



State of New Jersey

Department of Environmental Protection
Division of Water Supply and Geoscience
Water Supply Operations
Bureau of Safe Drinking Water
MAIL CODE 401-04Q, PO Box 420
Trenton, New Jersey 08625-0420
Tel #609-292-7219

PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

CATHERINE R. McCABE
Commissioner

September 28, 2018

Steve Vida, DWSRF Coordinator
U.S. Environmental Protection Agency – Region II
290 Broadway, 24th Floor
New York, NY 10007-1866

Dear Mr. Vida:

Re: Drinking Water State Revolving Fund Program SFY2018 Annual Report

Enclosed for your review is New Jersey's Annual Report for the Drinking Water State Revolving Fund (DWSRF) Program for State Fiscal Year 2018 (July 1, 2017 to June 30, 2018). In accordance with Federal Drinking Water State Revolving Fund Regulations, a Biennial Report is due by September 30 every two years. New Jersey prepares an Annual Report each year to fulfill this requirement. The required Performance Status Report for the set-asides will be forwarded to you by December 30, 2018.

If you have any questions, please contact Linda Doughty of my staff at (609) 292-5550, or via email at Linda.Doughty@dep.nj.gov.

Very truly yours,

/s/

Sandra Krietzman, Bureau Chief
Bureau of Safe Drinking Water

Enclosure

c: Pat Gardner, Director, DWSSG
Adrienne Kreipke, Director, Budget & Finance
Renee DiLapo, Chief, Federal grants Management
David Zimmer, Executive Director, NJIB
Laura Fishman, USEPA Region 2
Linda Doughty, Section Chief, BSDW

ANNUAL DRINKING WATER STATE REVOLVING FUND REPORT



*State Fiscal Year 2018
July 1, 2017 - June 30, 2018*



Phil D. Murphy
Governor



Sheila Oliver
Lt. Governor

September 2018

Prepared by:

New Jersey Department of Environmental Protection

Division of Water Supply and Geoscience

Mail Code 401-04Q

401 E. State Street, P.O. Box 420

Trenton, NJ 08625-0420

(609) 292-5550

watersupply@dep.nj.gov

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I. INTRODUCTION

The State of New Jersey is pleased to submit the Annual Report on the Drinking Water State Revolving Fund (DWSRF) Program for State Fiscal Year (SFY) 2018. This Report consists of the operation of the DWSRF Program from July 1, 2017 to June 30, 2018. In this time frame, the State of New Jersey received for Federal Fiscal Year (FFY) 2017 \$15,680,000 on August 1, 2017.

This report is submitted to the United States Environmental Protection Agency (USEPA) Region 2 to detail the activities undertaken toward achievement of the goals and objectives set forth in the Final FFY2017 Intended Use Plan (IUP). The report documents the status of the program by describing the sources (federal grants, state match, interest earnings, repayments and transfer) and uses (loans and set-asides) of all funds, financial status of the DWSRF, and compliance with the Federal DWSRF requirements.

In addition to the above USEPA capitalization grant, funds are also available for drinking water system loans from two other sources: the New Jersey Water Supply Bond Fund created under the Water Supply Bond Act of 1981 and the New Jersey Infrastructure Bank (I-Bank, formerly the New Jersey Environmental Infrastructure Trust). The Water Supply Bond Act of 1981 authorized the creation of a general obligation debt in the amount of \$350,000,000 for 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 I-Bank has the authority to issue bonds and to reserve any funds necessary to make loans to applicants for environmental infrastructure projects.

The New Jersey Water Bank (NJWB), formerly known as the New Jersey Environmental Infrastructure Financing Program (NJEIFP), is the partnership between NJDEP's State Revolving Fund (CWSRF and DWSRF) and the I-Bank that intends to continue to provide loans through the capitalization grant in combination with leveraging state match funds by the I-Bank to maximize the Water Bank's cash flow. The NJDEP provides loans at zero percent interest (with a principal forgiveness portion for the small systems loan program and top ranked projects) for a maximum of 30-year repayment terms, not to exceed the useful life, for a portion of the allowable costs as described in the loan terms below. The I-Bank offers market rate loans for the remaining allowable project costs, also for up to a 30-year term.

In SFY2018, most eligible water systems - publicly-owned and privately-owned community water systems and nonprofit non-community water systems - could receive loans at 75 percent zero interest and 25 percent market rate. For small water systems, the Small Water Systems (Nano) loan program was continued to facilitate small system access to NJWB financing as a component of the general loan program. Qualified borrowers must serve residential populations of 10,000 or less and can receive a loan up to \$1,000,000 allocated as follows: 50 percent project costs as principal forgiveness, 25 percent zero interest, and 25 percent I-Bank market rate.

Also, in SFY2018, thirty million (\$30) in principal forgiveness was set-aside for public community and nonprofit non-community water systems for the replacement of lead pipes and lead components, including mains and service lines. Water systems serving communities with a median household income less than the median household income for the county in which they

are located were eligible. Loans were offered as 90% principal forgiveness and 10% funding from the NJDEP at 0% interest. Project applicants were capped at \$1 million. Additional criteria must also be met, such as the lead pipes and components that are to be replaced must be at least 90% or more lead by weight, documentation of the presence of lead pipes and components is required, along with historic records of the presence of service lines that are lead, and the need for full lead line replacement, not partial replacements.

For all projects, other than the Small Systems loan program, the NJWB funds projects according to readiness to proceed. These projects are eligible for the traditional NJWB financing program (i.e. 75 percent zero interest, 25 percent market rate). This approach allows us to focus the principal forgiveness monies on just small systems. While the NJWB program hopes to finance all projects, the NJDEP recognizes that limited funds may prevent the funding of all project sponsors.

State’s FFY2017 DWSRF allocation may be used for projects that meet the requirements of the Green Project Reserve (GPR). Green infrastructure projects, such as solar panels or wind turbines, are eligible for DWSRF funding and are given additional priority points. Green projects are funded in ranked order along with all other eligible DWSRF projects.

The Annual Report highlights the activities done, focusing primarily on the DWSRF program, during the reporting period.

**Table 1.
State of New Jersey Summary
for SFY2018**

Average Interest Rate	0.238%
Average Repayment Period	20 years
Total FFY 2017 Funds	\$15,680,000
Number of Projects	29 projects for 27 loans
Project Funding	\$124,881,823
Small Systems Funded	11 for \$25,283,344
Private Systems Funded	3 for \$31,177,501
Disadvantage Community Funding	0 for \$0
Set aside Assistance	\$2,764,496
No. of 81 Bond loans given out in SFY2018	0 projects for \$0 in project funding

II. GOALS OF THE DWSRF PROGRAM

A. Progress toward Long-term Goals

Goal 1: Loan program viability – look at the current program and evaluate for the near and long-term future and look at future federal, state and local regulations and compliance issues to evaluate the future revisions to the project priority system.

Progress toward Goal 1:

The NJDEP and the I-Bank meet throughout the year to discuss the CWSRF and DWSRF programs and evaluate what changes need to be made in future programs. Discussions include numerous aspects; such as a continued source of state match, loan terms including principal forgiveness, priority system including compliance issues and determining what type of projects New Jersey views as higher priority, emergency funding, investments, monetary and staffing resource issues, and possible changes to the program.

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

Goal 2: Smart Growth/Sustainable Planning – work with other agencies and sections to address smart growth and sustainable planning.

Progress toward Goal 2:

Currently, the State of New Jersey gives incentive to urban areas, transit villages and brownfield development areas for construction loans by giving additional priority points. Ongoing communications will continue as future IUP's are drafted and as the goals and mission of New Jersey are defined by the Governor and his administration. This is an ongoing goal.

Goal 3: Green Projects Reserve (GPR) – evaluate annually

Progress toward Goal 3:

NJDEP promotes green infrastructure, water and energy efficiency, and environmental innovation in its water improvement projects by giving fifteen (15) additional priority points to any project that is a categorically eligible project (as defined by USEPA). Each year NJDEP evaluates the inclusion of GPR in the program. This is an ongoing goal.

Goal 4: Asset Management Planning – evaluate annually

Progress toward Goal 4:

NJDEP requires water systems that receive DWSRF loans to have an asset management plan to provide for better management of their water supply systems. Effective asset management plans allow water suppliers to better maintain their systems and plan for current and future needs with respect to both treatment and distribution. To encourage small water systems (serving 10,000 or fewer residents) to develop an asset management plan, the NJDEP has provided 100% principal forgiveness funds (capped at \$100,000) for small water systems if the asset management plan results in a DWSRF-related project. The DWSRF program has included additional points in Category B, “Water Supply Plans/Studies” for additional planning documents that advance water supply and quality planning.

Goal 5: Data Management – evaluate annually

Progress toward Goal 5:

Over the last few years, the DWSRF and the CWSRF programs have worked with the Division of Information Technology and the I-Bank to design a database to manage the data for the DWSRF and CWSRF programs in a more efficient manner. Applicants can submit applications and documentation online through the H2IOans project management system and review the status of their projects. This data system is continually being improved to serve the needs of the NJDEP and the I-Bank.

B. Progress Toward Short-term Goals

Goal 1: Provide funding for eliminating uncovered finished water reservoirs.

Progress toward Goal 1:

The three water systems in New Jersey (Trenton City, Newark City and Passaic Valley Water Commission) that still have uncovered finished water reservoirs are working with the NJDEP on compliance schedules. Trenton City executed a loan in the 2010 funding cycle to install a floating cover for the reservoir. Passaic Valley Water Commission is expected to apply for DWSRF funds to install storage tanks in place of one of their uncovered finished water reservoirs in the near future. Due to the large amount of monies needed to cover, replace or treat the uncovered finished water reservoirs, New Jersey is evaluating other sources of available monies in addition to the DWSRF program.

Goal 2: Provide funding to small water systems.

Progress toward Goal 2:

For the SFY2018 funding cycle, 11 small systems received DWSRF loans for \$19,597,382. The NJDEP has reached out to small systems in numerous ways that includes discussing the loan rates at various professional meetings. Efforts also include presentations on the loan program contracted with the New Jersey Water Association (NJWA) where small water systems were the target audience. The NJDEP and I-Bank make periodic presentations to groups, such as the NJWA, explaining and answering questions about the DWSRF program.

In SFY2018, NJDEP executed its fourth contract with NJWA, which aims to provide a short list of engineers to small systems serving $\leq 10,000$ residents utilizing small system technical assistance set-aside monies. The purpose of this contract is to provide small systems with the technical and financial assistance needed to create the initial engineering and design plans required for DWSRF funding. The engineers are reimbursed through these contracts, instead of the small system borrowing funds through a planning and design allowance. Five water systems took advantage of these contracts.

Additionally, the DWSRF continued its Small Water System (Nano) loan program. The Nano loan program is designed to facilitate small system access to DWSRF financing. Qualified borrowers are publicly-owned and privately-owned community water systems and nonprofit noncommunity water systems with populations less than 10,000 persons. There is a cap of \$1 million per loan with a total of \$4 million available for this loan program. At the loan cap amount of \$1 million, 50 percent (\$500,000) is available as principal forgiveness; 25 percent of the total project costs (up to \$250,000) is available as zero interest from the NJDEP and 25 percent of the balance of the total project cost is available at the I-Bank market rate.

The Nano loan program has a limit of \$500,000 principal forgiveness for any individual water system in any three-year funding cycle. In addition, these loans are not available to private or public utilities that serve more than 10,000 persons statewide, except that larger systems can utilize these small system loan programs to make infrastructure improvements to small systems that they have recently acquired (since 2015).

Goal 3: Decrease unliquidated obligations from older DWSRF capitalization grants.

Progress toward Goal 3:

New Jersey has changed the loan process so that applicants must have executed construction contracts prior to executing a loan with the State. This helps minimize unexpended balances from older capitalization grants. NJDEP is actively pursuing older loans to request disbursements as soon as possible and to deobligate the monies once construction is completed and paid out. Additionally, NJDEP has revised its accounting system for the First in First out (FIFO) basis which should also help decrease the unliquidated obligations.

Goal 4: *Reduce the number of lead service lines in New Jersey.*

Progress toward Goal 4:

The NJWB is working together for this goal, and as stated earlier, has set aside thirty (\$30) million dollars in principal forgiveness for public community water systems for the replacement of lead pipes and lead components, including mains and service lines. Water systems serving communities with a median household income less than the median household income for the county in which they are located are eligible. Loans are offered as 90% principal forgiveness and 10% funding from the NJDEP at 0% interest. Project applicants are capped at \$1 million. Lead pipes and components are defined as containing at least 90% or more lead by weight. Six systems have submitted projects to obtain funds under this initiative.

III. DWSRF LOAN ACTIVITIES

This section provides a breakdown of the DWSRF assistance activities conducted during SFY2018 for the sources of funding in NJDEP’s DWSRF program, the status of loan and grant activities, and the status of set-aside activities. Table 2. provides information about the sources and uses of DWSRF funding, sources of DWSRF funds, including the binding commitments, workplan commitments, and administrative funding commitments made each year, and it also shows the State of New Jersey’s actual disbursements in SFY2018.

(Note: Disbursed funds reflect cash outlays from the current year’s committed funds, as well as from the funds committed in previous years.)

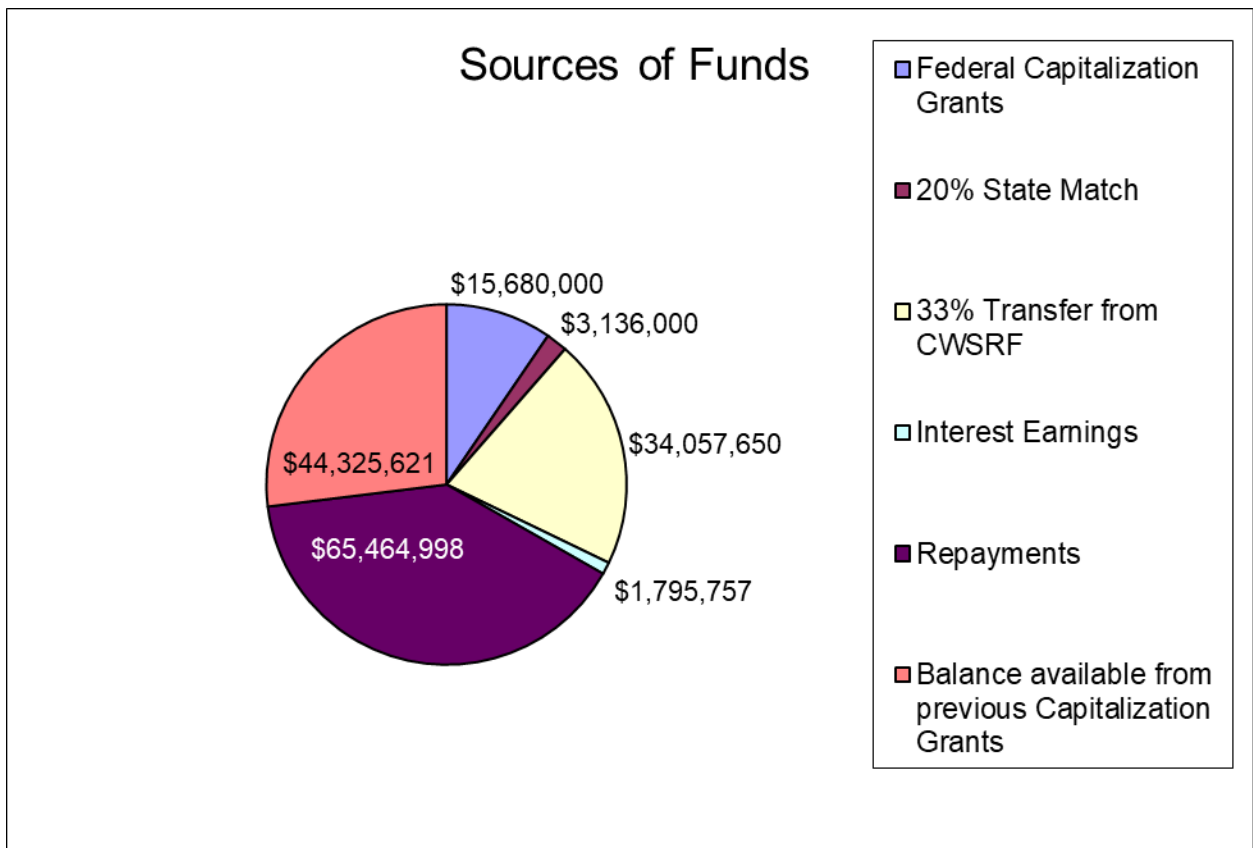
**Table 2.
DWSRF Assistance Activities
from SFY2018**

Source	Amount (\$)
Federal FY2017 DWSRF Capitalization Grant	\$15,680,000
20% State Match	\$3,136,000
33% Transfer from CWSRF	\$34,057,650
Interest Earnings	\$1,795,757
Repayments (<i>Principal and Interest</i>)	\$65,464,998
Balance available from previous Capitalization Grants, etc.	\$44,325,620.95
Total NJDEP Funds Available	\$164,460,026
DEP Binding Commitments made in SFY2018 (including adjustments to ST loans)	\$128,020,057
Workplan for Set-Asides	\$2,137,296
DWSRF Administrative Expenses	\$627,200
Total I-Bank Funds Available	\$5,532,921
I-Bank Binding Commitments made in SFY2018	\$5,532,921

A. Sources of DWSRF Funding

The funding available for the DWSRF program in this reporting period totaled \$164,460,026 for NJDEP and \$5,532,921 for the I-Bank. Federal capitalization grants, interest earnings, repayments and State match are the State's major sources of funding. In addition, New Jersey leverages available funds through the I-Bank, thus increasing the amount of financing available to water utilities for environmental infrastructure projects. New Jersey intends to utilize funds from the New Jersey Water Supply Bond Fund, under the Water Supply Bond Act of 1981, as an additional source to fund future projects, as appropriate. Figure 1. the source of funds during SFY2018.

Figure 1.
Sources of Funds



□ Capitalization Grants

Section 1452 of the Safe Drinking Water Act authorizes USEPA to award capitalization grants to States, which in turn can provide low cost loans and other types of assistance to eligible systems for DWSRF funding. These capitalization grants generally support two purposes:

- The DWSRF fund for loans and other types of assistance for eligible drinking water infrastructure projects; and
- To set-aside accounts for programs, projects, and activities that do not receive assistance from the DWSRF fund.

The USEPA awarded the FFY2017 DWSRF federal capitalization grants to the State of New Jersey in the amount of \$15,680,000 on August 1, 2017.

- ❑ **State Match**
In accordance with federal requirements, the State of New Jersey provided \$3,136,000 as the required 20% State match from the 1981 Water Supply Bond Fund for the FFY2017 DWSRF capitalization grant.
- ❑ **Interest Earnings**
The DWSRF fund account earned a total of \$1,795,757 in interest earnings on investments for the SFY2018 reporting period.
- ❑ **Leveraging**
The NJWB continues to leverage Federal and State Revolving funds to issue AAA-rated revenue bonds issued by the I-Bank to project sponsors for low-interest loans at market rate, coupled with zero-interest loans, including principal forgiveness, provided by the NJDEP. This leveraging strategy allows the NJWB to continue to provide low interest loans to project sponsors, while continuing to substantially increase the State's available funds.
- ❑ **Repayments**
In SFY2018, the total loan repayments were \$65,464,998
- ❑ **Transfer from CWSRF Repayments**
An amount of \$34,057,650 was transferred from the CWSRF to the DWSRF.

B. Uses of DWSRF Funds

❑ Binding Commitments for Projects

In this reporting period, the NJWB entered into twenty-seven (27) binding commitments for short-term and long-term loan agreements with community water systems totaling in \$122,347,428. These agreements were given a 30-year loan term and have an average interest rate of 1.0%. These water systems that received loans ranged in population size of 1,156 to 800,000 people and varied widely in loan amounts, as well as the type. Of the new assistance loan agreements executed in SFY2018 listed below, two (2) agreements received principal forgiveness in the amount of \$12,227,534. Details of each binding commitment can be found listed in Table 3. below.

**Table 3.
Binding Commitments from SFY2018**

Project Number	System Name	County	Project Category	Population	Total Funding Amount
0303001-006	Bordentown Water Dept.	Burlington	Source	15,000	\$1,170,206
0414001-020A	Gloucester City Water Dept.	Camden	Transmission/Distribution	11,400	\$217,587
1517001-500	Long Beach Twp. DPW – Brant Beach	Ocean	Treatment	25,295	\$6,500,327
1216001-008	Perth Amboy Water Dept.	Middlesex	Transmission/Distribution	50,814	\$993,155
0502001-004	Cape May Water & Sewer Utility	Cape May	Source	45,000	\$1,666,242
1516001-004	Little Egg Harbor Twp. MUA	Ocean	Transmission/Distribution	22,482	\$2,149,997
1225001-026	Middlesex Water Company	Middlesex	Transmission/Distribution / Other	272,786	\$9,346,274
1605002-025A (DRAA)/B (CDBG-DRAA)	Passaic Valley Water Commission	Passaic	Other	800,000	\$31,680,591
1702001-001 (Nano)	Elmer Boro Water Dept.	Salem	Storage	1,351	\$580,000
1505004-009	Berkeley Twp. MUA	Ocean	Transmission/Distribution / Other	8,130	\$1,781,333
1506001-012	Brick Twp. MUA	Ocean	Transmission/Distribution	100,000	\$1,361,386
0414001-022	Gloucester City Water Dept.	Camden	Transmission/Distribution	12,460	\$589,136
0905001-001	Hoboken Water Dept.	Hudson	Transmission/Distribution	50,005	\$7,128,713
1511001-012	Jackson Twp. MUA	Ocean	Transmission/Distribution	35,424	\$6,249,866
1511001-013	Jackson Twp. MUA	Ocean	Treatment	35,424	\$15,449,276
1517001-501	Long Beach Twp. DPW – Brant Beach	Ocean	Source	25,295	\$1,245,611
1518005-002	Manchester Twp. Water Utility	Ocean	Storage	43,070	\$1,386,000
0810004-002	Mantua Twp. MUA	Gloucester	Source	12,726	\$1,442,040
0810004-003	Mantua Twp. MUA	Gloucester	Storage	12,726	\$1,257,065
1428001-007	Netcong Water Dept.	Morris	Transmission/Distribution	3,400	\$825,835
2004002-013	NJ American Water-Raritan	Union	Other	44,464	\$13,810,554
1345001-017	NJ American Water-Coastal North	Monmouth	Treatment	122,900	\$7,339,604
1108001-002 (Nano)	Pennington Water Dept.	Mercer	Transmission/Distribution	2,600	\$862,260

Project Number	System Name	County	Project Category	Population	Total Funding Amount
1340001-002	Red Bank Water Dept.	Monmouth	Source	12,206	\$1,732,480
1528001-002	Ship Bottom Water Dept.	Ocean	Transmission/Distribution	1,156	\$2,986,513
1530004-019	Stafford Twp. Water MUA- Beach Haven West	Ocean	Transmission/Distribution	26,500	\$1,474,611
1532002-006 (Nano)	Tuckerton Boro Water & Sewer Dept.	Ocean	Transmission/Distribution	3,347	\$1,120,766

Along with the new assistance listed above, in SFY2018 there were also adjustments made to short-term (construction loans) that began in prior state fiscal years and began long-term funding in SFY2018. These adjustments were in the amount of \$5,672,629 are due to either a decrease or increase in disbursed funds.

Additional Subsidy

For the DWSRF program loans, 20% of the FFY2017/SFY2018 allotment was required to be distributed as additional subsidy. To better serve the needs of the Small Water Systems (publicly-owned and privately-owned community systems and nonprofit noncommunity water systems serving less than 10,000 persons), loans up to \$1.0 million were made available with terms of 50 percent of the total project cost awarded as principal forgiveness, 25 percent zero interest, and 25 percent NJEIT market rate. For the remaining projects, the loan terms are 75% of the loan at 0% interest and the 25% of the loan at market rate. As mentioned above, 2 projects received principal forgiveness that totaled to the amount of \$12,227,534. during SFY2018.

Green Project Reserve (GPR)

Although states are no longer required to apply a percentage of their capitalization grant to green projects under the ARRA and FY2010 and FY2011 Appropriations Act, the USEPA still encourages States to do so. New Jersey’s DWSRF program currently recognizes green projects as eligible for DWSRF funds and uses the criteria described in the *2017 USEPA’s Drinking Water State Revolving Fund Eligibility Handbook*, as well as those criteria in the GPR guidance created for FY2010 and FY2011, to determine if the project is qualified. The State incentivizes projects that are “green” by assigning additional points when ranking the project using the DWSRF Project Priority System when initially submitted to H2IOans for funding. The project, or at least a component of the project, must ultimately ensure the improvement in source water quality and/or quantity. Some types of projects that are eligible under the Green Project Reserve are those that involve the following techniques:

- Solar energy
- Wind turbines
- Geothermal or hydro-electrical power,
- Green roofs,
- Bioretention ponds,

- Porous pavements,
- Grey water use,
- LEED Certified buildings,
- Installation of water efficient devices,
- New meters for unmetered areas,
- The replacement of existing meters with automated read meters, and
- Pressure reducing valves.

In this reporting period, no projects came in for funding that met the GPR criteria.

❑ Disadvantaged Systems

A disadvantaged system is categorized as a system in a municipality whose median household income (MHI) is 35% or more below the State’s MHI (New Jersey’s MHI is \$68,444 as reported in the 2010 Census). Systems that meet this criterion receive 80 priority points under the DWSRF Project Priority System. This is proportionately greater than the other affordability factor points. Table 4. lists those systems that came in for funding during SFY2018 that were categorized as a disadvantaged system using this criteria.

❑ Set Asides

Section 1452 of the Federal SDWA authorizes the states to provide funding for certain non-project activities. These set-asides provide for DWSRF activities that are not construction-related and include the following:

Administration (4%)- *covers personnel salaries and costs related to administer the DWSRF program*

Small Systems Technical Assistance (2%) - *technical assistance provided to systems serving 10,000 or less for system improvements to acquire and maintain compliance with the SDWA requirements*

Public Water System Supervision – related to regulatory activities

Source Water Protection Program (0.4%) – *requires states to conduct source water assessments on all public water system sources*

Capacity Development (1.9%) – *ensures that all new community and nontransient noncommunity water systems demonstrate adequate technical, managerial, and financial capacity, and*

Operator Certification (0.3%) – *program targeted to certifying and recertifying operators of community and nontransient noncommunity water systems.*

A Performance Status Report contains further details on the activities done under the above set-aside requirements and will be submitted to USEPA Region 2 by December 31, 2018.

Table 4:
Water Systems Serving Disadvantaged Communities on Project Priority List
(Received 80 priority points under Affordability Criteria)

Rank	Project Borrower	County	Project Description	Project Number	Project Amount
1	Newark City	Essex	Construction of a cover for the Cedar Grove Reservoir	0714001-012	\$62,730,000
2	Passaic Valley Water Commission	Passaic	Installation of a 2.0 MG storage tank next to existing Verona storage tank	1605002-024	\$4,536,800
4	Passaic Valley Water Commission	Passaic	Levine Reservoir Water Storage Improvements - Phase 1	1605002-014	\$22,328,920
5	Newark City	Essex	Phase-1 Lead Service Line Replacement (LSLR) Project	0714001-019	\$7,528,353
8	Passaic Valley Water Commission	Passaic	PVWC Lead Service Line Replacement	1605002-026	\$1,978,000
9	Buttonwood Mobile Home Park	Burlington	Buttonwood system	0301001-001	\$318,000
24	New Brunswick City	Middlesex	Water Treatment Plant Improvements	1214001-005	\$16,590,300
25	Newark City	Essex	Pequannock Water Treatment Plant Rehab	0714001-016	\$11,678,400
25	Newark City	Essex	Construction of an ozonation facility	0714001-001	\$14,660,000
25	Newark City	Essex	Removal and disposal of sludge from lagoon	0714001-013	\$4,580,000
28	Camden City	Camden	Parkside WTP various improvements	0408001-016	\$385,074
28	Camden City	Camden	Morris-Delair WTP improvements - Phase II	0408001-015	\$1,444,035
36	East Orange City	Essex	Water System Improvement and Resiliency Project 2017	0705001-014	\$25,325,200
37	Newark City	Essex	Replacement of 12,000 Lead service lines	0714001-009	\$41,060,000
37	Newark City	Essex	Cleaning and lining of water mains, upgrading 4 inch mains to 6 & 8 inch mains, replace old fire hydrants	0714001-008	\$34,196,000
37	Newark City	Essex	Water Distribution System Upgrades	0714001-017	\$2,509,680
37	Newark City	Essex	Rehab of 42-inch Steel water main including cleaning & lining	0714001-002	\$5,070,000
42	Camden City	Camden	Replacement of water mains on South Merrimac Road and New Hampshire Road	0408001-004	\$6,164,000
42	Camden City	Camden	Cleaning and lining of a transmission mains	0408001-020	\$11,552,272
42	Camden City	Camden	Replacement of Lead Service Lines	0408001-014	\$963,900
42	Camden City	Camden	Cleaning & Lining of distribution and transmission mains	0408001-013	\$12,514,964
46	Bridgeton City	Cumberland	Replacement of 2,190 LF of 6 inch with 8 inch main	0601001-005	\$2,447,600
48	Newark City	Essex	Construction of a hydro-electric facility at the pre-treatment plant screen building	0714001-007	\$9,750,000
49	Atlantic City Municipal Utilities Authority	Atlantic	1 MG Storage Tank Sand Blasting and painting	0102001-006	\$2,388,126
50	East Orange Water Commission	Essex	Cleaning & Lining of mains	0705001-002	\$3,376,880
50	East Orange Water Commission	Essex	Installation of 2,150 LF of 8-inch & 1,400 LF of 4-inch for a redevelopment	0705001-010	\$552,500
50	East Orange Water Commission	Essex	Replacement of fifteen water mains suspended on Garden State Parkway bridges	0705001-007	\$3,860,000
50	East Orange Water Commission	Essex	Replacement of west well transmission main	0705001-006	\$3,860,000
54	Camden City	Camden	Rehabilitate the North Camden pump station	0408001-006	\$850,000
55	Atlantic City Municipal Utilities Authority	Atlantic	Installation of solar system at offices and at WTP	0102001-005	\$6,020,000
68	Aqua New Jersey Incorporate	Warren	Replacement of 7,080 LF of undersized water mains in Philipsburg	2119001-008	\$1,789,280

Rank	Project Borrower	County	Project Description	Project Number	Project Amount
69	Buena Vista Township	Cumberland	Water Main extension due to private well contamination	0660004-001	\$0
70	Passaic Valley Water Commission	Passaic	Upgrade residual treatment process to include belt thickeners	1605002-018	\$7,460,000
71	Newark City	Essex	Rehabilitation of the basculate gate at the Charlotteburgh Reservoir with alarm and control systems	0714001-011	\$3,140,000
73	East Orange Water Commission	Essex	Installation of solar power at water treatment plant	0705001-009	\$1,700,000
74	East Orange City	Essex	WORPS SCADA Instrumentation/Controls Planning and Design	0705001-012	\$5,070,000
74	East Orange City	Essex	WORPS Emergency Backup Power Generator Planning and Design	0705001-013	\$5,604,000
76	Salem City	Salem	Upgrades to WTP to address taste and odor problems	1712001-003	\$6,740,000
77	Egg Harbor City	Atlantic	Replacement of a water treatment plant	0107001-002	\$11,268,740
78	Camden City	Camden	New Auto Meter Reading Equip for entire City	0408001-021	\$3,208,500
83	Woodbine Borough	Cape May	WTP Upgrade and water main extension	0516001-001	\$3,438,730
84	Passaic Valley Water Commission	Passaic	Replace approximately 200 large antiquated valves	1605002-015	\$3,140,000
84	Passaic Valley Water Commission	Passaic	Installation of 2200 LF of 12-inch main to connect Eastside Pumping station to Patersons downtown area	1605002-019	\$1,020,000
84	Passaic Valley Water Commission	Passaic	Installation of 7000 LF of 12-inch main to replace Granite Ave storage tank	1605002-017	\$2,708,000
87	Newark City	Essex	Replacement of 38,234 old water meters in the distribution system.	0714001-010	\$26,540,000
88	Newark City	Essex	Replacement of Water Distribution Mains	0714001-018	\$5,070,000
89	Atlantic City Municipal Utilities Authority	Atlantic	Water Main Replacement Program	0102001-007	\$0
92	Manchester Township	Ocean	Various main replacements	1518005-001	\$300,475
93	Lakehurst Borough	Ocean	Water Main Replacement Project Phase I	1513001-002	\$1,084,633
98	Camden City	Camden	Install potable wells/flr elevations at Morris Delair WTP	0408001-022	\$2,400,000
99	Passaic Valley Water Commission	Passaic	Decommissioning of Granite Avenue Tank	1605002-023	\$2,708,000
99	Passaic Valley Water Commission	Passaic	Replacement of Prospect Park storage tank	1605002-020	\$1,360,000
101	Berkeley Township Municipal Utilities Authority	Ocean	Install new solar panels at treatment plant	1505004-003	\$1,275,000
105	NJ American Water Company, Incorporated	Essex	NJ American Water Lead Service Line Replacement Program PWSID 0712001	0712001-016	\$3,832,600
106	Wildwood City	Cape May	Wildwood Boardwalk water main replacement	0514001-004	\$2,494,096
107	Manchester Township	Ocean	Repaint and repair one MG elevated storage facility	1518005-002	\$5,549,114
112	Paulsboro Borough	Gloucester	Water Main Replacement (Thomson, Wood, Eliz. and Commerce St.)	0814001-003	\$2,727,722
113	Sussex Borough	Sussex	Water Systems Enhancements	1921001-006	\$223,200
113	Sussex Borough	Sussex	Sussex Borough Main Street Water Main Replacement Project	1921001-007	\$595,772
113	Sussex Borough	Sussex	Lake Rutherford Water Line Installation Project	1921001-005	\$1,221,600
115	Newark City	Essex	Installation of a SCADA system	0714001-014	\$3,860,000
122	East Orange Water Commission	Essex	Replacement of electrical cable for wellfield which includes Well Nos. 3, 4 & 5	0705001-005	\$1,615,000
122	East Orange Water Commission	Essex	Rehab of Braidburn wells #1 & #2; Canoe Brook wells #2, #3 & #4	0705001-004	\$1,982,240

Rank	Project Borrower	County	Project Description	Project Number	Project Amount
125	Salem City	Salem	Salem City Water Meter	1712001-004	\$1,345,520
133	Egg Harbor City	Atlantic	Construction of a new storage tank	0107001-001	\$2,340,000
137	Berkeley Township Municipal Utilities Authority	Ocean	Install automated meter reading system	1505004-004	\$850,000
138	Upper Deerfield Township	Cumberland	Seabrook Water Tower Replacement (Upper Deerfield)	0613004-002	\$1,938,000
140	East Orange City	Essex	Install generators -White Oak Rd	0705001-500/001	\$4,376,440
141	Atlantic City Municipal Utilities Authority	Atlantic	Water Meter and MTU Replacement	0102001-009	\$2,652,000
143	Passaic Valley Water Commission	Passaic	Upgrade the interconnection with United WC	1605002-016	\$3,140,000
143	Passaic Valley Water Commission	Passaic	Emergency interconnection upgrade	1605002-022	\$3,140,000
143	Passaic Valley Water Commission	Passaic	Installation of a backup Wanaque interconnection line	1605002-010	\$1,275,000
155	Downe Township	Cumberland	Construction of new storage tank on New Jersey Avenue	0604001-004	\$1,020,000
161	Atlantic City Municipal Utilities Authority	Atlantic	Water Meter Replacement Program	0102001-008	\$0
179	Perth Amboy City	Middlesex	The Replacement of Water Meters Project	1216001-009	\$834,953
188	Passaic Valley Water Commission	Passaic	Replacement of surface water intake facilities on the Passaic River	1605002-009	\$1,360,000
196	Berkeley Township Municipal Utilities Authority	Ocean	Installation of new Well 4 with WM to connect to WTP	1505004-009	\$1,725,600
201	Sussex Borough	Sussex	Water Meter Replacement Project	1921001-004	\$414,620
214	Salem City	Salem	Installation of a new well	1712001-002	\$221,000
229	Manchester Township	Ocean	Install automated meters	1518005-003	\$2,644,444
231	Highland Park Borough	Middlesex	2018-19 Water System Improvements	1207001-001	\$3,320,000
253	Paulsboro Borough	Gloucester	Replacement of 2,300 water meters	0814001-002	\$1,496,000
261	Brick Township Municipal Utilities Authority	Ocean	Chlorine Disinfection System Relocation	1506001-007	\$4,134,000
264	Berkeley Township Municipal Utilities Authority	Ocean	Extension of water mains	1505004-005	\$12,638,330
264	Berkeley Township Municipal Utilities Authority	Ocean	Install new water mains	1505004-002	\$7,032,184
292	Woodbine Borough	Cape May	Woodbine Asset Management Plan	0516001-002	\$120,000
297	Wildwood City	Cape May	Well #39 Redevelopment	0514001-005	\$378,000
309	National Park Borough	Gloucester	Replacement of Wells 5 & 6	0812001-004	\$1,700,000
336	Lakewood Township Municipal Utilities Authority	Ocean	Administration Building Addition	1514002-003	\$1,440,000

□ Draws

NJDEP has taken the following Federal draws:

**Table 5.
DWSRF Program Draws**

Year (FFY)	Capitalization Grants Awarded	Dollars drawn for loans July 1, 2017 – June 30, 2018*	Year (FFY)	Capitalization Grants Awarded	Dollars drawn for loans July 1, 2017 – June 30, 2018*
1997	\$27,947,300	\$0	2008	\$18,027,000	\$0
1998	\$17,347,900	\$0	2009	\$17,877,188	\$0
1999	\$18,182,200	\$0	2009-ARRA	\$43,154,000	\$0
2000	\$18,896,600	\$0	2010	\$28,995,000	\$5,437,755
2001	\$18,974,800	\$0	2011	\$20,120,000	\$224,922
2002	\$18,538,600	\$0	2012	\$20,174,000	\$77,741
2003	\$18,427,200	\$0	2013	\$17,990,000	\$0
2004	\$19,115,600	\$0	2014	\$55,017,086	\$1,686,562
2005	\$19,075,100	\$0	2015	\$16,718,000	\$3,964,553
2006	\$18,211,700	\$0	2016	\$15,815,000	\$2,885,746
2007	\$18,212,000	\$84,082	2017	\$15,680,000	\$12,915,504
Total				\$466,816,274.00	\$27,276,865

**See Appendix B for a cash draw summary for each capitalization grant and for disbursements between July 1, 2017 and June 30, 2018. The NJDEP (fund) disbursed amount includes federal draw monies, repayments, interest earnings, and the transfer monies from the CWSRF.*

IV. FINANCIAL CONDITIONS OF THE PROGRAM

The following discussion provides additional details on the financial management activities of the DWSRF.

Status of Loans

The NJDEP and the I-Bank have closed on 29 DWSRF loans (\$124,881,823) in SFY2018. Appendix A shows the status of DWSRF loans. Information includes the following: loan amount, project description, percent complete and disbursements.

Set-Aside Disbursements

New Jersey has expended \$2,151,956 in set-aside funds in this fiscal year (July 1, 2017 to June 30, 2018).

Financial Statements

The DWSRF Financial Statements of the NJDEP and the I-Bank for the fiscal years ending June 30, 2018, as well as combined DWSRF Financial Statements for the fiscal year ending June 30, 2018, will be submitted separately from this report.

Administration 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 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 New Jersey Infrastructure Bank, which utilizes bond proceeds from the I-Bank bond sale.

The NJDEP fees collected during SFY2018 was \$962,073.

V. COMPLIANCE WITH PROVISIONS OF THE FEDERAL CAPITALIZATION GRANT AGREEMENT, INTENDED USE PLAN (IUP), AND THE OPERATING AGREEMENT

New Jersey has complied with the conditions of the DWSRF operating agreement. The State has met and continues to comply with the following conditions as described in the Operating Agreement:

- Establish state instrumentality and authority
 - Comply with applicable State laws and procedures
 - Review technical, financial, and managerial capacity of assistance recipients
 - Establish DWSRF loan account, set-aside account, and DWSRF administration account
 - Deposit all funds in appropriate accounts
 - Follow State accounting and auditing procedures
 - Require DWSRF loan recipient accounting and auditing procedures
 - Submit IUP and use all funds in accordance with the plan
 - Comply with the enforceable requirements of the Act
 - Establish capacity development
 - Implement/maintain system to minimize risk of waste, fraud, abuse, and corrective action
 - Develop and submit Project Priority Ranking System
 - Conduct Environmental Review
- Take payments based on payment schedule

The State has received payments based on the payment schedule included in the grant awards made in SFY2018 and disbursements were made to the water systems.

- Deposit state matching funds

The State of New Jersey provided \$3,136,000 as the required 20% State match from the 1981 Water Supply Bond Fund repayments for the FFY2017 DWSRF capitalization grant.

- Submit Biennial Report

The submission of this document will fulfill New Jersey's responsibility to submit a report.

- Submit Quarterly Reports for 2018 loans under the Project Benefits Reporting (PBR)

NJDEP inputs the necessary data into the PBR system within the quarter when loans are executed after the 2010 grant.

- Financial Planning

NJDEP staff frequently meets with the I-Bank to discuss the long-term viability of the program. Discussions included source of monies for the State match for future DWSRF capitalization grants, possible future revisions of the DWSRF priority system, revisions to loan terms, changes in debt service reserve requirements, emergency loans, small system loans, etc.

- Use funds in timely and expeditious manner

New Jersey has disbursed all cash draws in a timely and expeditious manner. Public water systems with binding commitments are required to move in an expeditious and timely manner to start construction. NJDEP will continue to monitor construction progress to ensure that operations are initiated according to schedule.

- Loan Deobligations

NJDEP has made a dedicated effort to close out projects and deobligate funds in a timely manner in recent years. Information related to loan deobligations is provided in Table 6.

**Table 6.
Loan Deobligations**

Project Borrower	Project Number	Original Loan Amount	Final Loan Amount	Loan Reduction
Brielle Borough	1308001-002	\$1,323,434	\$1,305,485	\$17,949
Brielle Borough	1308001-003	\$133,967	\$132,150	\$1,817
East Orange WC	0705001-008	\$7,062,000	\$6,154,962	\$907,038
Hammonton Town	0113001-004	\$3,051,933	\$2,677,064	\$374,869
Jefferson Twp./Mt Shores	1414009-001	\$736,051	\$616,235	\$31,790
Long Beach Twp.	1517001-014	\$2,545,794	\$2,484,592	\$61,202
Matawan Borough	1329001-005	\$872,104.46	\$714,360.46	\$157,744
Pennington Borough	1108001-001	\$817,805	\$745,429	\$72,429
Trenton City	1111001-008	\$10,969,277	\$9,588,562	\$1,380,715
Tuckerton Borough	1532002-003	\$860,747	\$748,638	\$112,109
Willingboro MUA	0338001-004/006/007	\$1,150,196	\$1,129,624	\$20,572

- Ensure recipient compliance with applicable federal cross-cutting authorities

The State of New Jersey and all recipients of DWSRF funds directly made available by the capitalization grant have complied with applicable federal authorities. Recipients of DWSRF assistance agreed to do this in the loan agreement between the recipient and the State of New Jersey that requires compliance with all applicable federal laws.

- Compliance with Minority and Women’s Business Enterprises (MBE/WBE)

As a means of complying with the Minority and Women’s Business Enterprises (MBE/WBE) requirements outlined in federal regulation 40 CFR Part 33 and State regulation N.J.A.C. 7:22-9, projects are actively aligned with the NJDEP Office of Equal Opportunity and Public Contract Assistance. A seven percent (7%) MBE goal and three percent (3%) WBE goal is applied to each

State Revolving Fund project and MBE/WBE participation and utilization is monitored by the Contract Assistance Unit within the Office of Equal Opportunity and Public Contract Assistance. The 7% and 3% MBE/WBE goals are submitted (by Office of Equal Opportunity and Public Contract Assistance) for approval by the USEPA Region II OSDBU Officer every two (2) years. These goals are supported by the 1994 New Jersey Governor's Disparity Study Commission Report.

□ Conduct environmental reviews

There are three (3) levels of environmental review and an exemption that may be applicable to a proposed project. An exemption can be made for projects that have no adverse impact on cultural resources or environmentally critical areas. A Level 1 review is intended for projects which, by their nature, would be expected to have little impact on the environment, such as a water main replacement project. For a Level 2 review, associated usually with projects that accommodate growth or the expansion of existing facilities, the NJDEP comprehensively evaluates the potential environmental impacts of the proposed projects. A Level 3 review is reserved for projects that are expected to have significant adverse impact on the environment, or for projects which have generated significant public controversy. In addition to the comprehensive evaluation of alternatives and impacts, such projects are planned in an open public forum.

□ Implement operator certification program

The NJDEP continues to implement its operator certification program according to its regulations: N.J.A.C. 7:10A "*Licensing of Water Supply and Wastewater Treatment System Operators.*" In SFY2017, resources were directed towards the licensed operator program to improve performance of the licensees. This effort is continuing. There are 1,685 individuals that possess 3,107 active drinking water licenses.

A Performance Status Report contains further details on the activities done under the set-aside requirements, including the implementation of the licensed operator program, will be submitted to USEPA Region 2 by December 31, 2018.

□ Implement Capacity Development Strategy

The Capacity Development Program continues to perform background research; conduct TMF capacity evaluations and site visits; develop improvement plans; and help systems implement those improvement plans. Staff have also facilitated meetings among system representatives (e.g., owners, managers, licensed operators, and consulting engineers), regulatory agencies (e.g., enforcement inspectors, compliance managers, and permit reviewers), and/or representatives from other public water systems to identify/evaluate alternatives and approaches for developing system capacity. During these meetings, the Capacity Development Program relayed information on available tools and resources and provided training sessions at numerous locations and forums. In SFY2019, more effort will be placed on working with systems identified on the 2016 Strategy List and on conducting TMF capacity evaluations utilizing the beneficial resources tailored to each system's needs.

A Performance Status Report contains further details on the activities done under the set-aside requirements, including the implementation of the capacity development program, will be submitted to USEPA Region 2 by December 31, 2018.

In accordance with 2 CFR 200.328, 40 CFR 35.3165, and 40 CFR 35.3570, the recipient (State) agrees to provide in its Biennial Report, by September 30 of every even-numbered year, information regarding key project characteristics, milestones, and environmental/public health protection results in the following areas:

Table 7 below summarizes the environmental outputs and outcomes for SFY2018.

**Table 7:
Environmental Outputs and Outcomes**

DWSRF Environmental Results Anticipated Outputs & Outcomes for SFY2018			
<i>Strategic Plan Objective 2.1</i> Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters), in fish and shellfish, and in recreational waters.			
CONSTRUCTION LOANS	Estimated outputs	Actual outputs	Outcomes
Base Loans	15 binding commitments for base loans.	21 systems will obtain funding under the base loan program.	Improved sustainability for both very small and small water systems.
Nano Loans	2 Binding Commitments for Nano loans.	6 systems will obtain funding under the Nano loan program.	Improved sustainability for both very small and small water systems.
SET ASIDE	Estimated outputs	Actual output	Outcome
Small System Technical Assistance	Provide oversight for the newly executed Engineering Services Contract.	Four water systems were provided assistance under this contract.	Help systems serving less than 3,300 customers to evaluate their systems and apply for Nano loans under the DWSRF program.
Radon	Develop a course on Radon in Water testing and mitigation.	Continue to work with the Eastern Regional Radon Training Center at Rutgers University to determine the best path forward to revise the existing Radon in Water course. Align with the outsourcing of the radon certification examinations.	Provide guidance to the public to help them in treating their source of water.

SET ASIDE	Estimated outputs	Actual output	Outcome
Data Management	Design and develop the H2Loans database system for SRF programs	The H2Loans database system has been fully developed and is continues to evolve to better serve the program's needs.	Provide software to manage data and files for SRF programs to enhance the program efficiency.
	Planning, design, development, testing, and implementation of enhancements to the NJEMS-SDWIS/State Interface to ensure compatibility with SDWIS 3.33	SDWIS planning, design and development will continue to take place from 2016 thru 2019.	Maintain integrity of the data between the two data systems, NJEMS and SDWIS, for improved data management efficiency
Implementation of Program Rules	Implement new rules for Revised Total Coliform Rule (RTCR) and provide guidance to water systems	NJDEP staff made presentations of the RTCR at the NJWA Annual Conference, the Rutgers Office of Continuing Professional Education, Safe Drinking Water Act course, the NJ American Water Works annual conference, and various other venues throughout the remainder of SFY2017. Rule went into effect April 1, 2016.	Guidance to administer new rules to protect public health. Water systems have been advised to complete Level 1 and Level 2 assessments of their water systems as appropriate and issued RTCR violations.
Sampling	10 public water systems sampled	18 public water systems were sampled by NJDEP staff	Insure that new community water system sources comply with SDWA primary and secondary contaminant MCLs.
SWAP	Assist public water systems with their Consumer Confidence Reports including their source water assessment information	DEP continues to assist community water systems with maintaining the source water assessment information to ensure the accuracy of the information included in the CCR. This is an ongoing activity	Keeping the public informed of the source and quality of their drinking water will allow the public to make personal health-based decisions regarding their drinking water consumption
Capacity Development	Arrange for seminars, workshops, and/or webcasts to provide training on how to evaluate and develop technical, managerial, and financial capacity	Presentations were made at the New Jersey Water Association training seminars and the 2018 Rutgers SDWA Regulatory Update course. Also, teams were created and assigned to those systems on the 2016 Strategy List in order to provide a variety of technical assistance experience from Department staff, along with technical assistance providers for those systems on the list.	Providing systems with the tools and resources to increase the viability of the water system, as well as technical assistance to be a viable system

SET ASIDE	Estimated outputs	Actual output	Outcome
Operator Certification	Continue to work on the duties and responsibilities guidance documents for each class of Water Treatment (T) and Water Distribution (W) licensed operators,	In the upcoming SFY2019, we hope to achieve this goal with the necessary stakeholders of the program as we undergo a self-assessment. The Operator Certification Program is also aware of the new, "Association of Boards of Certification 2017 Need to Know Criteria for drinking water operators in treatment and distribution of all classes" and intends to utilize these documents, along with stakeholder input to better serve the regulated community.	Help the licensed operators to understand their duties and the license requirements, which should assist them in running the water systems properly, as well as ensure there is the appropriate License operator for the drinking water systems throughout New Jersey.