

ATTACHMENT I

PROJECT PRIORITY RANKING SYSTEM

Project Priority Ranking System for the Drinking Water State Revolving Fund (DWSRF)

(I) Priority Ranking System and Intended Use Plan

A. Priority Ranking System

The purpose of the priority ranking system is to establish a list of eligible projects to be funded in a manner that the most serious risks to public health are given the highest priority. The New York State Department of Health (NYSDOH) proposes that the highest priority be given to acute public health risks, particularly those related to microbiological organisms. The next priority has been given to situations that pose chronic and longer-term risks to consumers, such as organic chemical contamination. The scoring criteria also considers issues that are related to infrastructure upgrading or replacement. Consistent with these priorities, the numerical scores in the Drinking Water State Revolving Fund (DWSRF) priority ranking system are based on the following criteria:

Technical Factors

- A. MCL/Treatment Technique Violations
- B. Other Sanitary Code Violations
- C. System Reliability/Dependability Issues

Non-Technical Factors

- D. Governmental Needs
- E. Financial Needs

The total numerical score for a project or a project segment will be the sum of the scores for criteria A, B, C, D and E.

B. Intended Use Plan

The State will prepare a document called the Intended Use Plan (IUP) that describes how the State intends to use available DWSRF resources for the year to meet the objectives of the Safe Drinking Water Act (SDWA) and to further the goal of protecting public health. The IUP will include specific detail on how the State will use all funds available. The IUP will also include a list of projects expected to qualify for financing within the fiscal period addressed by the IUP. A project must be listed in an IUP to be eligible for financing.

(II) Project Ranking

A. Special Allocations and Restrictions

The federal Safe Drinking Water Act Amendments of 1996 (SDWA) require that, on an annual basis, water systems serving fewer than 10,000 persons must receive a minimum of 15% of the DWSRF. This minimum allocation for systems serving less than 10,000 persons will occur to the extent that there are a sufficient number of eligible projects to fund.

The SDWA also states that up to 30% of the annual DWSRF federal capitalization grant can be used to give loan subsidies to disadvantaged communities.

The State of New York will impose an annual cap or ceiling of 50% of DWSRF resources that can be received by any single applicant. In addition, the State may limit DWSRF financing to the demonstrated annual cash flow needs of any single applicant.

The New York State Clean Water/Clean Air Bond Act of 1996 requires the development of a Memorandum of Understanding among the Governor and Legislative Leaders regarding selection of projects to be funded from the Drinking Water provisions of the Bond Act. Projects identified in the Memorandum of Understanding will be incorporated into an annual funding list for Bond Act financing in conjunction with projects selected according to the Priority Ranking System.

B. Project Ranking Categories

Projects will be placed in categories to allow priority ranking within a specific grouping of projects. Federal legislation requires that, on an annual basis, a minimum of 15% of the DWSRF be received by water systems serving fewer than 10,000 people. Also, water systems that qualify for financial hardship have special conditions that require a separate category for these projects. Therefore, three priority ranking categories will be created:

1. Category A. Water systems serving > 10,000 people.
2. Category B. Water systems serving < 10,000 people.
3. Category C. Water systems that have received written confirmation of qualification for financial hardship assistance.

C. Description and Use of the Project Lists

Several lists of projects will be created to organize and manage projects with different levels of priority and readiness. These listings will display the status of all projects in the system and indicate the final list of projects that qualify for funding in the current IUP.

1. Multi-Year List:

This list will contain all eligible projects for which pre-application forms have been submitted and reviewed. This list will contain projects from Categories A and B. New projects can be added to this list on a continuous basis.

2. Hardship List:

This list will contain all projects with written confirmation that they qualify for financial hardship assistance (Category C). This written confirmation will be limited to projects that have a total numerical score greater than (or equal to) the project with the lowest score (excluding bonus points awarded under Section II.E.2.) eligible to be funded from the current Project Annual List. Written qualification for financial hardship assistance will remain valid for two consecutive annual federal funding cycles.

3. Project Annual List:

This list will contain Category C projects and the projects from the Multi-Year List which are anticipated to be ready for long-term financing during the effective period of the IUP. Applicants for these projects are expected to apply for the funds projected to be available during the fiscal period addressed by the IUP. Projects from Categories A and B will be listed in descending order of total numerical score (resulting from the Priority Ranking System Scoring Criteria).

4. Funding List:

This list will include all projects from the Project Annual List expected to qualify for long-term loans within a particular IUP. Projects will be listed according to the three project categories. All Category C that are on the Project Annual List will qualify for funding. Projects in Category A will then be selected from the Project Annual List in priority order to meet the 15% minimum requirement for water systems serving less than 10,000 people. All remaining projects on the Project Annual List will be selected in priority order until the remaining annual DWSRF funding amount is encumbered. The project selection is subject to Restrictions and Project By-pass Criteria in Sections II.A and D of this document.

D. Project By-pass

Projects on the Project Annual List can be by-passed, if any of the following occurs:

1. Project is withdrawn by the applicant.
2. Project does not meet the dates and/or conditions in the project schedule or the Project Financing and Loan Agreement.
3. The applicant has reached the 50% annual DWSRF resources cap for fundable projects on the Project Readiness List. All other projects for the applicant that would exceed the 50% cap will be by-passed.

E. Special Priorities

1. Emergencies:

An emergency is a catastrophic situation that results in an imminent threat to public health. The determination of when an emergency exists will be made by the NYS DOH. Imminent threats to public health include situations that result in the unavailability of a source of potable drinking water for an extended period of time. Projects designed to address emergencies will receive the highest priority ranking.

2. Projects with Prior Funding Agreements:

Projects with executed Project Financing and Loan Agreements for long-term and short-term DWSRF loans will be given significant additional bonus points when they are placed on the Project Annual List. This will help to ensure the availability of DWSRF financing needed for completion of on-going projects.

Phased or segmented projects for which additional funds have been conditionally committed in an executed Project Financing Agreement (PFA) for long-term DWSRF financing will be listed, in descending priority score order. These projects will be assigned 2000 points in addition to their total project ranking system score.

Projects for which funds have been committed in an executed PFA for short-term DWSRF financing will be listed, in descending priority score order. These projects will be assigned 1000 points in addition to their total project ranking system score. Other projects will then be listed in descending priority score order.

F. Tie Breaking

In the event of a tie score for projects, the higher total score under Technical Factors (Criteria A, B and C) will be used as a tie breaker. If this still results in a tie score, the size of the population served by the system will be used as a tie breaker. The larger population will be given preference.

G. Eligible Project Limitation

Eligible projects are activities that address critical water system problems. The NYS DOH may require separation of unrelated project components into separate projects if it is necessary to focus on critical water system problems. These separate projects will be scored independently. Projects must be adequately supported by technical documentation, data, reports, etc.

(III) Priority Ranking System Scoring Criteria

The numerical scores in the DWSRF priority ranking system are based on technical and non-technical criteria. The technical criteria are A.) MCL/treatment technique violations; B.) Other sanitary code violations; and C.) system reliability and dependability issues. The non-technical criteria are D.) governmental needs and E.) financial needs. The total numerical score for the project or project segment being scored shall be the sum of the scores for criteria A, B, C, D and E. Projects must be adequately supported by technical documentation, data, reports, etc.

Technical Factors

A. MCL/Treatment Technique Violations. Points awarded are based on treatment of MCL exceedances and/or replacement with an alternate source of supply, and for interconnection with, or purchase from adjacent water system(s) in lieu of treatment (more than one item may apply):

	<u>Score</u>
1. Microbiological	
a) Surface Water Treatment Rule	
i. Filtration	100
ii. Filtration Performance Criteria (NTU compliance)	50
iii. CT Disinfection	30
b) <i>E. coli</i>	80
c) Total Coliform	40
2. Organics	
Organic chemicals (POC/UOC) and disinfection by-products	40
3. Lead and Copper/Corrosion (mandated)	30
4. Radiological	25
5. Inorganic/Physical	
a) Nitrates	50
b) Other health-related	25
c) Aesthetic	10

B. Non-treatment Sanitary Code Violations (more than one item may apply):
The project need must be adequately supported by technical documentation, data, reports, etc.

1. Inadequate Source Capacity (public health hazard)	50
2. Inadequate Distribution Pressure (public health hazard)	25
3. Uncovered Finished Water Storage (public health hazard)	25

C. System Reliability/Dependability Issues (more than one item may apply):	<u>Score</u>
The project need must be adequately supported by technical documentation, data, reports, etc.	
1. Complete replacement or major rehabilitation of existing treatment facility for primary contaminants that has exceeded design life and/or does not meet the design standards in the current edition of <u>Recommended Standards For Water Works</u> . In lieu of treatment, replacement with an alternate source of supply, and/or interconnection with, or purchase from, adjacent water system.	20
2. Upgrade, replace and/or install major vulnerable system components to meet the design standards in the current edition <u>Recommended Standards For Water Works</u> . Any of the following apply.	10
a) A principal component integral to an existing filtration process such as sedimentation, flocculation, filtration, chemical feed, or backwashing (can only receive points for Criteria C.2a. or C.1.)	
b) Pump stations	
c) Existing wells	
d) Existing disinfection system for a groundwater/surface water supply	
e) Transmission main	
f) Finished water or distribution storage	
g) Other water treatment systems for secondary contaminants only (or replacement of source instead of treatment)	
3. Aged mains and appurtenances	5
4. Redundancy of critical components (pumps, valves, chemical feed-systems, etc.)	5
5. Asbestos main replacement	5
6. Control/automation for operational efficiency (computerization, control valves, metering, laboratory upgrading)	5
7. Inadequate source capacity which is not a public health hazard (can only receive points for Criteria B1 or C7)	5

Non-Technical Factors:

Score

D. Governmental Needs (more than one may apply)

Additional points will be assigned to a project on the basis of state or local government needs, policies, and/or requirements.

- 1. Development of a water system or extending existing system to service contaminated or insufficient yielding private wells at existing residential housing (new systems are not eligible for points under Criteria A, B or C) 40
- 2. Consolidation of water systems (can include improving technical, managerial and financial capacity development) 25
- 3. System dependent on a Sole Source Aquifer for its source. (These points can only be obtained if system scores points from Criterion A, B, C.1. or C.2.g.) 25
- 4. A project that has received written commitment of funding from another governmental source (e.g., co-funded with Clean Water SRF, Rural Development, HUD, etc.) These points do not apply to refinancing of projects. 10
- 5. Consistent with Water Resources Management Strategy 5
- 6. Proposes operational changes that improve and insure adequate technical, managerial and financial capacity of the system in order to insure compliance 5

E. Financial Need

The Median Household Income (MHI) of the community in which the water service area is located is used as a numerator and the Statewide MHI is used as the denominator in the following equation to determine the financial need factor.

$$\frac{\text{Community MHI} \times 100}{\text{Statewide MHI}^*} = \text{Factor}$$

Factor	≤70	>70 - ≤77.5	>77.5 - ≤85	>85 - ≤92.5	>92.5 - ≤100	>100
Points	25	20	15	10	5	0

*2013 MHI is \$58,003.

The MHI of the community in which the water service area is located and the Statewide MHI will be determined from the 2013 U.S. Census Bureau's American Community Survey 5 year income data. If there is reason to believe that the census data is not an accurate representation of the MHI within the area to be served, the reasons the will be documented and applicant will furnish, or the Department may obtain, additional information regarding the MHI. Information will consist of reliable data from local, regional, state or federal sources or from an income survey conducted by a reliable impartial source. Communities have the option of conducting an income survey to ensure the accuracy of the MHI used.

Appendix A. Glossary of Terms

CT - The product of the free residual disinfectant concentration (C) in milligrams per liter determined before or at the first customer, and corresponding disinfectant contact time (T) in minutes, expressed by the formula $(C) \times (T) = CT$. (10 New York Code of Rules and Regulations (NYCRR) Part 5, Subpart 5-1, Public Water Systems.)

DWSRF - Drinking Water State Revolving Fund. A fund for financing, planning, design and construction of drinking water projects.

E. coli - *Escherichia coli*. A microscopic organism of fecal origin.

HUD - United States Department of Housing and Urban Development.

MCL - Maximum Contaminant Level. The maximum permissible level of a contaminant in water which is delivered to any user of a public water system as specified in 10 NYCRR Part 5, Subpart 5-1, Public Water Systems.

MHI - Median Household Income.

NTU - Nephelometric Turbidity Unit. The system under which measured turbidity is reported.

PFA - Project Financing Agreement. An agreement between the NYS Environmental Facilities Corporation and a loan recipient in order to provide financial assistance from the DWSRF for an eligible project.

POC - Principal Organic Contaminant. Any organic chemical compound belonging to specific chemical classes as described in 10 NYCRR Part 5, Subpart 5-1, Public Water Systems.

Primary Contaminants - Any contaminant for which a maximum contaminant level has been established for protection of public health.

Secondary Contaminants - Any contaminant for which a maximum contaminant level has been established for reasons other than protection of public health (i.e., aesthetic purposes such as taste, odor and staining of fixtures).

Surface Water Treatment Rule - A regulation that requires that all surface water be treated in accordance with 10 NYCRR Part 5, Subpart 5-1, Section 5-1.30, Public Water Systems.

UOC - Unspecified Organic Contaminant. Any organic chemical compound not otherwise specified in 10 NYCRR Part 5, Subpart 5-1, Public Water Systems.