

Appendix 1: Clean Water Priority System Ranking Methodology

Project Priority List — General Information

Clean water projects must be listed on the Project Priority List to be considered eligible for financial assistance under the CWSRF. The Priority List identifies the estimated total eligible building costs under the appropriate project category. Except for certain project types, the figure under the "Total Eligible Project Cost" includes the estimated total eligible building costs, the related costs for construction services (i.e., administrative, legal, engineering, inspection, one-year start-up services, etc.), the actual or estimated planning and/or design costs, 3% for the recipient's administrative costs, and a 5% contingency cost.

The Department has established a rolling application process and will update and post the Priority List up to four times during a fiscal year. The Department expects to notify potential borrowers and other interested parties upon each posting of an amendment to the Priority List on the DEP and I-Bank websites.

The Department began awarding ranking points in two new categories in SFY 2023 (Climate Resilience Measures and Environmental Justice Economic Overburdened Community Criteria). Project applications submitted after June 30, 2022, will be evaluated and, if eligible, awarded points in these new categories. Project sponsors that submitted applications prior to July 1, 2022, may submit documentation for consideration of ranking point awards in the new categories as well. Project scores for the new categories and updated rankings will be reflected in the next amendment to the Priority List.

Ranking Methodology

The Department assigns points to each project using the Project Priority System and ranks all eligible projects according to the total number of points each project receives. All projects are subsequently placed on the Project Priority Comprehensive List according to their ranking. Projects with more points are ranked above those with fewer points. The addition of new projects to the Project Priority Comprehensive List, periodic revisions to the Priority System, or the identification of new information regarding a project, may result in changes to an individual project ranking. Updated rankings based on changes to the priority ranking system will be reflected in the next amendment to the Priority List.

The principal elements of the Priority System are: A) Sustainable Community Planning Activities, B) Project Discharge Category, C) Water Use/Water Quality, D) Smart Growth Approvals, E) Environmental Justice Economic Overburdened Community Criteria, F) Population, and G) Established Local Employment Program. Points are assigned for each of the 7 priority categories, as applicable, and are discussed in more detail below.

The prospective applicant must notify the Department of any changes to project scope or any other circumstance that may affect the calculation of priority points. The Department recalculates, if appropriate, the prospective applicant's ranking utilizing the new information submitted and revises the priority ranking accordingly.

The ranking system gives highest priority to projects that address discharges of raw, diluted, or inadequately treated sewage to the state's waters during wet weather, including projects to abate CSOs and projects to address sanitary sewer systems that overflow. CSO abatement projects are expensive and are usually located in financially distressed urban areas, making cost a serious concern. Discharges from combined sewer systems and sanitary sewer overflows can impair water uses.

The Department's Priority List provides a strategic foundation for structural changes and includes objectives to implement projects that will help to protect, maintain, and improve water quality in and around the Barnegat Bay, while also determining the best long-term approach for restoring the ecological health of Barnegat Bay. To support

these efforts to improve the water quality of the Bay, the project ranking methodology for the SFY26 Financing Program provides an additional 300 priority points to nonpoint source and stormwater runoff control projects that are intended to benefit the Barnegat Bay. An additional 300 points will be assigned to wastewater reuse projects that are intended to offset the loss of freshwater flows caused by the regionalization of sewage treatment plants and the use of ocean outfalls.

A. Sustainable Community Planning Activities

The purpose of the provisions in this section is to encourage and facilitate implementation of environmentally sustainable practices at the local government level. Prudent environmental planning that incorporates sustainability measures is necessary to achieve cost-effective and environmentally sound water quality improvement within the watershed. Additional priority points will be awarded to projects located in or benefiting municipalities that have implemented programs and actions that go beyond compliance with existing regulatory requirements and incorporate the planning strategies discussed below.

Watershed-Based Implementation Plans: Watershed-Based Implementation Plans address impairment(s) found on Sublists 4 or 5 of the New Jersey Integrated Water Quality Monitoring and Assessment Report. Prudent watershed planning is necessary to achieve cost-effective and environmentally sound water quality improvement within the watershed. To provide an incentive for project sponsors to complete watershed-based plans that promote the implementation of point and nonpoint source pollution control projects that are consistent with Department goals, projects located in or benefiting municipalities that demonstrate implementation of watershed-based plans will be given an additional 50 priority points.

Implementation of Regional Stormwater Management Plans: Regional stormwater management plans are voluntary local analyses that provide targeted protection to a specific area based on local issues and conditions. Regional stormwater management plans are adopted into Water Quality Management Plans and may include specific implementation projects that address existing impacts of stormwater runoff. Projects located in or benefiting municipalities with adopted regional stormwater management plans will be provided an additional 50 priority points.

Sustainable Community Planning: Sustainable communities develop and adopt master plans and ordinances that improve the overall quality of life for citizens of today as well as future generations by planning within natural resource capacity constraints and providing for a healthy economy, environment, and society. Projects located in or benefiting municipalities where sustainable community strategies have been developed and master plans and/or ordinances adopted will be awarded an additional 100 priority points. These strategies/ordinances must include, but are not limited to, the following:

- A plan to reduce water consumption and increase water efficiency and re-use.
- Policies that require consideration of green design in municipal construction projects and redevelopment projects, such as green roofs, green streets, tree filters, rain gardens, rain barrels, porous pavements, etc. (Green design principles include green building practices that increase energy and water efficiency; use renewable energy; use environmentally friendly building materials that are made with recycled materials, are durable, sustainability harvested or produced locally; improve indoor air quality; and makes appropriate site selection and minimizes site disturbance to reduce environmental impacts.)

B. Project Discharge Category Points

All projects receive ranking points based on the project discharge category. In case of multiple purpose proposals, projects qualify for the discharge category that represents the major scope of the project. If a project has aspects that can be described by more than one category, the project may be broken into separate projects.

Tables IA and IB show the project discharge categories and their corresponding ranking points.

Table 1A: Ranking Points Related to Project Discharge Category for Wastewater Treatment Facilities		
Project Discharge Category	Description	Points
Combined Sewer Overflow (CSO) & Sanitary Sewer Overflow (SSO)	Combined sewer system (CSS) rehabilitation/repair, the construction of treatment and/or storage facilities within CSS, at discharge locations or at STPs that reduce or eliminate CSOs, or the separation of combined sewer systems by the consolidation and elimination or sealing of CSO discharge points. Projects that implement corrective measures to fix overloaded conveyance systems that experience chronic overflows.	600
Sewage Treatment Plant (STP) Improvements	STP improvements include upgrades or other improvements to a treatment process or the elimination of an existing STP and the connection to an alternative treatment facility to meet applicable treatment levels and the purchase and installation of security and energy efficiency measures at the STP.	500
Sanitary Sewer System Rehabilitation	Wide variety of corrective measures to sanitary sewer collection and conveyance systems that do not experience chronic overflows, such as the rehabilitation, repair, or replacement of sanitary sewers, pump stations, interceptors, or the purchase of equipment to properly maintain the sanitary sewer system.	450
Sludge Treatment/Disposal Facilities	Projects involving the construction of facilities to manage sludge from STPs or from potable water treatment activities, such as the installation of dewatering equipment, the implementation of land application or composting activities or improvements or repairs to sludge incinerators.	350
Wastewater Reuse	The construction of facilities that promote the reclamation of water for beneficial reuse such as the use of treated effluent for agricultural or other purposes and/or construction of conveyance and distribution systems to allow for reuse activities.	300
Septic System Repair/Replacement	Projects that involve repairs, improvements, and/or replacement of individual or small community, on-site septic systems.	275
New Systems	The expansion of a STP's treatment capacity, and the construction of new facilities to provide collection, conveyance, or treatment of sanitary sewage.	250

Table 1B: Ranking Points Related to Project Categories for Stormwater and Nonpoint Source Pollution Management Facilities

Project Category	Description	Points
Stormwater Management and other NPS activities	The construction or rehabilitation of stormwater basins, sewer systems or storm drains, the extension of outfall pipes, green roofs, blue roofs, green streets, tree filters, rain gardens, rain barrels, porous pavement, or the purchase of maintenance equipment (such as street sweepers, aquatic weed harvesters and skimmer boats). Projects that stabilize streambanks, restore lakes or address runoff from salt storage facilities and the implementation of measures to address pollution concerns from agricultural cropland activities and manure runoff management and feedlot operations.	225
Landfill Closure, Open Space Land Acquisition and Conservation and Well Sealing	The implementation of measures to prevent and control pollutants from entering groundwater at non-operating landfill sites that are publicly owned and at abandoned well locations. Open space land acquisition and conservation projects that help to protect or maintain water quality.	150
Landfill Construction and Remedial Action Activities	The construction of facilities to collect, convey and/or treat leachate and runoff from publicly owned landfill cells or from publicly owned contaminated sites.	75
Projects sponsored by Conduit Borrowers/ Private Activity	Environmental infrastructure projects where a developer, LLC, partnership, or other private party is involved in the project; landfill closure measures and remedial action activities where the project site is privately owned. If a local government unit that sponsors a project on behalf of a private entity commits to providing a general obligation pledge (including its unlimited taxing power) or municipal guarantee as security for the Department and I-Bank loans, the project is considered exempt from the conduit financing classification and corresponding funding limitations.	50

In addition to the points awarded in Table 1A and 1B, points will be awarded to projects that meet the following criteria:

- Projects that implement green infrastructure, water, or energy efficiency improvements (including projects that are designed to reduce greenhouse gas emissions) will receive an additional 50 priority points if the green components represent a significant amount of the overall project activities.
- Projects implementing climate resilience measures will receive an additional 100 priority points if the resilience components represent a significant amount of the overall project activities. Resilience measures for wastewater and stormwater infrastructure projects must apply the best available and most geographically relevant climate information, projections, and standards.

C. Water Use/Water Quality Points

Points are awarded based on the designated water uses of the receiving water as well as the existing water quality conditions in comparison to the ambient water quality standards. The assignment of points for “public nuisance” is given to on-site system projects where failures have been identified. Table II below shows the breakdown of the ranking points for water use; in general, the highest values are given for projects that discharge to water bodies with potable, recreational, and fishing uses.

Table II. Ranking Points Related to Water Use (Existing and Potential)			
Water Use		Basis/Description	Points
Public Potable Water Supply		Wastewater treatment plant discharges likely to have adverse impacts on an existing downstream potable surface water supply intake. Projects are evaluated based on relative distance between STP discharge and public potable water intake locations.	200
Recreation (“Primary Contact”)		Waters with bathing areas monitored routinely as public beaches as well as the Delaware River upstream of Trenton (north of East Bridge Street at the Lower Trenton Bridge).	125
Fishing:	Shellfish	State water bodies that are designated as shellfish growing waters by N.J.A.C. 7:12.	125
	Trout	State freshwater bodies designated for trout production or maintenance by the NJ Water Quality Standards (N.J.A.C. 7:9B).	75
	Non-trout	State freshwater classifications not designated trout production or maintenance by N.J.A.C. 7:9B (see Trout description above), including all Delaware River freshwater zones above mile-point 85 as defined by the Delaware River Basin Commission.	25
Public Nuisance		Indirect water use impacts: applies to areas with identified on-site wastewater treatment system failures.	50
Agriculture		Surface water for agricultural use, such as irrigation and farm ponds, based on Department diversion permit (permits required for >70 gal/min diversion).	25
Industry		Surface water known to be used for industrial use such as cooling.	25

Table III shows the points for not meeting or marginally meeting certain water quality parameters. The points reflect the impact the parameters have on meeting the state’s goal to protect and enhance surface water resources, quality criteria, and designated water uses. The magnitude of the contribution that municipal sewerage facilities have on each of the conditions is reflected in the points awarded under these categories.

Nutrients reflect the presence of phosphorus/phosphates and nitrates/nitrites in a waterbody. Excessive nutrient levels in freshwater streams and lakes may result in a decrease in water quality and an increase in treatment costs. Points are given for nutrients only if the surface waters involved significantly impact existing potable water reservoirs, surface water impoundments or lakes, public bathing areas, or shellfish growing waters. Since there are no nutrient standards for coastal and estuarine waters, no points were assigned for discharges to those water bodies.

Points for toxics address the relative magnitude of ammonia, metals, pesticides, and organic chemicals in the

waterbody. Toxics were given lower points since in most cases the significant contributions of toxic substances come from industrial sources that are better controlled through pretreatment and are only incidentally abated by municipal treatment facilities. In the case of the toxicity of ammonia, municipal facilities are usually the main source, but the most significant impact is associated with streams designated for trout production/maintenance, which already receive a high number of points under the water use category.

Table III. Ranking Points Related to Water Quality				
Water Quality		Points for Water Quality that		
		Meet	Marginally Meet	Do Not Meet
		The Water Quality Standard*		
Parameter	Dissolved Oxygen	0	50	100
	Fecal Coliform	0	50	100
Parameter	Nutrients	0	25	50
Category	Toxics	0	25	50

*The Surface Water Quality Standard for the applicable parameter or category.

D. Smart Growth Approvals

The Department seeks to coordinate and enhance the efforts to encourage smart growth through the implementation of the State Development and Redevelopment Plan. The Department assigns ranking points to eligible clean water projects consistent with an approved Water Quality Management Plan that serves municipalities that have been approved under the Center Designation or Plan Endorsement Process.

For a project serving more than one municipality, the points were included for ranking purposes if the designated center or the endorsed plan is a significant component of the overall project. For further information regarding the State Development and Redevelopment Plan, contact the Office of Planning Advocacy in the New Jersey Department of State at (609) 292-7156.

Table IV. Ranking Points Related to State Planning Commission Approvals	
Community Type	Points
Urban Centers and Complexes	50
Regional Centers	25
Existing Designated Towns	15
Existing Villages	10
Hamlets	5

Projects located in or benefiting areas designated as Brownfield Development Areas, Transfer of Development Rights receiving areas or Transit Villages receive 10 points, so that these projects will rank higher than similar projects that are not located in, or provide benefit to, these smart growth areas.

E. Environmental Justice Economic Overburdened Community Criteria

Projects are assigned 80 Environmental Justice Economic Overburdened Community Criteria points if at least 35% of the households served by the project, on a municipal basis, qualify as low-income households (at or below twice the poverty threshold in accordance with the most recent United States Census as determined by the United States Census Bureau). A weighted economic OBC criteria is calculated for a project sponsor whose water system serves more than one municipality as shown in the example below. Population served is based on the permanent population of the service area. Consideration will be given to projects with a qualifying service area population within a municipality that does not meet the 35% threshold.

Example:

Municipalities Served	% low-income households	Populations Served	Fraction of total population served	Weighted % of low-income households
Lancaster	30%	5,000	0.167	5.01%
Mayberry	40%	10,000	0.333	13.32%
Hometown	35%	15,000	0.500	17.50%%
Total		30,000	1.00	35.83%

Please note for applicants that service more than 10 municipalities, the 10 municipalities that have the highest populations served will be considered in the above table for the affordability factor.

F. Population Points

Projects are assigned points based on the population of the area served by the project. One point is given for every 1 million people living year-round in the project area. Thus, if projects have the same number of ranking points after having received all eligible points, population points become the tiebreaker, with higher priority given to the project serving the larger population.

G. Established Local Employment Program

Projects are assigned one point to applicants that have an established program to employ at the project facility, or at related offices or facilities, persons who reside in the municipality in which the project is located, the service area of the project, or in surrounding municipalities that meet the criteria for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et seq.)”.