineers that provide assistance completing DWSRF applications and submittals for systems. The engineers are reimbursed through this contract instead of the project sponsor receiving a planning and design allowance. This eliminates the need for small water systems to utilize their own resources to pay for these engineering costs. Five systems were assisted under this program. Three systems executed DWSRF loans to date and milestones and payments continue to be processed for the remaining two water systems. Also, due partially to this

program, New Jersey issued more than 15 percent of its total DWSRF loans to small water systems in FFY2007 and FFY2008, surpassing the 15 percent USEPA recommendation level. In 2009, New Jersey funded eight small system projects for a total of 12.47 percent under the traditional program and four small systems for a total of 34.33 percent with the ARRA monies. In the coming fiscal year, we plan to enter into a new \$400,000 agreement with the NJWA to continue this program.

## **Goals**

The following items will be addressed during FFY2011:

- Continue to conduct approximately 20 small water system technical assistance site visits per year and complete accompanying follow-up activities.
- Continue to cooperate with County Health Departments to assist in the return to compliance of small noncommunity water systems.
- Continue to provide approximately 30 NJWA training courses per year for small water system operators that are applicable for Training Contact Hours for license renewal.
- Sample approximately 150 public noncommunity water systems a year to evaluate water quality and conduct appropriate follow up.
- Enter into a new \$400,000 agreement with the NJWA to oversee a contract to provide engineering services for small systems to apply to the DWSRF loan program.
- Assist nontransient noncommunity water systems' compliance with the lead and copper rule.

## **D. State Program Management (10%)**

NJDEP intends to use this set-aside to provide support for: (1) 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 (5.5%)**

#### **i. Radon in Water Program (1 FTE)**

The Multi Media Mitigation Program 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 National Primary Drinking Water Regulations for

radon in water 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](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 FFY11:

- 1) Participate in rulemaking process to propose an MCL of 800 pCi/L for Radon in drinking water;
- 2) Meet with legislators on dedicated funding of radon program, mandatory testing or homes and schools, and extension of radon resistant construction to Tier 2 areas;
- 3) Maintain course outlines, material, instructors, and logistics for a certification program for radon in water professionals;
- 4) Maintain technical reference materials for radon in water mitigation; and
- 5) Attend the National Radon Meeting.

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 continues to participate in numerous enhancements to NJEMS for the benefit of the Water Supply components of the system, which continues to require a significant 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 are currently developing an update to the Interface, due for completion by Fall 2010.

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.

#### Document Management (Imaging)

The Well Permits program implemented several enhancements to its manual data entry Well Wizards to improve processing performance and efficiency in NJEMS. Also, the Well Permits program has instituted e-Permitting, which allows the regulated community to submit documents through the NJDEP web portal.

NJDEP continues its ongoing efforts to improve and expand its EDMS (electronic document management system). This includes an upgrade to Highview and further integration with NJEMS. The further integration with NJEMS allows more programs to make their images readily available to NJDEP users as well as provide for new access points within the NJEMS application to retrieve images. It also includes synchronization of NJEMS and HighView to keep data and images up to date. To date, four NJDEP programs are using HighView / NJEMS integration, which number of programs is expected to increase. NJDEP, CACI and CGI have entered into a work plan agreement to further expand and improve HighView / NJEMS integration, and to include additional programs.

NJDEP is also focusing on content management and providing users with access to documents based on contextual and thematic searches. NJDEP continues to work toward integration of its EDMS with its other enterprise based systems including FACITS, IMAP, RSP, OPRATS, WEBI, DATAMINER, etc. Efforts are being made to provide public access, where appropriate to the Department's documents through web-based reporting and the creation of a virtual reading room which would retrieve images across all the Department's various data and GIS systems.

#### Safe Drinking Water Information System (SDWIS/State)

NJDEP installed SDWIS/State 8.0 in June of 2004. Due to the substantial complexity of SDWIS/State 8.0, with its considerable functionality and built-in modules NJ has not yet achieved full implementation of SDWIS/State 8.0. Accordingly, NJDEP continues its ongoing efforts to attain greater knowledge and use of SDWIS/State 8.0, in order to further its desire to fully implement SDWIS/State.

New Jersey is concurrently implementing SDWIS/State 8.0 and preparing to implement updates and upgrades to SDWIS/State, including selected modules developed in-house and by other States using SDWIS/State, and SDWIS web 2.3 and related applications. The proposed schedule for implementation of SDWIS web 2.3 is Fall 2010.

In addition, NJDEP is currently preparing to design, develop, test and implement upgrades to the NJEMS-SDWIS/State Interface application to ensure compatibility with SDWIS web 2.3. The proposed schedule for completion of this task must coincide with the Fall 2010 SDWIS web 2.3

implementation date.

NJDEP proposes to design, develop, test and implement upgrades to the E2 Reporting System to ensure compatibility with SDWIS web 2.3. The proposed schedule for completion of this task must coincide with the Fall 2010 SDWIS web 2.3 implementation date.

### New Jersey Electronic Environmental (E2) Reporting System

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 is 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. NJDEP anticipates these program changes will result 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 in support of the E2 Reporting System for DWR and PWTA reporting, data evaluations, and perform other system implementation activities.

### 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. 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 8.0;
- 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;
- implement SDWIS/State web release 2.3 (SDWIS web 2.3) and related applications, migrate data from SDWIS/State 8.0, due by Fall 2010;
- 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;
- evaluate and determine the need to develop any legacy computer application to provide a user-friendly format for any drinking water data not migrated from NJPWS to SDWIS/State;
- improve and enhance the electronic data interface between NJEMS and SDWIS/State to maintain data integrity between the two data systems, to reduce duplicate manual data entry into each data system, and to electronically transfer data concerning drinking water systems, including inventory, violations, and enforcement actions;
- enhance the NJEMS-SDWIS/State Interface for compatibility with SDWIS web 2.3;
- enhance the New Jersey Electronic Environmental (E2) Reporting System for compatibility with SDWIS web 2.3;
- 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;

- plan, design, develop improvements to the NJDEP electronic document management and imaging systems, currently in HighView;
- develop an interface application to integrate the HighView imaging system with NJEMS to make the images readily available to the NJDEP users and to the public, as appropriate;
- provide computer, database, and related electronic hardware and software upgrades;
- consider authorizing and 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, Radon Rule, Radionuclide Rule, the microbiological/disinfection by products (M/DBP) cluster of rules including Stage II DBP, LT2 Enhanced Surface Water Treatment Rule and Lead and Copper Short-term revisions.

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. A few examples include monitoring NTNC water systems for radiological contaminants, currently not required under SDWA, monitoring synthetic organic compounds (SOC waiver program), monitoring transient noncommunity systems for inorganic (except nitrate) and volatile organic compounds, currently not required under the SDWA, and monitoring for unregulated contaminants such as perchlorate and Perfluorooctanoic Acid (PFOA). 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 PWSS grant funding of monitoring and laboratory analytical services, estimated at \$100,000, 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. CY2009 was the last year of the annual EPA Homeland Security funding. Remaining funding should support NJDEP's Drinking Water Security Program activities through September 2013.

However, monies will be needed in 2013 to fund the security program. Therefore, SRF set-aside monies of \$200,000 for 2013 and \$150,000 annually thereafter may be requested to support on-going Drinking Water Security Program tasks/activities.

2. Source Water Protection Program Management (1.0%, 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.

## **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.

A) The State Plan Endorsement process is a voluntary program through the State Planning Commission (SPC) that places municipal and county planning and regulatory documents through a comprehensive review for consistency with the State Development and Redevelopment Plan and NJ State goals and policies. As a member of the SPC, NJDEP may require adoption of a wellhead protection ordinance when source water areas are potentially impacted by development. NJDEP staff provides the municipality with a model ordinance and works cooperatively with them to modify the model ordinance to best fit with the municipality's unique circumstances. SWAP staff will continue to work with the Office of Planning and Sustainable Communities in developing model well head protection ordinances and with other source water protection activities.

B) The rules currently define the Tier 1 time of travel as 200 days instead of two years which was used for the source water assessments. Though the Department had intended to revise this requirement to reflect a two year time of travel in 2009, such amendments were not made due to the pending expiration of the SDWA rule. Specifically, at this time, the Department will readopt the SDWA rules without change to extend the expiration date for five years. The Department may propose amendments that include well head protection within the two year time of travel (Tier 1) in the future.

C) SWAP staff will continue to work with water systems in New Jersey and the interested public to assure the accuracy of the source water assessments. These changes may result in reissuing updated 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.

D) In addition, new sources of public water will need to be evaluated and assessed. 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 source water assessment reports for new sources of water will continue to be an ongoing activity.

E) NJDEP will also continue to assist those water systems that are responsible for performing consumer confidence reports to ensure the most recent and accurate source water assessment information is provided within their consumer confidence reports.

F) Continuing public participation activities for SWAP include participation in training sponsored by other agencies such as the NJWA. The 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. NJDEP will expand the protection portion of the website to include the newly developed model ordinance, finished examples of ordinances that have been implemented by municipalities, and guidance on how to utilize the available resources. On average, the SWAP website receives approximately 500 visits per month

### 3. System Capacity Development (2.0%, 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:

- a. Finalize and submit, by August 15, 2011, the SFY2011 Annual Report to document ongoing implementation of the capacity development program for addressing capacity determinations for new systems and the application of a focused effective strategy for existing public water systems.
- b. Prepare the SFY2012 Annual Report that documents the ongoing implementation of the capacity development program for addressing capacity determinations for new systems

and the application of an effective strategy for existing public water systems. This report is due by August 15, 2012.

- c. Continue the process of conducting on-site capacity evaluations for the community and noncommunity systems identified on the 2010 Strategy List and other systems identified as needing capacity development through other means (e.g., Small System Technical Assistance Program, Compliance & Enforcement Element, and County Environmental Health Agencies).
- d. Continue to evaluate and improve implementation of the Capacity Development Program and Strategy including without limitation any recommendations which may result from the independent analysis by Cadmus Group, Inc. which is planned for SFY2010 or possibly SFY2011.
- e. 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.
- f. Provide oversight to the one or more third-party contractors engaged to supplement our own efforts in providing on-site capacity evaluations, on-site technical assistance, asset management plan development, and rate setting advice during SFY2012. The program will manage and coordinate executed service contract(s) to accomplish this goal. Tentative targets for the use of service contracts include a) third party contract to conduct site visits and conduct TMF capacity evaluations for targeted water systems, b) third party contract to implement asset management program for targeted water systems, and c) third party contract to provide water utility rate setting assistance when necessary.
- g. Perform TMF evaluations on any new community and NTNC water systems.
- h. 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.
- i. 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 work shops through various forums (e.g., one-on-one sessions with select public water systems, classroom seminars, webcasts, etc.)

- j. 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.

#### 4. Operator Certification (1.5%, 3 FTE)

NJDEP regulations titled N.J.A.C. 7:10A "*Licensing of Water Supply and Wastewater Treatment System Operators*" were readopted on December 15, 2008. Amendments include 1) a requirement that applicants who fail an exam three times must attend additional classroom training prior to taking the exam a fourth time, 2) a requirement that licensees must submit a request to operate more than ten public water systems, 3) addition and clarification of licensed operator minimum duties and written operation and maintenance procedures, 4) provisions for continuing education time extensions for actively deployed military personnel and individuals suffering from a medical condition or hardship, and 5) application and licensing fee increases.

The existing regulations require all public community and NTNC water systems to employ a licensed operator. The Bureau of Safe Drinking Water Technical Assistance 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 and Aqua New Jersey as qualified course providers. NJDEP has also approved nearly 200 continuing education courses given by independent course providers for TCHs and continues to review requests for TCH approval from training providers. 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 the AWWA Online Institute, CEU Plan, 360water.com, and Pure Safety 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 new contract will be sought in FFY2011 to secure funding to continue this program for at least two more years. NJDEP also subsidizes operator continuing education courses provided by the NJAWWA. In addition, NJDEP reimburses tuition and textbook costs to qualified individuals taking the required initial and advanced certification courses.

## **Goals**

The following items will be addressed during FFY2011:

- NJDEP will develop and disseminate a duties and responsibilities guidance document for Water Treatment (T) and Water Distribution (W) licensed operators prior to FFY2011.
- 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 FFY2011. This effort includes seeking a new agreement with Rutgers on or before FFY2011.
- NJDEP will continue to provide for free or reduced operator training through NJAWWA 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 develop an NJEMS-based program to track the licensed operators on record for each facility and the operators' continuing education credits for license renewal.
- NJDEP will continue to subsidize the training and examination of persons wishing to become Very Small Water System (VSWS) operators. Since interest in this program has diminished

since 2004 and the program's end date is December 31, 2012, we are developing supplemental educational programs to train new operators of small water systems.

- 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 assure 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.

## **V. Short and Long-Term Goal Statements**

Within the next two years, NJDEP will strive to accomplish short term goals. There are two 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 rule requires reservoirs to be covered, replaced or treated by April 1, 2009, or requires the water system to be in compliance with a State approved schedule in order to ensure adequate protection of water supplies. The three water systems signed an Administrative Consent Order 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 uncovered reservoir is pursuing 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 – Provide a minimum of 15 percent of project funds to help finance improvements for small water systems. With the help of the 2 percent set-aside for technical assistance to small systems and a new contract to be executed with New Jersey Water Association (NJWA), the NJDEP will again enter into a contract with 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.

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

1. Loan Program Viability – This goal includes various steps. Since approximately ten years has 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 look at 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 Community Affairs and the Department of Environmental Protection 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 this 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.

## **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 current master project priority list, projects funded in December 2009 and March 2010, and projects expected to be funded in November 2010 under the comprehensive list, and a summary of projects already funded from November 1998 to March 2010.

Information about this program and essential contact information are available on the NJDEP, Division of Water Supply home page, <http://www.nj.gov/dep/watersupply> and the Trust website, [www.njeit.org](http://www.njeit.org). Copies of the "Amendments to the Final FFY2010 Priority System, Intended Use Plan and Project Priority List and the Final Intended Use Plan and this IUP, "FFY2011 Proposed Priority System, Intended Use Plan and Project Priority List," are available on these websites. These IUPs are also available by accessing ENDEX, the New Jersey Digital Environmental Library maintained by Rutgers, the State University of New Jersey. Public Access to ENDEX is available directly via <http://njedl.rutgers.edu/njdlib/index.cfm>. The catalogue of loans and grants

is available on the State of New Jersey page, <http://www.nj.gov/dep/grantandloanprograms>.

NJDEP has an informational pamphlet that is distributed at various professional meetings. 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 Technical Evaluations staff to ensure that any systems identified by this section to be 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 Waterworks 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) FFY2010/SFY2011 Drinking Water Financing Program Schedule
- 3) FFY2011/SFY2012 Drinking Water Financing Program Schedule
- 4) Letter of Intent – Drinking Water

## **Appendix A.1 Critical Steps for DWSRF Loans**

### **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. First call the NJ Environmental Infrastructure Trust at (609) 219-8600 and obtain a pin number needed to complete the form.

### **2. Attend a 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 FFY 2011 cycle deadline is October 4, 2010
- 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](http://www.state.nj.us/dep/dwq/pdf/njac722_sub10.pdf)
- A commitment letter is included in the letter of intent noted in step #1 above

### **4. Submit Design Document and Loan Application:**

- Plans, specifications, loan application and all permit applications must be submitted
- The FFY2011 cycle deadline is March 7, 2011
- Note that an electronic submission to the Trust must be on CD or DVD in PDF, TIFF, or JPG format and submitted by March 7, 2011

### **5. Submit Financial Documents:**

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

### **6. Loan Award:**

- Loans are closed in escrow in August and September of each year
- Loans are awarded November of each year
- Must have all applicable permits and approvals in place and be certified by NJDEP
- Projects that are certified are funded in order of placement on the Priority List

Please see [www.njeit.org](http://www.njeit.org) for copies of these documents.

**Appendix A.2**  
**FFY2010/SFY 2011 Drinking Water Financing Program Schedule**  
 (Using FFY 2010 and Other Available Federal Monies)

<b><u>DATE</u></b>	<b><u>ACTION</u></b>
Before May 5, 2009	-Letter of Intent – Drinking Water is due from prospective project sponsors for projects not already on the Project List
May 18, 2009	-Public hearing on FFY2010 Priority System, Intended Use Plan and Project Priority List proposal
Before October 6, 2009	-Prospective project sponsors attend preplanning meeting with NJDEP prior to submitting Letter of Intent – Drinking Water
November 2, 2009	- Letter of Intent – Drinking Water due -Applicants submit all planning documents to NJDEP
On or before January 15, 2010	-NJDEP/Trust submit list of projects (based on Priority System ranking methodology) to Legislature for forthcoming State Fiscal Year
March 1, 2010	-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
March 22, 2010	-Financial Plan for forthcoming State Fiscal Year submitted by Trust to Legislature -Applicants submit financial addendum form to the Trust
June 30, 2010	-Legislature acts on Financial Plan -Trust transmits both draft loan agreements to qualifying applicants
Mid September through mid-October 2010	-Execute NJDEP/Trust loan agreements in escrow
December 2, 2010	-Loan award

**Appendix A.3**  
**FFY2011/SFY 2012 Drinking Water Financing Program Schedule**  
 (Using FFY 2011 and Other Available Federal Monies)

<b><u>DATE</u></b>	<b><u>ACTION</u></b>
May 19, 2010	-Public hearing on FFY2011 Priority System, Intended Use Plan and Project Priority List proposal
Before October 4, 2010	-Prospective project sponsors attend preplanning meeting with NJDEP prior to submitting Letter of Intent – Drinking Water
October 4, 2010	- Letter of Intent – Drinking Water due -Applicants submit all planning documents to NJDEP
On or before January 15, 2011	-NJDEP/Trust submit list of projects (based on Priority System ranking methodology) to Legislature for forthcoming State Fiscal Year
March 7, 2011	-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, 2011	-Financial Plan for forthcoming State Fiscal Year submitted by Trust to Legislature -Applicants submit financial addendum form to the Trust
June 30, 2011	-Legislature acts on Financial Plan -Trust transmits both draft loan agreements to qualifying applicants
Late August through mid-September 2011	-Execute NJDEP/Trust loan agreements in escrow
November 2011	-Loan award

**Appendix A.4**  
**Letter of Intent – Drinking Water Loan**

Please go to the website: [www.njeit.org/forms.htm](http://www.njeit.org/forms.htm)

## **APPENDIX B**

- 1) Drinking Water Infrastructure Needs Survey
- 2) 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
- 7) Cover letter for Final FFY2010 IUP dated July 16, 2009
- 8) Revisions to FFY2010 IUP dated September 30, 2009
- 9) Revisions to FFY2010 IUP dated February 24, 2010 and Response Document
- 10) Cover letter for Proposed FFY2011 IUP dated April 23, 2010
- 11) Notice of Public Hearing/Comment Period for FFY2011 IUP dated April 23, 2010
- 12) Cover letter for Final FFY2011 IUP dated June 30, 2010
- 13) May 19, 2010 Public Hearing Summary



## **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 non-profit 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 and the Third Report to Congress, reflecting 2003 data, was released in June 2005. The allotment percentages for New Jersey based on the previous surveys were 2.44 percent, 2.30 percent and 2.21 percent, respectively. Based on the appropriation of \$841,500,000 million to the DWSRF program, the allotment for New Jersey was reduced from \$19,075,100 (FY2005) to \$18,484,300 (FY2006) and the reductions will last till 2009. The gradual decrease in allotments has resulted in significant impact on the financial capability of New Jersey's DWSRF program.

The Fourth Report to Congress was released on March 26, 2009 and the results will affect State allotments for fiscal years 2010 through 2013. The revised state allotments were published by USEPA on May 28, 2009. New Jersey's allotment decreased from 2.21 percent to 2.14 percent.

NJDEP anticipates working with the USEPA Drinking Water Needs Survey Workgroup during 2010 to prepare the methodologies and policies of the 2011 survey. USEPA will determine the survey participants. NJDEP anticipates that USEPA training for states may be held from September to November 2010 at various locations, and that USEPA will begin the 2011 survey, including mailing information to survey participants in January 2011.

## **Appendix B.2**

### **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 must demonstrate adequate technical capacity as follows:

1. The project sponsor and its water system are not in significant noncompliance as defined by the United States Environmental Protection Agency;
2. The project sponsor and its 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); and
3. The project sponsor is operating its water system under a licensed operator, of the appropriate license pursuant to N.J.A.C. 7:10A, 'Licensing of Water Supply and Wastewater Treatment System Operators.'

In addition to the above, the New Jersey Department of Environmental Protection may review any of the following items for technical capacity:

1. *SDWA Compliance data and inspection reports (Sanitary Surveys)* to identify actual and potential problems that might lead to noncompliance or degradation of drinking water quality.
2. *Operator Certification* to evaluate if the water system is being operated by an operator licensed by the State of New Jersey, with the appropriate license classifications.
3. *Vulnerability assessments* to determine potential source water contamination.
4. *Enforcement actions, administrative consent orders, or directives* issued to the water system, requiring corrective actions to ensure compliance with the SDWA.
5. *Comprehensive Performance Evaluations (CPE's)* to analyze a surface water treatment plant's performance.
6. *Consumer Complaint Records* to identify technical problems with the water system (e.g., odor, taste, or low pressure).
7. *Engineering reports, design plans, project and long-term planning documents, for improvements* to ensure compliance with Federal and New Jersey's SDWA regulations, rules, and statutes.

Note: Significant noncompliance refers to long term repeated violations that constitute a threat to public health. A detailed summary of significant noncompliance is available by contacting the NJDEP, Bureau of Safe Drinking Water, either by telephone at (609) 292-5550, or by writing NJDEP, Bureau of Safe Drinking Water, P.O. Box 426, Trenton, N.J. 08625-0426.

## **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. In assessing the managerial capacity of the water system, the New Jersey Department of Environmental Protection or the New Jersey Environmental Infrastructure Trust, shall consult with the Board of Public Utilities (in regards to investor-owned BPU-regulated water systems) or the Department of Community Affairs, Division of Local Government Services, as appropriate. The project sponsor must demonstrate adequate managerial capacity as follows:

1. A project sponsor or its water system is not in receivership;

2. The project sponsor demonstrates to the NJDEP's satisfaction that it has clear ownership of the water system or that other arrangements are in place to satisfy the Federal Safe Drinking Water Act managerial capacity requirements; and
3. The project sponsor and its water system do not have any continuing violations of requirements, rules or statutes of the New Jersey Department of Environmental Protection, the Board of Public Utilities, or the Department of Community Affairs, Division of Local Government Services, as applicable.

In addition to the above, the NJDEP may review any of the following items for managerial capacity especially when the project sponsor's water system is not regulated by the Board of Public Utilities or the Department of Community Affairs, Division of Local Government Services:

1. *A summary of biographies, resumes, and other related material from the previous five years to determine the training, expertise and education of personnel.*
2. *Business or Water System Plan to evaluate management's overall practices and ownership accountabilities to assist in evaluating the owner's understanding of current New Jersey's SDWA regulations and professional practice.*
3. *A summary of billing and collection procedures used for the water system from the previous five years.*
4. *A summary of consumer complaint records within the previous five years to identify the water system's responses to customer complaints.*

### **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. In assessing the financial capacity of the water system, the New Jersey Department of Environmental Protection or the New Jersey Environmental Infrastructure Trust, shall consult with the Department of Treasury, the Department of Community Affairs, Division of Local Government Services, or the Board of Public Utilities (in regards to investor-owned BPU-regulated water systems), as appropriate, or may use the services of a financial consultant, to evaluate the financial capacity of the project sponsor. The project sponsor's water system meets the minimum standards for adequate financial capacity if the following is met:

1. A project sponsor regulated by the Board of Public Utilities (BPU) has obtained BPU approval of a financing petition for the project(s) to be financed through the DWSRF.
2. A project sponsor regulated by the Department of Community Affairs, Division of Local Government Services (DLGS), has obtained approval by the Local Finance Board in the DLGS for the project(s) to be financed through the DWSRF.
3. The NJDEP shall rely on the New Jersey Environmental Infrastructure Trust, with or without the assistance of a financial consultant for a project sponsor or water system not regulated by the Board of Public Utilities or the Department of Community Affairs, Division of Local Government Services, to evaluate any financial information, including, where available, but not limited to the following:
  - a. Financial statements or annual audit reports for the previous three years.
  - b. Current and proposed rate schedules, as applicable; or if rate schedules are unavailable, then documents indicating the project sponsor's access to credit for operations and contingencies to demonstrate the project sponsor's capability to repay debt.
  - c. A summary of any pending litigation regarding current or proposed rates.
  - d. Federal and state income tax returns of the project sponsor for the previous three years.
  - e. Current operating budget and projected budget, for a five year period, including debt service on the loan and any rate schedule adjustments:
    - i. Revenue projections including any assumptions on which the projections are based. Total annual percentage of budgetary increases, annual percentage increases to meet loan repayment and other non-loan project costs, and time when same shall take effect should be identified and included.
    - ii. Expense projections including a copy of the Capital Budget and assumptions on which the projections are based.
    - iii. Plans for rate increases.

- iv. Security for the proposed loans
  
- f. Composition of customer base.

#### **IV. Long Term Capacity**

The NJDEP, where appropriate, will assess whether a project sponsor and its 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.

#### **V. 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 in consultation with the New Jersey Board of Public Utilities and the Department of Community Affairs, as applicable, 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 project sponsor 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.

#### **VI. Systems in Significant Noncompliance**

The SDWA prohibits a state from providing DWSRF assistance to a system 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 are procedures to evaluate systems in significant noncompliance;

1. Evaluate the project(s) in significant noncompliance;
2. Evaluate the reasons for significant noncompliance; and
3. Evaluate if the project sponsor's request for DWSRF assistance will resolve the significant noncompliance issue to the NJDEP'S satisfaction.

This Capacity Development Program was approved by USEPA on November 19, 1999.

**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	pending
TOTAL FFY97 to FFY10:			321,132,000	

**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	0	N/A
FFY09	0	N/A
FFY10	0	None proposed
TOTAL:	70,266,570	

**Appendix B.4  
Environmental Results**

<b>DWSRF Environmental Results SFY2010</b>		
<b><u>Anticipated Outputs &amp; Outcomes for SFY 2010</u></b>		
<b><u>Strategic Plan Objective 2.1</u></b>		
Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters), in fish and shellfish, and in recreational waters		
<b>CONSTRUCTION LOANS</b>	<b>OUTPUTS</b>	<b>OUTCOMES</b>
	7 Binding Commitments	Improved compliance with the SDWA for systems receiving DWSRF funds
<b>SET ASIDE</b>	<b>OUTPUTS</b>	<b>OUTCOMES</b>
Small System Technical Assistance	Conduct 30 training sessions	Improve compliance and operator efficiency among systems receiving technical assistance
	Conduct 30 outreach site visits	Increase compliance among systems, especially systems serving less than 10,000 customers
	Perform spot-check water quality sampling of 40 noncommunity systems	Improve compliance for small water systems that have water quality problems
Radon	Participate in rulemaking process to propose MCL of 800 pCi/L for Radon in drinking water.	Provide response to comments for a rule proposing radon MCL
Data Management	Upgrade to SDWIS/State Web Release 2 (SSwr2)	Complete installation of software to enhance compliance with SDWA regulations
	Continue improvements and marketing of electronic environmental (E2) reporting	Increase the number of labs/water systems using electronic reporting for a more efficient reporting venue
Development of Program Rules	Develop Primacy submittal application for new rules: GWR, LT2, Stage DBP, Lead & Copper Short term revisions	Receive primacy approval for state programs to administer new rules to protect public health
Sampling	75 public water systems sampled	Increase the number of water systems returning to compliance and/or maintaining compliance
SWAP	Collect locational data for 25 new CWS and 25 new NCWS wells	The new well data will be added to the SWA's to keep information current and relevant
	Modify SDWA rules to clarify the existing well head protection measures	Revisions to the rules will protect the groundwater and clarify requirements to the public



<b>SET ASIDE</b>	<b>OUTPUTS</b>	<b>OUTCOMES</b>
Capacity Development	Conduct on-site evaluations and resolution of problems for 2 CWS and 5 NCWS on the 2007 Strategy List	Identify TMF problems for each system and work towards resolution of problems
	Draft 2010 Strategy List for the August 2010 Annual Report	Updating the List will ensure that the systems with the most current violations are being given assistance for technical, financial and managerial capacity
Operator Certification	Identify those systems that do not have a licensed operator and decrease to 1% of water systems	Having a qualified licensed operator should reduce violations for small water systems
	Continue tuition subsidies for water system operators attending the Rutgers University OCPE operator training sessions.	Enable the licensed operators to stay current on their continuing education, which should assist them in running the water systems properly

## **Appendix B.5 Sources of Funding**

- 1) NJDEP DWSRF program  
609-292-5550  
<http://www.nj.gov/dep/watersupply/loanprog.htm>
- 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](http://www.state.nj.us/dep/dwq/mface.htm)  
609-292-8961
- 4) NJDEP- Green Acres  
[www.nj.gov/dep/greenacres/trust.htm](http://www.nj.gov/dep/greenacres/trust.htm)  
609-984-0500
- 5) NJDEP - SRP  
Environmental Claims Administration  
[www.nj.gov/dep/srp/finance](http://www.nj.gov/dep/srp/finance)
- 6) NJDEP – ISRA Office of Accountability  
609-633-0743  
<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  
Potable water loans for individual homeowners:  
<http://www.nj.gov/dca/hmfa/consu/owners/water>  
<http://www.state.nj.us/dca/grants/>
- 8) NJ Department of Community Affairs – Office of Smart Growth  
<http://www.nj.gov/dca/divisions/osg/programs/grants.html>
- 9) NJ Economic Development Authority  
[www.njeda.com](http://www.njeda.com)  
609-292-1800

- 10) US Department of Agriculture  
Rural Utilities Services  
<http://www.rurdev.usda.gov/nj/>  
In New Jersey, contact Victoria Fekete: [victoria.fekete@nj.usda.gov](mailto:victoria.fekete@nj.usda.gov) or (856) 787-7700
- 11) CoBank – for private water companies  
[http://www.cobank.com/Products\\_and\\_Services/Loans/Loans\\_index.htm](http://www.cobank.com/Products_and_Services/Loans/Loans_index.htm)  
1-800-542-8072
- 12) US Federal Government grant opportunities  
<http://www.grants.gov/>
- 13) New Jersey Redevelopment Authority  
Leslie Anderson, Executive Director  
609-292-3739  
[www.njra.us](http://www.njra.us)
- 14) Rural Community Assistance Partnership (RCAP)  
in Conjunction with USDA/Rural Development  
[http://www.rcapsolutions.org/loan\\_funds.htm](http://www.rcapsolutions.org/loan_funds.htm)  
RCAP Revolving Loan Fund  
Donna Warshaw  
RCAP Solutions Financial Services  
978-630-6635  
[dwarshaw@rcapsolutions.org](mailto:dwarshaw@rcapsolutions.org)  
*You may also call Lyndon Nichols at the USDA directly at 978-829-4477 X125*
- 15) USEPA  
<http://www.epa.gov/waterinfrastructure/>
- 16) US Department of Commerce  
Economic Development Administration  
<http://www.eda.gov>

The NJDEP and the Division of Water Supply 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 B.7



### State of New Jersey

Department of Environmental Protection

JON S. CORZINE  
GOVERNOR

MARK MAURIELLO  
ACTING COMMISSIONER

**Division of Water Supply – Bureau of Safe Drinking Water Technical Assistance**  
**401 E. State Street - P.O. Box 426**  
**Trenton, New Jersey 08625-0426**  
*Tel # 609-292-5550 – Fax # 609-292-1654*

July 16, 2009

**SUBJECT:** Drinking Water State Revolving Fund Program

Amendments to the Final FFY2009 Priority System, Intended Use Plan, Project Priority List and Final Intended Use Plan and Response Document for the American Recovery and Reinvestment Act of 2009

FFY2010 Final Priority System, Intended Use Plan, Project Priority List and Response Document”

Dear Interested Parties:

The Drinking Water State Revolving Fund FFY2009 and FFY2010 Final Intended Use Plans and Response Documents are available for review. A Public Hearing regarding the Drinking Water State Revolving Fund Program was held on May 18, 2009 at the New Jersey Department of Environmental Protection (Department) Public Hearing Room. The Department considered the oral comments presented at the hearing and the written comments received.

Significant changes were made to the proposed 2009 funding program based on the comments received by the Department. Projects on the Comprehensive 2009 Traditional/American Recovery and Reinvestment Act (AARA) Priority List (Appendix C of the Intended Use Plan) will be given an opportunity to compete for the ARRA monies in ranked order first, then readiness to proceed. Projects that did not submit a recommitment letter, were bypassed or withdrew from the 2009 funding cycle were deleted from the 2009 Project List.

The Priority System, Intended Use Plan, Project Priority List (IUP) addresses the federal stimulus program under the American Recovery and Reinvestment Act of 2009 and the traditional program under the Drinking Water State Revolving Fund.

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) to assist publicly and privately owned community water systems and nonprofit noncommunity water systems to achieve or maintain compliance with SDWA requirements and to further the public health objectives of the SDWA. The DWSRF is administered as a component of the Environmental Infrastructure Financing Program that also administers the State's Clean Water State Revolving Loan Fund (CWSRF).

The IUP also contains the FFY2009 and the FFY2010 schedules. Project sponsors must meet these schedules with all applicable deadlines in order to be considered for financing in November 2009 or 2010.

Should you have any questions regarding the IUP or the DWSRF program, please contact Philip Royer or Josephine Craver at the Bureau of Safe Drinking Water Technical Assistance at (609) 292-5550 or fax (609) 292-1654.

If you would like a copy of the IUP, you may contact the DWSRF program or obtain a copy from our website, <http://www.state.nj.us/dep/watersupply/loanprog.htm>. The 2009 DWSRF Project "living list" is updated weekly and may be accessed on the web at [http://www.nj.gov/dep/arra/docs/arra\\_dw\\_2009.pdf](http://www.nj.gov/dep/arra/docs/arra_dw_2009.pdf).

Very truly yours,



Sandra Krietzman, Chief  
Bureau of Safe Drinking Water  
Technical Assistance

#### ATTACHMENT

C: Community Water Supply Systems  
Nonprofit Noncommunity Water Supply Systems  
County and Municipal Health Authorities  
Environmental Groups  
Engineering Consultants  
USEPA Region II, Bruce Kiselica, Chief, Drinking Water Section  
USEPA Region II, Stephen R. Vida, SRF Team Leader  
USEPA Region II, Alicia Suarez, DWSRF Coordinator  
Drinking Water Quality Institute, Mark Robson, Chairman  
USDA, NJ Rural Development, Kenneth C. Drewes, Director, Business & Community Programs  
NJAWWA, Lindsey Olson, Section Chair  
NJ Water Association, Rick Howlett, Executive Director  
Water Supply Advisory Council, Eugene Golub, Chairman  
NJ Office of Smart Growth, Ben Spinelli, Executive Director  
NJ Dept. of Community Affairs, Joseph Valenti, Bureau Chief, Local Government Services

NJ Board of Public Utilities, Maria Moran, Director, Division of Water and Wastewater  
NJ Economic Development Authority, John Rosenfield, Director, Program Services  
NJ Housing and Mortgage Finance Agency, Jerome Keelen, Director, Single Family Programs  
New Jersey Redevelopment Authority, Leslie Anderson, Executive Director  
Dennis Hart, Executive Director, NJ Environmental Infrastructure Trust  
Gary Sondermeyer, Director of Operations, NJDEP  
Nancy Wittenberg, Assistant Commissioner, Environmental Regulation, NJDEP  
Scott Brubaker, Assistant Commissioner, Land Use Management, NJDEP  
E. David Barth, Director, Management and Budget, NJDEP  
Michele Putnam, Director, Division of Water Supply, NJDEP  
Stanley Cach, Assistant Director, Municipal Finance & Construction Element, NJDEP

## Appendix B.8



### State of New Jersey

JON S. CORZINE  
Governor

MARK MAURIELLO  
Acting Commissioner

DEPARTMENT OF ENVIRONMENTAL PROTECTION  
Division of Water Supply – Bureau of Safe Drinking Water Technical Assistance  
401 E. State Street - P.O. Box 426  
Trenton, New Jersey 08625-0426  
Tel # 609-292-5550 – Fax # 609-292-1654

September 30, 2009

Dear Interested Parties:

**SUBJECT: Drinking Water State Revolving Fund Program  
Revisions to “Amendments to the Final FFY2010 Priority System, Intended Use  
Plan, Project Priority List and Response Document (IUP)” -**

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) to assist publicly and privately owned community water systems and nonprofit noncommunity water systems to achieve or maintain compliance with SDWA requirements and to further the public health objectives of the SDWA.

The FFY2010 DWSRF Final IUP was published on July 16, 2009. The IUP contained the FFY2009 and the FFY2010 schedules. Project sponsors must meet these schedules with all applicable deadlines in order to be considered for financing in November 2009 or 2010.

Several changes have been made to the IUP and the FFY2010 schedule:

- 1. The deadline for submittal of the commitment letter and planning documents has been extended from Monday, October 5<sup>th</sup> until Monday, November 2<sup>nd</sup>, 2009.** This change has been made so that the deadlines in the DWSRF program are consistent with those of the Clean Water State Revolving Fund program.
- 2. Since the current FFY2009/SFY2010 financing cycle will have two loan closings, estimated to be in December 2009 and February 2010, possible 2009 applicants will not know by November 2<sup>nd</sup> if their project has been approved for a loan in the current funding cycle. Therefore, all 2009 loan applicants that met the FFY2009 deadlines and did not receive funding in the 2009 financing cycle will be placed onto the FFY2010 Project Priority List. Please note that the applicant must submit a new loan application by March 1, 2010.** Projects will be reviewed and financed in accordance with the Final FFY 2010 IUP.
- 3. The New Jersey Department of Environmental Protection (Department) will establish a Green Project Reserve (GPR) equal to a minimum of 20% of the State’s FFY2010 allocation if the**



FFY2010 DWSRF federal appropriation includes language requiring such action. If the Department determines that there are insufficient applications or there are deficiencies in the applications for projects eligible to be financed through the GPR, then the funds may be allocated to finance other DWSRF projects in ranked order in the FFY2010/SFY2011 financing cycle. **Projects or portion of projects that qualify for the GPR are eligible for the smart growth financing package, with 75% of the allowable costs financed with a zero% interest Department loan and a 25% market rate Environmental Infrastructure Trust loan.**

Should you have any questions regarding the IUP or the DWSRF program, please contact Philip Royer or Josephine Craver at the Bureau of Safe Drinking Water Technical Assistance at (609) 292-5550 or fax (609) 292-1654.

If you would like a copy of the IUP, you may contact the DWSRF program or obtain a copy from our website, <http://www.state.nj.us/dep/watersupply/loanprog.htm>.

Very truly yours,



Sandra Krietzman, Chief  
Bureau of Safe Drinking Water  
Technical Assistance

C: Community Water Supply Systems  
Nonprofit Noncommunity Water Supply Systems  
County and Municipal Health Authorities  
Environmental Groups  
Engineering Consultants  
USEPA Region II, Bruce Kiselica, Chief, Drinking Water Section  
USEPA Region II, Stephen R. Vida, SRF Team Leader  
USEPA Region II, Alicia Suarez, DWSRF Coordinator  
Drinking Water Quality Institute, Mark Robson, Chairman  
USDA, NJ Rural Development, Kenneth C. Drewes, Director, Business & Community Programs  
NJAWWA, Lindsey Olson, Section Chair  
NJ Water Association, Rick Howlett, Executive Director  
Water Supply Advisory Council, Eugene Golub, Chairman  
NJ Office of Smart Growth, Ben Spinelli, Executive Director  
NJ Dept. of Community Affairs, Joseph Valenti, Bureau Chief, Local Government Services  
NJ Board of Public Utilities, Maria Moran, Director, Division of Water and Wastewater  
NJ Economic Development Authority, John Rosenfield, Director, Program Services  
NJ Housing and Mortgage Finance Agency, Jerome Keelen, Director, Single Family Programs  
New Jersey Redevelopment Authority, Leslie Anderson, Executive Director  
Dennis Hart, Executive Director, NJ Environmental Infrastructure Trust  
Gary Sondermeyer, Director of Operations, NJDEP  
Nancy Wittenberg, Assistant Commissioner, Environmental Regulation, NJDEP  
Scott Brubaker, Assistant Commissioner, Land Use Management, NJDEP  
E. David Barth, Director, Management and Budget, NJDEP  
Michele Putnam, Director, Division of Water Supply, NJDEP  
Stanley Cach, Assistant Director, Municipal Finance & Construction Element, NJDEP

## Appendix B.9



### State of New Jersey

CHRIS CHRISTIE  
*Governor*

BOB MARTIN  
*Acting Commissioner*

KIM GUADAGNO  
*Lt. Governor*

DEPARTMENT OF ENVIRONMENTAL PROTECTION  
Division of Water Supply – Bureau of Safe Drinking Water Technical Assistance  
401 E. State Street - P.O. Box 426  
Trenton, New Jersey 08625-0426  
*Tel # 609-292-5550 – Fax # 609-292-1654*

February 24, 2010

Dear Interested Parties:

**SUBJECT: Drinking Water State Revolving Fund Program  
Proposed Amendments to “Final FFY2010 Priority System, Intended Use Plan,  
Project Priority List and Response Document (IUP)”**

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) to assist publicly and privately owned community water systems and nonprofit noncommunity water systems to achieve or maintain compliance with SDWA requirements and to further the public health objectives of the SDWA.

The FFY2010 DWSRF Final IUP was published on July 16, 2009 and revised on September 30, 2009. The IUP contained both the FFY2009 and the FFY2010 schedules. Project sponsors were required to meet these schedules with all applicable deadlines in order to be considered for financing in November 2009 or November 2010.

Loan terms for FFY2010 have been changed due to the requirements in the approved 2010 federal appropriations bill. New Jersey is allotted \$28,995,000 for the DWSRF program; however, there are conditions that are associated with the distribution of these funds which are incorporated into program revisions described below.

Several changes are being proposed to the IUP as noted:

1. **Loan Terms:** A minimum of 30% of the 2010 allotment (\$8.8 million) will be distributed to projects as principal forgiveness. The proposed loan terms are that 25 percent of the total project costs (up to \$2.5 million) will be awarded as principal forgiveness loans; 25 percent of the total project costs (up to \$2.5 million) will be awarded as zero interest loans from New Jersey Department of Environmental Protection (NJDEP) and 50 percent of the balance of the total project costs (up to \$5 million) will be awarded as a loan at the market rate from the New Jersey Environmental Infrastructure Trust (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 50 percent of the balance greater than \$10 million will be awarded as zero interest loans from NJDEP and 50 percent of the balance greater than \$10 million will be awarded as a market rate loan from the Trust, or
- for those projects designated green or smart growth, up to 75 percent of the balance greater than \$10 million will be awarded as zero interest loans from NJDEP and 25 percent of the balance greater than \$10 million will be awarded as a market rate loan from the Trust.

Additionally, for very small systems serving a population less than 500, the loan terms are that 50 percent of the total project costs (up to \$2.5 million) will be awarded as principal forgiveness loans; 25 percent of the total project costs (up to \$1.25 million) will be awarded as zero interest loans from NJDEP and 25 percent of the balance of the total project cost (up to \$1.25 million) will be awarded as a loan at the market rate from the Trust. The \$5 million project limit applies as noted above. If the total project(s) cost (including the leveraged Trust portion) for a water system is more than \$5 million, then the remainder of the project will be covered by the loan terms of the traditional DWSRF program; 50 percent of the balance greater than \$5million will be awarded as zero interest loans from NJDEP and 50 percent of the balance greater than \$5 million will be awarded as a loan at the market rate from the Trust. For those projects over \$5 million and designated green or smart growth, the loan terms for the balance will be up to 75 percent awarded as zero interest loans from NJDEP and 25 percent awarded as a market rate loan from the Trust.

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

2. Projects will be funded in ranked order, utilizing the principal forgiveness monies, until the 30% minimum is awarded. The balance of the projects will be eligible for the traditional DWSRF 2010 financing program (50% zero interest, 50% market rate) or smart growth package (up to 75% zero interest, 25% market rate) in ranked order. This approach allows the principal forgiveness monies to be spread over more projects while still focusing the incentivized shares on high priority projects. The program hopes to finance as many projects as possible, but funds are limited and there may not be enough money to fund all the projects that have applied.
3. A Green Project Reserve (GPR) equal to a minimum of 20% (\$5.8 million) of the State's FFY2010 DWSRF allocation will be established. Green infrastructure projects, such as solar panels or wind turbines, will be given priority for GPR funding. Additionally, the GPR can be provided for other projects for water efficiency, energy efficiency or other environmentally innovative activities. **Projects or portion of projects that qualify for the GPR are eligible for the smart growth financing package, with up to 75% of the allowable costs financed with a zero interest NJDEP loan and the 25% balance financed with a market rate Trust loan.** Additionally, as needed, GPR components of projects being reviewed in ranked order will be identified to determine if the GPR component is eligible for GPR financing terms.

If the NJDEP determines that there are insufficient applications or there are deficiencies in the applications for projects eligible to be financed through the GPR, then the funds may be allocated to finance other DWSRF projects in ranked order in the FFY2010/SFY2011 financing cycle.

If you would like a copy of the IUP or Project Priority Lists, you may contact the DWSRF program or obtain a copy from our website, <http://www.state.nj.us/dep/watersupply/loanprog.htm>.

The period for submitting written comments on the proposal will close on March 29, 2010 (all comments must be postmarked by that date). Please submit the written comments to:

NJ Department of Environmental Protection  
Sandra Krietzman, Bureau Chief  
Bureau of Safe Drinking Water Technical Assistance  
P.O. Box 426  
Trenton, NJ, 08625-0426

All comments submitted in accordance with the deadline will be considered in the preparation of the final amended FFY2010 Priority System documents.

Should you have any questions regarding the IUP or the DWSRF program, please contact Philip Royer or Josephine Craver at the Bureau of Safe Drinking Water Technical Assistance at (609) 292-5550 or fax (609) 292-1654.

Very truly yours,



Sandra Krietzman, Chief  
Bureau of Safe Drinking Water  
Technical Assistance

c: Community Water Supply Systems  
Nonprofit Noncommunity Water Supply Systems  
County and Municipal Health Authorities  
Environmental Groups  
Engineering Consultants  
USEPA Region II, Bruce Kiselica, Chief, Drinking Water Section  
USEPA Region II, Stephen R. Vida, SRF Team Leader  
USEPA Region II, Alicia Suarez, DWSRF Coordinator  
Drinking Water Quality Institute  
USDA, NJ Rural Development, Kenneth C. Drewes, Director, Business & Community Programs  
NJAWWA, Lindsey Olson, Section Chair  
NJ Water Association, Rick Howlett, Executive Director  
Water Supply Advisory Council, Eugene Golub, Chairman  
NJ Office of Smart Growth, Ben Spinelli, Executive Director  
NJ Dept. of Community Affairs, Joseph Valenti, Bureau Chief, Local Government Services  
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NJ Economic Development Authority, John Rosenfield, Director, Program Services  
NJ Housing and Mortgage Finance Agency, Jerome Keelen, Director, Single Family Programs  
New Jersey Redevelopment Authority, Leslie Anderson, Executive Director  
Mary Claire D'Andrea, Acting Executive Director, NJ Environmental Infrastructure Trust  
Gary Sondermeyer, Director of Operations, NJDEP  
Nancy Wittenberg, Assistant Commissioner, Environmental Regulation, NJDEP  
Scott Brubaker, Assistant Commissioner, Land Use Management, NJDEP  
E. David Barth, Director, Management and Budget, NJDEP  
Michele Putnam, Director, Division of Water Supply, NJDEP  
Stanley Cach, Assistant Director, Municipal Finance & Construction Element, NJDEP

## **Drinking Water State Revolving Fund**

### **Summary of Responses to Comments for the “Proposed Amendments to the FFY 2010 Priority System, Intended Use Plan, Project Priority List and Response Document (IUP), February 24, 2010”**

One written comment was received during the comment period which closed on March 29, 2010.

#### COMMENT

Adams, Rehmann & Heggan Associates (ARH) representing the Town of Hammonton requested that the 2010 loan application cycle be reopened for new applications so that Hammonton might be eligible for the proposed 2010 financial term provisions as outlined in the IUP amendment of February 24, 2010, since the 2010 financial term provisions are only available to those on the 2010 funding cycle list. Hammonton has a project that is partially funded by the Department's Spillfund Compensation Program and if it were to have received additional principal forgiveness from the DWSRF program, the Town's share of the costs could have been reduced by approximately \$600,000 based on an estimated \$2.4 million project. ARH claimed the revised financing loan terms were not made available to all eligible water systems since the deadline to apply for 2010 financing was November 2, 2009 and March 1, 2010 for the 2010 funding cycle. Hammonton acknowledged that it did not submit the necessary documentation previously and is not eligible for the 2010 loan terms and funding cycle, although it might have done so if the loan terms were made available sooner.

#### RESPONSE

As stated in the IUP (FFY2010 Final, July 2009) Appendix A.1 - Critical Steps for DWSRF Loans and Appendix A.3 - FFY2010/SFY 2011 Drinking Water Financing Program Schedule, to qualify for the FFY2010 funding cycle, the following deadlines must be met:

- a. Commitment letter and planning document by October 5, 2009 (extended to November 2, 2009 via Amendment dated September 30, 2009), and
- b. Design document and loan application by March 1, 2010

A similar timetable has been published in each IUP annually since inception of the DWSRF program in 1998. While the Department recognizes the financial impact to Hammonton, it is important to treat all prospective loan applicants equally, fairly and transparently as all were informed of the above deadlines.

Loan terms for FFY2010 were changed due to the requirements in the approved 2010 federal appropriations bill, signed by the President and which became Public Law No: 111-088 on October 30, 2009. New Jersey is allotted \$28,995,000 for the DWSRF program, based in notification of USEPA dated January 15, 2010. Prior to the passing of the bill, the States did not have clear direction regarding the requirements associated with that appropriation. New Jersey published the amended terms of the New Jersey program shortly after notification to the states from USEPA.

In 2009, the funding cycle was reopened for five months due to the additional monies which became available from the American Recovery and Reinvestment Act (ARRA) in February 2009. A large influx of new applications were submitted which added months to the funding schedule. In fact, an additional loan closing was needed for the funded ARRA and Traditional projects. The timing of ranking and reviewing the additional projects and adding a second closing for the 2009 program set the review of the proposed 2010 projects back by approximately six months. Reopening the 2010 cycle would cause even further delays in reviewing and funding loan projects. There are still more projects under consideration for this cycle than can be reviewed and funded. Therefore, the Program stands by the decision to not reopen the 2010 funding cycle for acceptance of new applications. Any further delay of the 2010 funding cycle would then set back the 2011 funding cycle, and so forth.

Since New Jersey does not know what new requirements, such as principal forgiveness, could be included in the following year's Federal Appropriations Bill in these difficult economic times, it is recommended that a possible project meet the first deadline of October so that a project could be eligible for any possible amended favorable loan terms.

## Appendix B.10



### State of New Jersey

CHRIS CHRISTIE  
*Governor*

BOB MARTIN  
*Acting Commissioner*

KIM GUADAGNO  
*Lt. Governor*

DEPARTMENT OF ENVIRONMENTAL PROTECTION  
**Division of Water Supply – Bureau of Safe Drinking Water Technical Assistance**  
401 E. State Street - P.O. Box 426  
Trenton, New Jersey 08625-0426  
*Tel # 609-292-5550 – Fax # 609-292-1654*

April 23, 2010

**SUBJECT:** Drinking Water State Revolving Fund Program  
“Proposed FFY2011 Priority System, Intended Use Plan, Project Priority List”

Dear Interested Parties,

Please see the attached Notice of a Public Hearing regarding the Drinking Water State Revolving Fund Program, scheduled for May 19, 2010 at 10:30 AM at the New Jersey Department of Environmental Protection, Trenton, NJ.

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) to assist publicly and privately owned community water systems and nonprofit noncommunity water systems to achieve or maintain compliance with SDWA requirements and to further the public health objectives of the SDWA. The DWSRF is administered as a component of the Environmental Infrastructure Financing Program that also administers the State’s Clean Water State Revolving Loan Fund (CWSRF).

The IUP also contains the FFY2010 and the FFY2011 schedules. Project sponsors must meet these schedules with all applicable deadlines in order to be considered for financing in November 2010 or 2011.

Should you have any questions regarding the IUP or the DWSRF program, please contact Philip Royer or Josephine Craver at the Bureau of Safe Drinking Water Technical Assistance at (609) 292-5550 or fax (609) 292-1654.

If you would like a copy of the IUP, you may contact the DWSRF program or obtain a copy from our website, <http://www.state.nj.us/dep/watersupply/loanprog.htm>.

Very truly yours,



Sandra Krietzman, Chief  
Bureau of Safe Drinking Water  
Technical Assistance

ATTACHMENT

C: Community Water Supply Systems

Nonprofit Noncommunity Water Supply Systems

County and Municipal Health Authorities

Environmental Groups

Engineering Consultants

USEPA Region II, Bruce Kiselica, Chief, Drinking Water Section

USEPA Region II, Stephen R. Vida, SRF Team Leader

USEPA Region II, Alicia Suarez, DWSRF Coordinator

Drinking Water Quality Institute members

USDA, NJ Rural Development, Kenneth C. Drewes, Director, Business & Community Programs

NJAWWA, Lindsey Olson, Section Chair

NJ Water Association, Rick Howlett, Executive Director

Water Supply Advisory Council

NJ Office of Smart Growth, Ben Spinelli, Executive Director

NJ Dept. of Community Affairs, Marc Pfeiffer, Acting Director, Local Government Services

NJ Board of Public Utilities, Maria Moran, Director, Division of Water and Wastewater

NJ Economic Development Authority, John Rosenfield, Director, Program Services

NJ Housing and Mortgage Finance Agency, Jerome Keelen, Director, Single Family Programs

New Jersey Redevelopment Authority, Leslie Anderson, Executive Director

Maryclaire D'Andrea, Acting Executive Director, NJ Environmental Infrastructure Trust

Gary Sondermeyer, Director of Operations, NJDEP

Nancy Wittenberg, Assistant Commissioner, Environmental Regulation, NJDEP

Scott Brubaker, Assistant Commissioner, Land Use Management, NJDEP

E. David Barth, Director, Management and Budget, NJDEP

Michele Putnam, Director, Division of Water Supply, NJDEP

Stanley Cach, Assistant Director, Municipal Finance & Construction Element, NJDEP



## **NOTICE OF PUBLIC HEARING/COMMENT PERIOD**

REGARDING

### **PROPOSED FFY2011 DRINKING WATER PRIORITY SYSTEM, INTENDED USE PLAN AND PROJECT PRIORITY LIST**

### **DRINKING WATER FINANCING PROGRAM STATE REVOLVING FUND (DWSRF)**

The Department of Environmental Protection (Department) has completed the development of the Proposed FFY2011 Drinking Water Priority System, Intended Use Plan and Project Priority List (IUP) documents to establish funding policies and the program schedule to administer the Environmental Infrastructure Financing Program.

Proposed Loan Terms are as stated, or will be amended, as needed, to meet the requirements in the FFY2011 DWSRF Federal Appropriation Bill: a minimum of 30 percent of the FFY2011 allotment will be distributed to projects as principal forgiveness. The proposed loan terms are that 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 Department and 40 percent of the balance of the total project costs (up to \$4 million) will be awarded as a loan at the market rate from the New Jersey Environmental Infrastructure Trust (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 50 percent of the balance greater than \$10 million will be awarded as zero interest loans from the Department and 50 percent of the balance greater than \$10 million will be awarded as a market rate loan from the Trust, or for those projects designated green or smart growth, up to 75 percent of the balance greater than \$10 million will be awarded as zero interest loans from the Department and 25 percent of the balance greater than \$10 million will be awarded as a market rate loan from the Trust.

Additionally, for very small systems serving a population less than 500, the loan terms are that 50 percent of the total project costs (up to \$2.5 million) will be awarded as principal forgiveness loans; 25 percent of the total project costs (up to \$1.25 million) will be awarded as zero interest loans from the Department and 25 percent of the balance of the total project cost (up to \$1.25 million) will be awarded as a loan at the market rate from the Trust. The \$5 million project limit applies as noted above. If the total project(s) cost (including the leveraged Trust portion) for a water system is more than \$5 million, then the remainder of the project will be covered by the loan terms of the traditional DWSRF program; 50 percent of the balance greater than \$5 million will be awarded as zero interest loans from the Department and 50 percent of the balance greater than \$5 million will be awarded as a loan at the market rate from the Trust. For those projects over \$5 million and designated green or smart growth, the loan terms for the balance will be up to 75 percent awarded as zero interest loans from the Department and 25 percent awarded as a market rate loan from the Trust.

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

Note that projects will be funded in ranked order, utilizing the principal forgiveness monies, until the 30 percent minimum is awarded. The balance of the projects will be eligible for the traditional DWSRF FY2011 financing program (50 percent zero interest, 50 percent market rate) or the smart growth package (up to 75 percent zero interest, 25 percent market rate) in ranked order. This approach allows the principal forgiveness monies to be spread over more projects while still focusing the incentivized shares on high priority projects. The DWSRF program hopes to finance as many projects as possible, but funds are limited and there may not be enough money to fund all the projects that have applied.

A goal of Green Project Reserve (GPR) equal to a minimum of 20 percent of the State's FFY2011 DWSRF allocation will be established. 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 other projects for water efficiency, energy efficiency or other environmentally innovative activities, as needed to reach the 20 percent goal.

To promote the GPR, the Department will provide fifteen (15) additional priority points to any project that is a categorically eligible project, in accordance with Section I.B.6 of the Intended Use Plan. A new item was also added to Category A under the Project Priority Section, specifically for green infrastructure projects.

Please note that the first deadline is October 4, 2010 for the submittal of the planning documents and the letter of intent – Drinking Water. Also note that the March 7, 2011 submittal of the loan application and design documents to the Department must be received by close of business on that date. Additionally, the submittal of an electronic copy of the complete application package must be submitted to the Trust in electronic format by close of business on March 7, 2011. All electronic submissions must be on CD or DVD in PDF, TIFF, or JPG format. Please refer to [www.njeit.org/forms.htm](http://www.njeit.org/forms.htm) under loan applications for further guidance.

A complete copy of the proposal document and project list is available on the Department's website at <http://www.nj.gov/dep/watersupply>. Copies can also be mailed to those individuals that prefer to receive a hard copy by contacting Josephine Craver, Supervisor, Bureau of Safe Drinking Water Technical Assistance at (609) 292-5550.

**A public hearing regarding the DWSRF IUP will be held in the 5<sup>th</sup> Floor large conference room at the New Jersey Department of Environmental Protection Building located at 401 East State Street, Trenton, New Jersey, on May 19, 2010. The hearing will commence at 10:30 a.m., and conclude at the end of testimony.**

Presentations may be made orally or in writing; if written testimony is prepared, the oral presentation should be limited to a summary of the text. The period for submitting written comments on this proposal will close on May 26, 2010 (all comments must be postmarked by that date). All comments submitted in accordance with the deadline will be considered in the preparation of the Final FFY2011 IUP documents.

Written comments on the Drinking Water proposal should be submitted by May 26, 2010 to:

NJ Department of Environmental Protection  
Sandra Krietzman, Bureau Chief  
Bureau of Safe Drinking Water Technical Assistance  
P.O. Box 426  
Trenton, NJ, 08625-0426

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

Philip Royer, Section Chief

609-292-5550

Josephine Craver, Supervising Environmental Engineer

609-292-5550

Thank you for your anticipated input on this proposal document.

Appendix B.12



State of New Jersey

DEPARTMENT OF ENVIRONMENTAL PROTECTION  
DIVISION OF WATER SUPPLY  
BUREAU OF SAFE DRINKING WATER TECHNICAL ASSISTANCE  
401 EAST STATE STREET - P.O. BOX 426  
Trenton, NJ 08625-0426  
TEL: # (609) 292-5550  
FAX # (609) 292-1654

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

BOB MARTIN  
*Commissioner*

July 14, 2010

SUBJECT: Drinking Water State Revolving Fund Program  
"Final FFY2011 Priority System, Intended Use Plan, Project Priority List and  
Response Document"

Dear Interested Parties,

The Drinking Water State Revolving Fund FFY2011 Priority System, Intended Use Plan, Project Priority List and Response Document (IUP) are available for review. A Public Hearing regarding the Drinking Water State Revolving Fund Program was held on May 19, 2010 at the New Jersey Department of Environmental Protection (Department). No oral comments were presented at the hearing and no written comments were received. Therefore, no changes were made to the Proposed FFY2011 IUP.

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) to assist publicly and privately owned community water systems and nonprofit noncommunity water systems to achieve or maintain compliance with SDWA requirements and to further the public health objectives of the SDWA. The DWSRF is administered as a component of the Environmental Infrastructure Financing Program that also administers the State's Clean Water State Revolving Loan Fund (CWSRF).

The IUP also contains the FFY2010 and FFY2011 schedules. Project sponsors must meet these schedules with all applicable deadlines in order to be considered for financing in November 2010 or 2011.

Should you have any questions regarding the IUP or the DWSRF program, please contact Philip Royer or Josephine Craver at the Bureau of Safe Drinking Water Technical Assistance at (609) 292-5550 or fax (609) 292-1654.

If you would like a copy of the IUP, you may contact the DWSRF program or obtain a copy from our website, <http://www.state.nj.us/dep/watersupply/loanprog.htm>.

Very truly yours,



Sandra Krietzman, Chief  
Bureau of Safe Drinking Water Technical Assistance

#### ATTACHMENT

#### C: Community Water Supply Systems

Nonprofit Noncommunity Water Supply Systems

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John Plonski, Assistant Commissioner, Water Resource Management, NJDEP

E. David Barth, Director, Budget and Finance, NJDEP

Michele Putnam, Director, Division of Water Supply, NJDEP

Stanley Cach, Assistant Director, Municipal Finance & Construction Element, NJDEP

## **Appendix B.13**

### **May 19, 2010 Public Hearing Summary**

A Notice of Public Hearing dated April 23, 2010 publicly advertised the DWSRF hearing. On Wednesday, May 19, 2010 a public hearing was held at the NJDEP headquarters building at 401 East State Street in Trenton, New Jersey. The hearing officer, Phil Royer, section chief in the Bureau of Safe Drinking Water Technical Assistance, commenced the meeting by summarizing the Proposed FFY2011 Priority System, Intended Use Plan, Project Priority List and outlining modifications.

A statement summarizing the changes set forth in the Proposed IUP was presented at the public hearing.

A new item was added to Category A, Compliance with Safe Drinking Water Act and Protection of Public Health. Alternative power sources, which was listed in the former Priority System under Item 13 Security Measures of Category A was separated, and a new Item 14, Green Infrastructure, with the same 45 points was created. This change was enacted to clarify the existing Item 13 language of alternative auxiliary power sources, and create a new category for green infrastructure. To promote green projects the Department will provide fifteen additional priority points for any project that is a categorically eligible project, in accordance with Section I.B.6 of the Intended Use Plan.

The Loan Terms are proposed and will be amended as needed to meet the requirements in the Federal Fiscal Year 2011 Drinking Water State Revolving Fund Federal Appropriation Bill. The loan terms include a minimum of 30 percent of the State's Federal Fiscal Year 2011 Drinking Water State Revolving Fund allotment as principal forgiveness. Additionally, as New Jersey and the USEPA are promoting green projects, a goal of Green Project Reserve equal to 20 percent of the State's Federal Fiscal Year 2011 Drinking Water State Revolving Fund allocation is proposed in the Intended Use Plan. Please refer to Appendix B.11 of this document, the Notice of Public Hearing dated April 23, 2010 for specific changes.

Historically, any eligible project under the Drinking Water State Revolving Fund program that meets the program requirements and is ready to proceed has been able to receive a Drinking Water State Revolving Fund loan. But now, as the dollar amount of eligible projects may be in excess of the limited funds available, it is possible that some projects that are eligible and ready to proceed will not be within reach of the Department's fundable range. Therefore, some projects may fall below the Department's fundable line on the Project Priority List. These project sponsors may continue to pursue funding through the Drinking Water State Revolving Fund program, as the fluctuation of the fundable line may increase or decrease the number of projects that are reachable. However, there is no guaranty of funds. The NJDEP will continue to pursue additional sources of monies as a source of funding for the Drinking Water State Revolving Fund construction projects.

No members of the public were in attendance at the public hearing and no oral comments were made. In addition, no written comments were received prior to the submittal deadline of May 26, 2010.

## **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) Projects Funded through DWSRF in 2009 Funding Cycle
- 6) Projects Funded through ARRA in 2009 Funding Cycle
- 7) Project Priority Master List
- 8) Comprehensive 2010 Project Priority List

## 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 2009.

**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%	*

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

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.



**Table C.2**  
**NJDEP/Trust Proportions**  
**Projects that have executed loans and have participated in the Smart Growth Initiatives**

<b>Project Sponsor</b>	<b>County</b>	<b>Project Description</b>	<b>Project Number</b>	<b>Year Financed</b>	<b>Project Amount</b>	<b>Proportion</b>
Trenton City	Mercer	Addition of 2 natural gas generators at the Central Pumping Station	1111001-006-0-0	Mar-10	\$8,550,000	75% / 25%
Bayonne MUA	Hudson	Slip line 2,600 LF of 48-inch Aqueduct - Phase 1	0901001-003-0-0	Mar-10	\$1,696,480	75% / 25%
Harrison Water Dept	Hudson	Brownfield designated site, 626 LF of 8-inch water main upgrades between 3rd St and Frank E. Rodgers Blvd - Harrison Commons	0904001-003-0-0	Dec-09	\$720,011	75% / 25%
Harrison Water Dept/Hudson County IA	Hudson	Brownfield designated site, 5,700 LF of 12-inch water main upgrade on Cape May Street and Frank E. Rogers Blvd. -- Metro Centre	0904001-002-0-0	Dec-09	\$1,820,154	75% / 25%
Jersey City/Jersey City MUA	Hudson	Upgrades at the Boonton Reservoir Treatment Plant	0906001-001-0-0	Mar-10	\$10,376,040	75% / 25%
Newark**	Essex	Cleaning and Lining of the Pequannock Aqueducts No. 1 and 2	0714001-003-1-0	Nov-08	\$4,894,140	75% / 25%
Newark**	Essex	Cleaning and Lining of 56,800 LF of 6,8 and 12-inch distribution mains	0714001-004-1-0	Nov-08	\$4,894,140	75% / 25%
City of Jersey City/Jersey City MUA**	Hudson	Replacement of tube settler, valve replacement & clean and line mains	0906001-002/003/004-1	Nov-08	\$10,540,000	75% / 25%

<b>Project Sponsor</b>	<b>County</b>	<b>Project Description</b>	<b>Project Number</b>	<b>Year Financed</b>	<b>Project Amount</b>	<b>Proportion</b>
Trenton City**	Mercer	Pre-treatment and facilities improvement projects	1111001-004-0-0	Nov-07	\$12,881,160	75% / 25%
Bayonne	Hudson	Rehabilitation of water mains- Phase 2	0901001-002-0-0	Nov-07	\$355,135	75% / 25%
Bayonne	Hudson	Rehabilitation of water mains-Phase 1	0901001-001-0-0	Nov-07	\$1,419,555	75% / 25%
City of Jersey City/Jersey City MUA	Hudson	Replacement of Traveling Bridge and Tube Settler system	0906001-002	Nov-07	\$6,070,000	75% / 25%
City of Jersey City/Jersey City MUA	Hudson	Cleaning and Lining of Mains	0906001-004	Nov-07	\$1,846,000	75% / 25%
City of Jersey City/Jersey City MUA	Hudson	Large Valve Replacement	0906001-003	Nov-07	\$4,841,608	75% / 25%
Newark City	Essex	Clean and cement line Pequannock Aqueduct 1 and 2	0714001-003	Nov-07	\$4,090,000	75% / 25%
Newark City	Essex	Clean and line water mains	0714001-004	Nov-07	\$4,090,000	75% / 25%
Passaic Valley WC	Passaic	Cleaning & Lining of mains in Paterson	1605002-006	Nov-07	\$2,110,000	75% / 25%
Atlantic City MUA**	Atlantic	Expand and upgrade filtration facility	0102001-001-1-0	Nov-06	\$2,397,472	75% / 25%
Trenton City	Mercer	Pre-treatment and facilities improvement projects	1111001-004-0-0	Nov-06	\$48,893,604	75% / 25%
New Brunswick	Middlesex	Water treatment plant upgrades	1214001-003-0-0	Nov-06	\$21,578,106	75% / 25%

<b>Project Sponsor</b>	<b>County</b>	<b>Project Description</b>	<b>Project Number</b>	<b>Year Financed</b>	<b>Project Amount</b>	<b>Proportion</b>
NJDWSC	Passaic	Installation of solar collectors on roof of filter bldg to generate 10-15% of power needed by the WTP - - Alternate power	1613001-015-0-0	Nov-06	\$1,271,911	64% / 36%
NJDWSC	Passaic	Wanaque Pump Station Upgrades	1613001-017-0-0	Nov-06	\$2,183,362	64% / 36%
Atlantic City MUA	Atlantic	Expand and upgrade filtration facility	0102001-001-0-0	Nov-05	\$5,377,620	75% / 25%
Trenton City	Mercer	Water main rehabilitation including cleaning and lining	1111001-003-0-0	Nov-04	\$12,481,572	55% / 45%
Camden City**	Camden	Rehabilitate the Morris-Delair treatment plant	0408001-003-1-0	Nov-03	\$6,655,299	75% / 25%
North Jersey District WS	Passaic	Upgrade existing basin with solids removal equipment, add new waste wash tank and relocate backwash recycle point	1613001-003-0-0	Nov-03	\$5,567,400	63% / 37%
North Jersey District WS	Passaic	Rehabilitation of existing chemical feed equipment	1613001-010-0-0	Nov-03	\$2,968,650	63% / 37%
North Jersey District WS	Passaic	Replace underdrain system on aging filters and install air scouring backwash system	1613001-011-0-0	Nov-03	\$4,963,950	63% / 37%
Camden City	Camden	Cleaning & Lining of large transmission mains	0408001-010-0-0	Nov-03	\$10,317,372	75% / 25%

\*\*supplemental

## **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.

**The NJDEP received no responses indicating any interest in these items at this time.**