



**NEW JERSEY DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

**DRINKING WATER
STATE REVOLVING FUND**

**FFY2010 PROPOSED PRIORITY SYSTEM,
INTENDED USE PLAN AND
PROJECT PRIORITY LIST**

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OVERVIEW OF FFY2010 PROPOSED PRIORITY SYSTEM, INTENDED USE PLAN AND PROJECT PRIORITY LIST

The 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 FFY2008 and an estimated \$829,029,000 for FFY2009. The results of the 2003 Drinking Water Infrastructure Needs Survey, which was published in June 2005, determine the allotment to New Jersey for FFY 2009. 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. The most recent cycle of data collection ended in November 2007 and a Report to Congress was issued on March 26, 2009. Similar to the above, the results of the 2007 Needs Survey will determine the allotments for FFY 2010 through FFY 2013.

The American Recovery and Reinvestment Act (ARRA) was signed into law by President Obama on February 17, 2009 which provided additional drinking water funds for New Jersey. Nationally, \$2,000,000,000 was allocated for drinking water infrastructure projects of which New Jersey will receive \$43,154,000. These funds must be given out within a year of signing of the bill. Additional information on the ARRA and the 2009 DWSRF program can be found in the Amended FFY2009 IUP.

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 FFY2010 Priority List;
- 2- the summary of program requirements and document submittal deadlines for award of DWSRF loans in State Fiscal Year (SFY) 2010 (specifically, November 2009) using FFY2009 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 SFY2011 (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; and
 - 4- the establishment of the proposed uses of the set-asides using FFY2010 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 Amendment. The IUP details how the State of New Jersey proposes to finance projects to be included in New Jersey's program and which are to be managed by NJDEP, with respect to the FFY 2010 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 163 loans (\$762,360,705) over the past eleven funding cycles in 1998 to 2008 with loans being fully executed in November of each year.

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 Drinking Water SRF 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, has transferred up to the maximum amount authorized from the CWSRF loan repayments to the DWSRF as long as the transfer did not jeopardize the ability to fund clean water projects. The CWSRF program evaluated 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 if funds are to be transferred 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. The NJDEP fully supports efforts to enact legislation to continue to allow the transfer of funds. 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. It is not anticipated that a transfer will be made in 2010.

The Environmental Infrastructure Financing Program (EIFP) has received USEPA's approval to utilize cross-collateralization in its financing structure for both the Drinking Water and Clean Water SRF 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 4.79 percent for the 2008A series bonds. 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 has determined to continue to make 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).

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 and collected from all borrowers. A description of the NJDEP fee and a chronological summary of the fees is 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 be 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 Project Ranking Form (see Appendix A) submitted by potential applicants. 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 430 projects totaling \$1.376 billion on the Project Priority Master List. There are 215 projects totaling \$610 million (including supplemental loans) on the Comprehensive Project Priority List for November 2009, which will be funded by ARRA or DWSRF monies. Use of the ARRA funding is discussed in the Amended FFY2009 IUP dated May 2009.

II. Ranking Methodology

NJDEP will rank all eligible projects according to the total number of points each project receives and will subsequently place the projects on the Project Priority Master List (see Appendix C) according to their ranking. The projects with the higher number of points rank above those with lesser points. Due to 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, individual project rankings may change annually. 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.

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 discussed below, as applicable:

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 nineteen project elements that are eligible for DWSRF funds:

TABLE 1. Compliance and Public Health Criteria

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 cutbacks in Critical Area #1 or #2 or due to saltwater intrusion and a solution is needed to preserve the aquifer as a viable aquifer.	175 Points

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| 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 alternative auxiliary power sources. (please see Security Measures at Public Water Systems on page 3) | 45 Points |
| 14. | 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 has received a directive issued by the NJDEP requiring correction of the exceedance. | 40 Points |
| 15. | Installation of new water meters and/or other water conservation devices, including but not limited to retrofit plumbing fixtures. | 35 Points |

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| 16. 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 |
| 17. Replacement of water meters. | 25 Points |
| 18. 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 |
| 19. Other project elements, not including items 1 through 18 above, that ensure compliance with the SDWA and protect public health, as approved by NJDEP. | 1 Point |
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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.

C. State Designations

1. State Development and Redevelopment Plan

NJDEP seeks to coordinate with the 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 entirely within or designed to provide service only 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 entirely within or designed to provide service only 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 NJDEP seeks to coordinate with the NJ Department of Transportation and implement the 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 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.

Please note that the points from these three 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.

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. Affordability

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
Total		30,000	1.00	24,160

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.

E. Population

As a tiebreaker, projects will be assigned points based on the permanent population of the water system service area. In the instance of 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. All projects which have received loans to date which require additional funds 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. Priority between projects that are eligible to receive supplemental loans and that received their original loans in the same funding cycle will be determined according to each

project's ranking on the respective funding year's priority list. 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 FFY2010 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 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 List and thus be eligible to pursue loan awards in a 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 to be on the FFY2010 priority list. Project sponsors must meet the program schedule below in order to be funded in November 2009:

FFY2009 Schedule

Commitment letter and Planning Document	October 6, 2008
Design Document and Loan Application	March 16, 2009
Application submitted for all Permits	March 16, 2009
Above documentation in response to Call for Projects	March 16, 2009
Loan Award	November 2009

The FFY2009 Schedule (i.e., for loan awards in November 2009) was published in the NJDEP's IUP for the DWSRF Program finalized in July 2008 and amended in May 2009. Please note that the prospective project sponsors that met the deadlines in the FFY2009 Schedules will be given priority in order of readiness to proceed and ranked order for the ARRA monies and in order of ranking and readiness to proceed by October 15, 2009 for the standard DWSRF Program. Refer to Section III- Project Priority, in the Priority System section of this IUP.

The funding schedule for FFY2010 (November 2010) is as follows:

FFY2010 Schedule

Commitment letter and Planning Document	October 5, 2009
Design Document and Loan Application	March 1, 2010
Application submitted for all Permits	March 1, 2010
Loan Award	November 2010

These deadlines must be adhered to or this could result in NJDEP bypassing the project in favor of other priority project(s), which are ready to proceed. Additionally, all supplemental loan applications pursuing funding in November 2009 must have submitted a loan application and any permit applications by March 16, 2009. All supplemental loan applications pursuing funding in November 2010 must submit a loan application and any permit applications by March 1, 2010.

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 ready to proceed will not be within reach of the NJDEP's fundable range and will fall below the NJDEP's fundable line on the Project Priority List. It is possible that this line will fluctuate as project sponsors elect to bypass themselves or project sponsors are notified that their projects will, for various reasons, be bypassed. These 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 there is no guarantee of funds. 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; e.g., changes to loan terms, 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 Commitment Letter. 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 Commitment Letter to the NJDEP and proceed according to the applicable schedule. Preplanning meetings will be put on hold until the ARRA projects are reviewed.

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.

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, 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 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 NDEP's satisfaction prior to the water system being reimbursed for the emergency repair.

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.

C. 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.

D. 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.

E. 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, written approval of plans and specifications from the Bureau of Engineering, 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.

F. 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% of the construction contract costs for administrative expenses, 5% of the construction contract costs for construction contingencies, and the actual cost of engineering/construction management services (NJDEP will use 12% 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. 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 0% interest. The NJDEP will provide up to 75% of the project costs at 0% interest, while the Trust will provide 25% 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 has determined to 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, and Brownfield Development Areas (BDA) designated by the NJDEP. 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 and Burlington City. 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. These approximately 15 entities have applied to the NJDEP to be considered 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 will receive the standard 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 0% 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. Previously, the NJDEP annually evaluated the need to assess a loan origination fee and/or an annual administrative fee to cover the NJDEP portion of the program's administrative costs. The amount of the fee (if any) was established in conjunction with the annual budget process for the particular State fiscal year and borrowers were notified in advance of escrow closing as to the estimated cost of the fee that would be charged on their loan to be closed that November. The legislation for the SFY2006 Program established a "Department Loan Origination Fund" that is administered by the Trust. The program now has a stable fixed fee of 2 percent of the participant's loan amount. 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 as follows:

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%	to be collected	to be collected

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

The Trust's loan is issued at the same market interest rate as the Trust obtains from the sale of its bonds. Rather than bonding for all of the eligible closing costs associated with each financing, the Trust charges the borrowers a one-time surcharge of up to 0.4 percent of the principal Trust loan amount to partially cover the costs associated with that particular year's bond sale. 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 charges an annual administrative fee of up to 0.3 percent of the Trust's bond principal loan amount 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, 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 FFY2010 funds. Table 5 outlines the distribution of FFY2010 non-project set-aside funds. Nonproject set-aside funds identified in Table 6 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 FFY2010 funds

<u>Funds Available</u>	<u>FFY2010*</u>
Federal Capitalization Grant	\$18,027,000
State Match	\$ 3,605,400
Transfers from CWSRF to DWSRF	\$0
Estimated DW Repayments Available as of 2010	\$10,500,000
Interest Earnings	\$3,500,000
Remaining monies from previous Cap Grants **	\$0
Estimated Funds Available	\$35,632,400
<u>Projected Expenditures</u>	
Nonproject Set-asides (see Table 6)	\$ 2,884,320
Funds Available for Projects	\$32,748,080
Trust Reserve Fund***	\$0
NJDEP \$\$ Available	\$32,748,080
Trust Bond Proceeds	\$32,748,080
Funds Available for Projects** (NJDEP & Trust)	\$65,496,160

*The federal funds are estimated at \$18,027,000 for FFY2010 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 2010 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 page 6 of the Trust's Project Priority List and Financial Strategy dated January 2009 for a discussion about the Trust Reserve Fund.

Table 6 - Nonproject Set-Aside Fund Uses
\$2,884,320 (See Table 5)
FFY2009*

PROGRAM	AMOUNT	REMAINING AMOUNT***
Program Administration of DWSRF Projects (4%)	\$721,080	\$0
Small System Technical Assistance (2%) **	\$360,540	\$711,504
State Program Management (10%) **	\$1,802,700	\$2,852,108
State PWSS Program (5.2%)	\$924,227	\$1,483,611
Source Water Program Admin (.9%)	\$169,655	\$194,929
Capacity Development (2.3%)	\$422,917	\$513,582
Operator Certification (1.6%)	\$285,901	\$659,986

* The federal funds are estimated at \$18,027,000 for FFY2010 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 November 1, 2008 which do not include outstanding contracts, expenses, and salaries for SFY2009.

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 FFY2010 is \$1,802,700. 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 SFY2010 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 last ten funding cycles, the New Jersey has not met the 15 percent goal. However, in 2007, NJDEP surpassed the 15 percent goal and funded 4 small systems for a total of 17.13 percent. In 2008, NJDEP funded 4 small systems for a total of 13 percent of the SRF loans. More small systems are participating in the DWSRF, potentially because more small systems are facing contamination issues which rank higher on the priority list. In the future, NJ may find a new situation in that not every small system will fit within the 15 percent structure. If the 15 percent goal was reached within a year and any small systems remained, those small systems would be funded in general ranked order.

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 2 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 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. Two systems took advantage of the 2004 contract and it was fully expended. NJDEP executed a new 36-month contract with NJWA in 2006. A 24 month extension to the contract is being processed. Twelve engineers replied to the NJWA Request for Proposal under this contract. Five small water systems requested assistance under this contract and were assigned engineers from the pre-approved list.

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 SFY09.

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)

BSDWTA continues to utilize its own personnel for conducting site visits. 24 site visits were conducted in FFY2008 and 8 site visits were conducted in the first quarter of FFY2009. There is a continuing cooperative effort with County Health Departments to assist water systems to return to compliance. The SSTA program also assists daycare facilities to comply with the State amendments to the "Manual of Requirements for Child Care Centers" (N.J.A.C. 10:122), specifically relating to demonstrating compliance with Maximum Contaminant Levels (MCLs) in drinking water. In addition, the SSTA program works with non-transient non-community water systems that are known to have radionuclide exceedances although radionuclide monitoring is not required for these facilities under Federal regulation.

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.

One-on-one 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 17 group training sessions in FFY2008. Final payment from the 2006 training agreement was authorized on November 25, 2008. Approval of a new \$154,000 agreement was received on January 5, 2009 and expires on January 11, 2010. This agreement will provide for approximately 35 group training sessions per annum offered by NJWA to small systems in New Jersey through 2010.

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 allows 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 rectify previously unnoticed water quality problems. NJDEP anticipates less sampling in FFY2010 than in previous years. Therefore, sampling will be primarily for non-transient, non-community public water systems. BSDWTA will also continue to sample all new or reclassified non-transient non-community water systems for radionuclides.

NJDEP has an agreement (three year term until August 2009; currently a two year no cost time extension is being processed) 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 are currently being assisted under this program. Two systems executed DWSRF loans in the 2009 funding cycle. Also, due partially to this program, New Jersey issued more than 15 percent of its total DWSRF loans to small water systems in FFY2007, surpassing the 15 percent USEPA recommendation level. In FFY2008, 13 percent of its total DWSRF loans to were executed with small water systems

Goals

The following items will be addressed during FFY2010:

- 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 non-community 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.
- Continue our agreement with the NJWA to provide the necessary engineering services for small systems to apply to the DWSRF loan program by executing a no cost time extension.

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 (5.2%)

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 finalized and there is no commitment to do so. 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 asked the Drinking Water Quality Institute (DWQI) to address radon in water. The DWQI formed an Ad Hoc Committee which has met seven times (12/14/07, 9/7/07, 1/26/07, 11/13/06, 8/15/06, 7/2/08 and 9/17/08). The Ad Hoc Committee has completed the Technical Basis document and recommended a single Maximum Contaminant Level (MCL) of 800 pCi/L to the Commissioner of the Department. Although the Ad Hoc Committee did not embrace the USEPA MMMP model, it further recommends that the DWQI address radon in air by recommending that the Department pursue mandatory radon in air testing and other initiatives through the legislature.

The following items will be addressed during FFY10:

- 1) Propose regulations for a new MCL for Community Water Systems;
- 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 implemented and 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 represents 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 component of the system, which continues to require a significant investment of time and work performance.

The NJDEP and the CGI Group Inc. have designed, developed and implemented the NJEMS-SDWIS/State Interface application 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.

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)

Well Permits has requested and is participating in several enhancements to its manual data entry Well Wizards in NJEMS to improve processing performance and efficiency in NJEMS.

NJDEP continues its ongoing efforts to improve document management and imaging systems, currently in *HighView*, and is developing an NJEMS interface to integrate *HighView* with NJEMS to make the images readily available to the NJDEP users and to the public, as appropriate. This effort includes consideration, planning, and implementation of upgrades to database, hardware and software, as well as the development of an NJDEP “roadmap” for document imaging, enhancements and new applications.

NJDEP continues to work on building an enterprise based EDMS (electronic document management system) system. Having examined both the initial and detailed design proposals for system implementation, NJDEP has decided on *HighView's* COTS (Commercial Off The Shelf) software and a phased implementation of both database and hardware upgrades. Once the upgrades have been completed and tested, NJDEP programs will be added to the existing imaging system (Well Permitting and Right-To-Know) based on complexity and need. As programs are added, hardware and software issues will be addressed on an as-needed basis. It is also the goal of NJDEP to integrate the imaging system with other enterprise based systems including NJEMS, FACITS, IMAP, RSP, etc.

NJDEP continues its ongoing efforts to improve and expand its EDMS (electronic document management system). This includes an upgrade to Highview the imaging software and further integration with NJEMS the Department’s enterprise based data management system. 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.

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 it’s 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 had considered alternatives to meet the Safe Drinking Water program's particular electronic data management, reporting, and compliance decision support necessary to meet the Federal and State rules and regulations. Accordingly, the NJDEP implemented the USEPA Safe Drinking Water Information System (SDWIS/State) version 8.0, via contractual arrangement with the USEPA and its contractor, Science Applications International Corporation (SAIC).

The NJDEP proposes to evaluate and determine the need to develop any legacy computer application to provide a user-friendly format for accessing any drinking water data not migrated from NJPWS to SDWIS/State.

NJDEP began implementation of SDWIS 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.

In addition, there is a substantial wealth of modules created by, and available through, other SDWIS/State users, that need to be sought, evaluated, and applied, as appropriate to the New Jersey Safe Drinking Water program.

NJDEP is developing a process to correct errors when they are reported from SDWIS/FedRep to the USEPA.

New Jersey is concurrently implementing the SDWIS 8.0 and preparing for the anticipated implementation of future updates and upgrades to SDWIS/State, including selected modules developed in-house and by other States using SDWIS/State, and SDWIS/State web release 2 (SSwr2) and related applications. The proposed schedule for implementation of SSwr2 is April of 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 SSwr2. The proposed schedule for completion of this task must coincide with the April 2010 SSwr2 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, NJDEP program changes to revise standard operating procedures, perform system administration and report management roles, design and develop various reports, may require substantial effort and time in order to achieve a high level of participation by drinking water laboratories and water systems.

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;
- New Jersey Quantitation Limit (NJQL) reports for Office of Quality Assurance lab certification program; and
- Private Well Testing Reporting under the Private Well Testing Act (PwTA).

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.

NJDEP proposes to design, develop, test and implement upgrades to the E2 Reporting System to ensure compatibility with SSwr2. The proposed schedule for completion of this task must coincide with the April 2010 SSwr2 implementation date.

Resources (Staff)

The data management system improvements envisioned requires 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 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;
- consider enhancements to 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;

- consider future enhancements to 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;
- install SDWIS/State web release 2 (SSwr2) and related applications, migrate data from SDWIS/State 8.0, and implement SSwr2 and subsequent releases;
- install and implement SDWIS/eDV 1.0 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 SSwr2;
- enhance the New Jersey Electronic Environmental (E2) Reporting System for compatibility with SSwr2;
- 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;
- consider and develop enhancements to the Geographic Information Systems capabilities in support of the NJDEP Water Supply programs;
- 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 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 develop primacy submittal applications and to handle additional implementation activities associated with the following rules: Groundwater Rule, Arsenic Rule, Radon Rule, Radionuclide Rule, the microbiological/disinfection by products (M/DBP) cluster of rules including Stage II DBP and LT2 Enhanced Surface Water Treatment Rule.

iv. Sampling (0 FTE)

NJDEP receives funding for special purpose monitoring and laboratory analytical services, under the annual 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.

2. Source Water Protection Program Management (.9%, 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 Safe Drinking Water Act rules, N.J.A.C. 7:10, establish construction standards for public community and public noncommunity water systems. N.J.A.C. 7:10 is readopted every five years; the rules will be adopted with revisions in 2009. 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. NJDEP is proposing to revise the rule to reflect the two year time of travel.

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 (2.3%, 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, 2010, the SFY2010 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. Compile the 2010 Strategy List for inclusion in the SFY2010 Annual Report.

- c. Prepare the SFY2011 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, 2011.
- d. Continue the process of conducting on-site capacity evaluations for the community and non-community systems identified on the 2007 Final 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).
- e. Continue to revise the Capacity Development Program and Strategy. Proposed revisions to the Strategy were discussed with USEPA in SFY 2009 and additional recommendations should result from the independent analysis by Cadmus Group, Inc. which is planned for SFY 2009. The recommendations from this independent analysis will be integrated into the Program and Strategy as warranted to improve New Jersey's implementation efforts.
- f. 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. The USEPA's Check Up Program for Small Systems (CUPSS) or similar software will be used when and where appropriate.
- g. 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 SFY2010. 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, c) third party contract to implement asset management program for targeted water systems, and d) third party contract to provide water utility rate setting assistance when necessary.
- h. Perform TMF evaluations on any new community and NTNC water systems.
- i. 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.

- j. 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.)

4. Operator Certification (1.6%, 3 FTE)

Readoption of NJDEP regulations titled N.J.A.C. 7:10A “*Licensing of Water Supply and Wastewater Treatment System Operators*” occurred in December, 2008. Significant amendments to the regulations include 1) the requirement that examinees who fail a particular test three times must attend additional classroom training prior to being accepted to sit for another examination 2) clarification of the continuing education requirements for license renewal, 3) specifications of operator duties and responsibilities, 4) detailed additional requirements for Operation and Maintenance manuals, 5) grant time extensions for those operators who have difficulty meeting continuing education requirements because of active military duty or medical reasons, 6) increased licensing fees to adequately fund program needs, and 7) a limit on the number of Very Small Water Systems that a licensed operator may operate to no more than 10 water systems unless specifically authorized by NJDEP.

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. A recent review of systems revealed that only 34 water systems are out of compliance with this requirement. It is anticipated that the success of this program will continue with less than 3 percent 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. The current period for obtaining credits runs from October 1, 2006 through September 30, 2009. 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, and Hunterdon County Polytech 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. In addition, NJDEP has identified the need for distance learning in New Jersey and thereby 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 executed in FFY2008 has secured funding for this endeavor through FFY2010. 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 FFY2010:

- The NJDEP will track those individuals who fail the water/wastewater operator licensing examinations in order to ensure that they complete training if needed to re-take the exam.
- NJDEP will adjust continuing education renewal cycles of those operators who have difficulty meeting TCH requirements due to active military duty or medical reasons.
- NJDEP will review requests of operators who wish to operate more than 10 VSWS.
- NJDEP will continue to subsidize the training and examination of persons wishing to become VSWS operators. However, the interest in acquiring a VSWS license has diminished drastically since 2004.
- 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 materials to approve courses for TCHs
- NJDEP will continue to review materials to approve training program providers to grant TCHs.
- NJDEP continues to develop an NJEMS-based program to track courses, license holders, and accumulated TCHs. The Examinations and Licensing Unit of the NJDEP is still coordinating with the NJEMS team to determine the best electronic method to track training course approvals and TCHs obtained by individual operators. NJDEP plans to implement the tracking process during FFY2010.
- The NJDEP will continue to extend funding for tuition reimbursement to qualified water operators taking courses at Rutgers' SOTC through FFY2010.
- 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 plans to develop and disseminate a duties and responsibilities guidance document for Water Treatment (T) and Water Distribution (W) licensed operators during FFY2010.
- 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. There are five remaining uncovered finished water reservoirs in New Jersey that are working with the NJDEP to meet the Federal requirement. Multiple sources of funding will be needed, as the total cost is estimated at over \$100 million.
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 contract executed with New Jersey Water Association (NJWA), the NJDEP entered 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 and a Financial Planning Committee 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. 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.

VI. Summary of Outreach Efforts

Federal DWSRF rules require that States' DWSRF programs include public participation activities. The NJDEP distributes this proposed Project Priority System to all community and nonprofit noncommunity water systems, county and local health authorities, selected environmental groups, selected engineering consultants, water associations, and assorted State agencies to be included in the comprehensive DWSRF Project Priority List and nonproject set-aside expenditures. The State has developed its program to make low-interest loans available to both community (both publicly and privately owned) and nonprofit noncommunity water systems. This document serves as a "Call for Projects" because the "Call for Projects" for this and future 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. Additionally, a Call for Projects was issued on December 18, 2008 to extend submittal of required documentation for the 2009 Funding Cycle. This was done in anticipation of the ARRA program (see Appendix A).

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>. Copies of the "Proposed Amendments to the Final FFY2009 Priority System, Intended Use Plan and Project Priority System and the addition of the American Recovery and Reinvestment Act of 2009" and this IUP, "FFY2010 Proposed Priority System, Intended Use Plan, and Project Priority List," are available on the NJDEP Division of Water Supply home page, too. 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>.

VII. Project Priority Lists and Nonproject Set-aside List

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 November 2008, and projects expected to be funded in November 2009 under the comprehensive list, and a summary of projects already funded from November 1998 to November 2008.

APPENDIX A

- 1) Critical Steps for DWSRF Loans
- 2) FFY2009/SFY2010 Drinking Water Financing Program Schedule
- 3) FFY2010/SFY2011 Drinking Water Financing Program Schedule
- 4) Construction Project Ranking and Nonproject Set-Aside Expenditure Input Form
- 5) Sample Commitment Letter for FFY2010/SFY2011 Projects
- 6) Call for Projects Dated December 18, 2008

Appendix A.1

Critical Steps for DWSRF Loans

1. Identify Project on the Priority List:

- Submit a Construction Project Ranking and Nonproject Set-Aside Expenditure Input form
- Forms are available in the current Intended Use Plan (IUP)
- The input form can be located at <http://www.nj.gov/dep/watersupply/constrank.pdf>

2. Attend a Pre-Planning Meeting:

- Although this step is not required, it is highly recommended
- Discuss program requirements and schedules
- DWSRF staff is also available to make site visits to provide additional information and answer questions before a formal pre-planning meeting

3. Submit Commitment Letter and Planning Document:

- The FFY 2010 cycle deadline is October 5, 2009
- Planning document is a general summary of project scope and environmental concerns (must include a map)
- Sample commitment letter is available in Appendix A of IUP
- Commitment letter can be located at <http://www.nj.gov/dep/watersupply/commitmentletter.pdf>

4. Submit Design Document and Loan Application:

- Plans, specifications, loan application and all permit applications must be submitted
- The FFY2010 cycle deadline is March 1, 2010

5. Submit Financial Documents:

- The deadline is the end of March 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 or www.nj.gov/dep/watersupply for copies of these documents.

Appendix A.2
FFY2009/SFY 2010 Drinking Water Financing Program Schedule
 (Using FFY 2009 and Other Available Federal Monies)

<u>DATE</u>	<u>ACTION</u>
Before April 12, 2008	-Project Ranking Forms are due from prospective project sponsors for projects not already on the Project List
April 12, 2008	-Public hearing on FFY2009 Priority System, Intended Use Plan and Project Priority List proposal
Before October 1, 2008	-Prospective project sponsors attend preplanning meeting with NJDEP prior to submitting Commitment Letter
October 1, 2008	-Project Commitment Letters due
December 18, 2008	-Applicants submit all planning documents to NJDEP
On or before	-Call for Projects issued, in anticipation of ARRA monies
January 15, 2009	-NJDEP/Trust submit list of projects (based on Priority System ranking methodology) to Legislature for forthcoming State Fiscal Year
March 16, 2009	-Applicants submit all design documents to NJDEP -Applicants submit complete loan application to NJDEP -Supplemental Loan applications due -Additional Projects with required documentation accepted as per Call for Projects dated December 18, 2008
On or before May 15, 2009	-Financial Plan for forthcoming State Fiscal Year submitted by Trust to Legislature -Applicants submit ARRA financial addendum form to the Trust
May 18, 2009	-Public Hearing on Amended FFY09 IUP proposal
June 1, 2009	-Potential borrowers confirm their intent to participate in the ARRA or traditional programs
June 30, 2009	-Legislature acts on Financial Plan -Trust transmits both draft loan agreements to qualifying applicants
July through	-Execute NJDEP/Trust loan ARRA, Supplemental and ready Standard agreements in rolling escrow closings
October 2009	-Applicants submit standard financial addendum form to the Trust
August 2009	
October 2009	-ARRA, Supplemental and ready Standard Loan award
October 15, 2009	-certification of traditional loan projects
Mid-November to Mid-	-Execute NJDEP/Trust standard agreements in escrow closings
December 2009	
Late January 2010	Standard Loan Award

Appendix A.3
FFY2010/SFY 2011 Drinking Water Financing Program Schedule
 (Using FFY 2010 and Other Available Federal Monies)

<u>DATE</u>	<u>ACTION</u>
Before May 2009	-Project Ranking Forms are due from prospective project sponsors for projects not already on the Project List
May 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 Commitment Letter
October 6, 2009	-Project Commitment Letters 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
On or before March 30, 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
Late August through mid-September 2010	-Execute NJDEP/Trust loan agreements in escrow
November 2010	-Loan award

Appendix A.4
New Jersey Department of Environmental Protection
Drinking Water State Revolving Fund Program
Bureau of Safe Drinking Water Technical Assistance
P.O. Box 426, Trenton, NJ 08625-0426
Tel. No.: (609) 292-5550 Fax No.: (609) 292-1654

CONSTRUCTION PROJECT RANKING AND
NONPROJECT SET-ASIDE EXPENDITURE INPUT FORM

April 2009

Please complete this form for each construction project or nonproject set-aside activity to be included in the proposed DWSRF program. Provide the basic information **for each project element** so the project can be given priority points and ranked on the proposed priority list, or **for each set-aside activity** so the activity may be considered for inclusion in the nonproject set-aside expenditures, as applicable. (Refer to the attached Guidance)

- 1. Project or Activity Sponsor: _____
- 2. Contact Person: _____
- 3. PWS ID# (required): _____ County: _____
- 4. Mailing Address: _____
Municipality: _____ State: _____ Zip: _____
Telephone No.: (____) _____ Fax No.: (____) _____
- 5. Engineering Consultant (as applicable): _____
- 6. Mailing Address: _____
Municipality: _____ State: _____ Zip: _____
Telephone No.: (____) _____ Fax No.: (____) _____

Please check one or more of the following to indicate your areas of interest in the DWSRF program:

___ DWSRF Construction Projects (Please also complete Page 2 only)

When are you interested in receiving construction project financing?

___ November 2010; ___ November 2011; ___ Beyond 2011

Interested in Pre-Award Approval? ___ Yes ___ No

___ DWSRF Nonproject Set-Asides Expenditures (Please also complete Page 3 only)

When are you interested in receiving nonproject set-aside activity funding?

___ November 2010; ___ November 2011; ___ Beyond 2011

DWSRF CONSTRUCTION PROJECTS

7. Project Description: (list by element; attach additional sheets, if necessary)

8. Need for Project (list by project element): _____

9. Estimated construction contract cost by element: \$ _____

10. Copy of acceptable drinking water infrastructure plan or comprehensive regional water plan attached: ____yes ____no ____will follow ____not available

11. Median Household Income (2000 Census): \$ _____
weighted for multiple municipalities: ____yes ____no

12. Applicable State Designation (please see NJDCA's State Development and Redevelopment Plan, NJDOT's Transit Village Initiative, and/or NJDEP's Brownfield Development Areas): _____

13. Population currently served by drinking water system: _____

Are there seasonal variations in population? ____Yes ____No

If so, list populations separately: _____ Winter
_____ Summer

Please see www.njeit.org (forms can be completed online; call (609)219-8600 for a PIN#) or www.nj.gov/dep/watersupply for copies of this document.

DWSRF NONPROJECT SET-ASIDES EXPENDITURES

14. Activity Description: (attach additional sheets, if necessary) _____

15. Estimated Cost for the proposed activity: \$ _____

16. The NJDEP may approve expenditures for the following activities in accordance with Section 1452 (k) of the SDWA. Please check one or more of the following categories in which you are interested, and provide a description to support your needs:

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 source water protection measures to protect source water in areas delineated under a source water assessment 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.

17. The NJDEP may approve expenditures for providing technical assistance to water systems serving 10,000 or fewer persons. Please indicate your interest in participating, and provide a description to support your proposal.

____ Small System Technical Assistance.

GUIDANCE FOR CONSTRUCTION PROJECT RANKING AND NONPROJECT SET-ASIDE EXPENDITURE INPUT FORM

Items 1 through 4: Please complete for the project or activity sponsor that may be applying for a loan or other assistance, and identify the appropriate contact person who will represent the project or activity sponsor.

Items 5 and 6: Please complete for the engineering consultant that will be working with the project or activity sponsor and identify the appropriate contact person, as applicable.

DWSRF CONSTRUCTION PROJECTS (complete page 1 and 2 only):

Items 7 and 8: Describe the proposed project and the corresponding need. Each project element must be submitted on separate forms. Points will be awarded for each project element, as applicable. Attach additional sheets as necessary.

Item 9: Estimate the construction cost per element based on the construction contract(s) that the project sponsor anticipates will be advertised for bids. The NJDEP will estimate the support costs.

Item 10: Attach, as applicable, a copy of the water supply master plan, capital improvement plan or comprehensive regional water supply plan, acceptable to NJDEP.

Item 11: Indicate the Median Household Income from the 2000 Census that is applicable to the service area of the water system. If multiple municipalities are served, provide the weighted median household income for the service area (please see page 14 of the NJDEP Intended Use Plan). Show calculations. If you do not know the Median Household Income, the NJDEP will complete this information for you.

Item 12: Indicate the appropriate municipal designation under the NJDCA's State Development and Redevelopment Plan, NJDOT's Transit Village Initiative, and/or NJDEP's Brownfield Development Areas. If you do not know the appropriate designation, the NJDEP will complete this information for you.

Item 13: Indicate the population currently served by the drinking water system based on the most recent data available. Also indicate any seasonal fluctuations in population.

DWSRF NONPROJECT SET-ASIDE EXPENDITURES (complete page 1 and 3 only):

Items 14 and 15: The information provided by participants will assist the NJDEP in its efforts to identify needs and to develop a priority system for the nonproject set-aside activities. Describe the proposed activity and the corresponding need. Each activity must be submitted on separate forms. Attach additional sheets as necessary.

Items 16 and 17: Such assistance should include, but is not limited to, an outreach program to explain and assist in the DWSRF program, provide practical assistance to water systems in significant noncompliance, and conduct operator training seminars.

Appendix A.5
Sample Commitment Letter
FFY2010/SFY2011 Funding Cycle
Schedule

This letter, on official stationery, must be received or postmarked by October 5, 2009 to be given consideration by the New Jersey Department of Environmental Protection (NJDEP) and the New Jersey Environmental Infrastructure Trust (Trust) for inclusion in the 2010 Financing Program (for loan awards scheduled to be made in November 2010).

Sandra Krietzman, Chief
Bureau of Safe Drinking Water Technical Assistance
Water Supply Operations Element
New Jersey Department of Environmental Protection
PO Box 426
Trenton, New Jersey 08625-0426

Dear Ms. Krietzman:

Subject: Project No.
 (Project Name)
 (Project Sponsor)
 (County)

In accordance with the provisions of the Priority System, Intended Use Plan and Project Priority List for FFY2010 and N.J.A.C. 7:22-3.7(a), I, _____, as
(Project Representative)

authorized representative for the above-referenced project, do hereby commit to meet the project document submittal deadlines identified below and the financial application deadline to be established by the Trust and the NJDEP for participation in the SFY2011 Financing Program (November 2010 scheduled financing):

Commitment Letter and Planning Documents	October 5, 2009
Design Documents and Loan Application	March 1, 2010

I understand that failure to comply with the submittal requirements and deadlines may result in the project being deemed ineligible for the 2010 Financing Program.

Enclosed please find a project ranking form, including any proposed modifications to the information represented in the Priority List.

Very truly yours,

(Authorized Representative)

Enclosure

C: Dennis Hart, Executive Director
New Jersey Environmental Infrastructure Trust (w/enclosure)
P.O. Box 440
Trenton, New Jersey 08625-0440

Stan Cach, Assistant Director (w/enclosure)
Municipal Finance and Construction Element
P.O. Box 425, 401 East State Street
Trenton, New Jersey 08625-0425

NOTE:

If a project sponsor fails to submit the proper documentation in accordance with the above deadlines, the sponsor's project(s) remain(s) on the Project Priority List and is (are) eligible for future funding based on that year's Priority System.

Please see www.njeit.org (forms can be completed online; call (609)219-8600 for a PIN#) or www.nj.gov/dep/watersupply for copies of this document.

Appendix A.6



- ECONOMIC RECOVERY PROGRAM FOR 2009 - CALL FOR PROJECTS

December 18, 2008

In anticipation of the approval of the federal economic recovery package that has been introduced by Congress, the Department of Environmental Protection (Department) and the New Jersey Environmental Infrastructure Trust are seeking projects that will be in a position to take advantage of these funds.

The economic recovery package (introduced as H.R. 7110) is intended to accelerate the construction of environmental infrastructure projects, create jobs and stimulate economic activity. Under the current bill, New Jersey could receive an additional \$262 million to finance clean water projects and an additional \$22 million for water supply projects. The economic recovery package is not expected to be enacted before the new administration takes office in January 2009. In anticipation of its enactment and given the proposed provisions that projects must be in a position to proceed within 120 days of the award of the funds to the State, USEPA has encouraged states to reach out to and communicate with potential fund recipients as soon as possible. At this point, the federal legislation would channel the economic recovery funds through the existing Clean Water or Drinking Water State Revolving Fund (SRF) Programs. However, until the legislation is approved, details regarding the mechanisms to award the funds and the timeframes that must be adhered to in order to qualify for the monies has yet to be determined. While details may change, it is important to identify projects that will be ready to commence within the short time frames that will be established.

A wide variety of wastewater treatment, stormwater management, water supply and nonpoint source pollution projects will be eligible. At this point in time we do not know if the recovery package will allow for grants or will be limited to loans. Traditionally loans have been made at half-market rate (except for smart growth projects which have been financed at one quarter-market rate). The Department and the Trust are considering various financing options including blending the two loans so projects able to begin construction sooner can get a lower interest rate. The following blending of the Department and Trust loans is being considered:

<u>For projects that are certified on or before:</u>	<u>Department Share</u>	<u>Trust Share</u>	<u>Approximate Interest Rate</u>
July 1, 2009	100%	0%	0%
July 31, 2009	90%	10%	0.5%
September 1, 2009	80%	20%	1.0%

Projects would be required to advertise and award a construction contract representing at least 30 percent of the project scope within 90 days of project certification and issue a notice to proceed within 120 days of project certification to qualify for the enhanced incentive financing rates identified above. Open space land acquisition and conservation projects are not eligible to participate in the Economic Recovery Program for 2009, but continue to be eligible under the traditional funding policies of the New Jersey Environmental Infrastructure Financing Program. Projects that have already committed to the 2009 traditional program to the Department in October 2008 will automatically be considered for inclusion in the 2009 Economic Recovery Program.

As an added incentive to encourage project sponsors to seek financing through the Economic Recovery Program in 2009, the Program is also considering a proposal to provide planning and/or design loans. These loans would be offered by the Trust to help defray the cost of engineering services that are needed to get an infrastructure project designed and permitted so that it is in a position to meet the 2009 deadlines.

The first step for any project to qualify for funding is to have the project placed and ranked on the appropriate clean water or drinking water priority lists. Sponsors can either do this electronically at www.njeit.org or by contacting the appropriate clean water or drinking water contact below. To receive funds projects must have planning and design complete and must obtain the needed approvals and permits. In addition information regarding economic benefits, including job creation, will be needed.

Project sponsors are encouraged to contact Stanley V. Cach, Jr., Assistant Director, at 609-292-8961 as soon as possible, but no later than January 30, 2009, so that a pre-application meeting can be arranged to discuss program requirements, project scope and the project schedule's compatibility with the aggressive timeframes of the economic recovery plan.

For Clean Water, Drinking Water and Financing

Dennis Hart, Executive Director, NJ Environmental Infrastructure Trust 609-219-8600
Gautam Patel, Chief, Bureau of Financing and Construction Permits 609-984-6840
Eugene Chebra, Chief, Bureau of Administration and Management 609-633-1208

For Drinking Water and DW Priority List

Phil Royer, Section Chief 609-292-5550
Josephine Craver, Supervisor 609-292-5550

For Clean Water/Priority List

Scott Shymon, Supervisor
609-292-3859

APPENDIX B

- 1) Drinking Water Infrastructure Needs Survey
- 2) Capacity Development Evaluation Procedure for DWSRF Project Sponsors
- 3) Chronological Summary of Capitalization Grants
- 4) USEPA 5700.7 – Environmental Results
- 5) Sources of Funding
- 6) Security Measures at Public Water Systems

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% or less of the total need shall receive a minimum of 1% 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%, 2.30% and 2.21%, 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.

USEPA has aggressively worked with the Drinking Water Needs Survey Workgroup in the past year to prepare the methodologies and policies of the 2007 survey. USEPA conducted the Needs Survey training from September to November 2006 at various locations. Sixty-seven water systems in New Jersey received the needs survey questionnaire in March 2007 including 12 systems serving greater than 100,000 and 55 systems serving between 3,301 to 100,000 residents. All surveys except one were submitted to USEPA's contractor, The Cadmus Group, prior to the required deadline of November 13, 2007. Also all modifications have been sent to The Cadmus Group before March 14, 2008. USEPA will compile and analyze data and draft a report. The Report to Congress was released on March 26, 2009 and the results will affect State allotments for fiscal years 2010 through 2013.

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	pending
TOTAL FFY97 to FFY09:			248,983,000	

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	None proposed
FFY09	0	None proposed
TOTAL:	70,266,570	

Appendix B.4 – Environmental Results

DWSRF Environmental Results SFY2009		
<u>Anticipated Outputs & Outcomes for SFY 2009</u>		
<u>Strategic Plan Objective 2.1</u>		
Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters), in fish and shellfish, and in recreational waters		
	OUTPUTS	OUTCOMES
CONSTRUCTION LOANS	12 Binding Commitments	Improved compliance with the SDWA for systems receiving DWSRF funds
	Close out 3 projects that did not requisition for final payment	Increase availability of funds for future projects to comply with the SDWA
SET ASIDE	OUTPUTS	OUTCOMES
Small System Technical Assistance	Conduct 35 training sessions	Improve compliance and operator efficiency among systems receiving technical assistance
	Conduct 10 outreach site visits	Increase compliance among systems, especially systems serving less than 10,000 customers
	Execute new \$200,00 Engineering Assistance Contract with NJWA	Increase % of DWSRF funding for small systems
Radon	Draft a Basis and Background Report for the Drinking Water Quality Institute	Provide cost, health and treatment options on radon in DW for rulemaking
Data Management	Upgrade to SDWIS/State Web Release 2 (SSwr2)	Enhance SDWIS/state database, queries and reports
	Continue production rollout and marketing of electronic environmental (E2) reporting	Get more labs/water systems to use electronic reporting for a more efficient reporting venue
Development of Program Rules	Develop Primacy submittal application for new rules	Receive primacy approval to aid water systems in complying with new rules
Sampling	100 community water systems sampled	Increase the number of water systems returning to compliance and/or maintaining compliance
SWAP	Collect locational data for five new CWS and ten new NCWS wells	The new well data will be added to the SWA's to keep information current and relevant
	Input the updated SWA data on our website	Updates to the website will keep local entities informed and provide latest information to help develop local SWAP strategies
SET ASIDE	OUTPUTS	OUTCOMES

Capacity Development	Conduct on-site evaluations for 1 CWS and 2 NCWS on the 2007 Strategy List	Identify TMF problems for each system and work towards resolution of problems
	2 new Non-Community Water System TMF review	Make sure that the new system is viable to ensure compliance with the SDWA
Operator Certification	Readoption of N.J.A.C. 7:10A, Licensing of Water Supply and Wastewater Treatment System Operators rules	Continue to provide guidance to all systems on licensed operator requirements
	approve 15 training sessions for TCH award	Improve pass/fail rates of LO taking NJDEP tests

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
609-292-8961
- 4) NJDEP- Green Acres
www.nj.gov/dep/greenacres/trust.htm
609-984-0500
- 5) NJDEP - SRP
Environmental Claims Administration
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
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 or (856) 787-7700
- 11) CoBank – for private water companies
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
- 14) Rural Community Assistance Partnership (RCAP)
in Conjunction with USDA/Rural Development
http://www.rcapsolutions.org/loan_funds.htm
RCAP Revolving Loan Fund
Donna Warshaw
RCAP Solutions Financial Services
978-630-6635
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>). Additionally, “Guidelines for the Physical Security of Water Utilities” (<http://www.wef.org/ScienceTechnologyResources/AccessWaterKnowledge/WaterSecurity/WaterInfrastructureSecurityEnhancements.htm>) can be used as a reference. 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 Vulnerability Assessments (VA) which identifies the weaknesses in physical structures, personnel protection systems, processes and other areas that may be exploited by terrorists and vandals. Then, recommendations are made to eliminate or mitigate those weaknesses. The final step is to implement the recommendations

A VA describes the water system components, determines the critical assets, identifies and prioritizes the adverse consequences to avoid, determines the probabilities of malevolent acts, evaluates the countermeasures and provides an analysis for risk reduction. 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 C

- 1) DWSRF Financing Program Summary
- 2) Projects by Type: Compliance and Public Health Criteria
- 3) Summary of Projects Previously Funded through DWSRF
- 4) Summary of Projects Previously Funded through Other Sources
- 5) Projects Funded through DWSRF in November 2008
- 6) Projects Funded through Other Sources in November 2008
- 7) Project Priority Master List
- 8) Comprehensive 2009 Proposed Traditional Priority List

< Click this link > to view or print Items 3 through 8 above
(in MS-Excel spreadsheets).

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 2008.

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%	*

* There were no Series B bonds sold in 2003, 2007 and 2008.

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 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

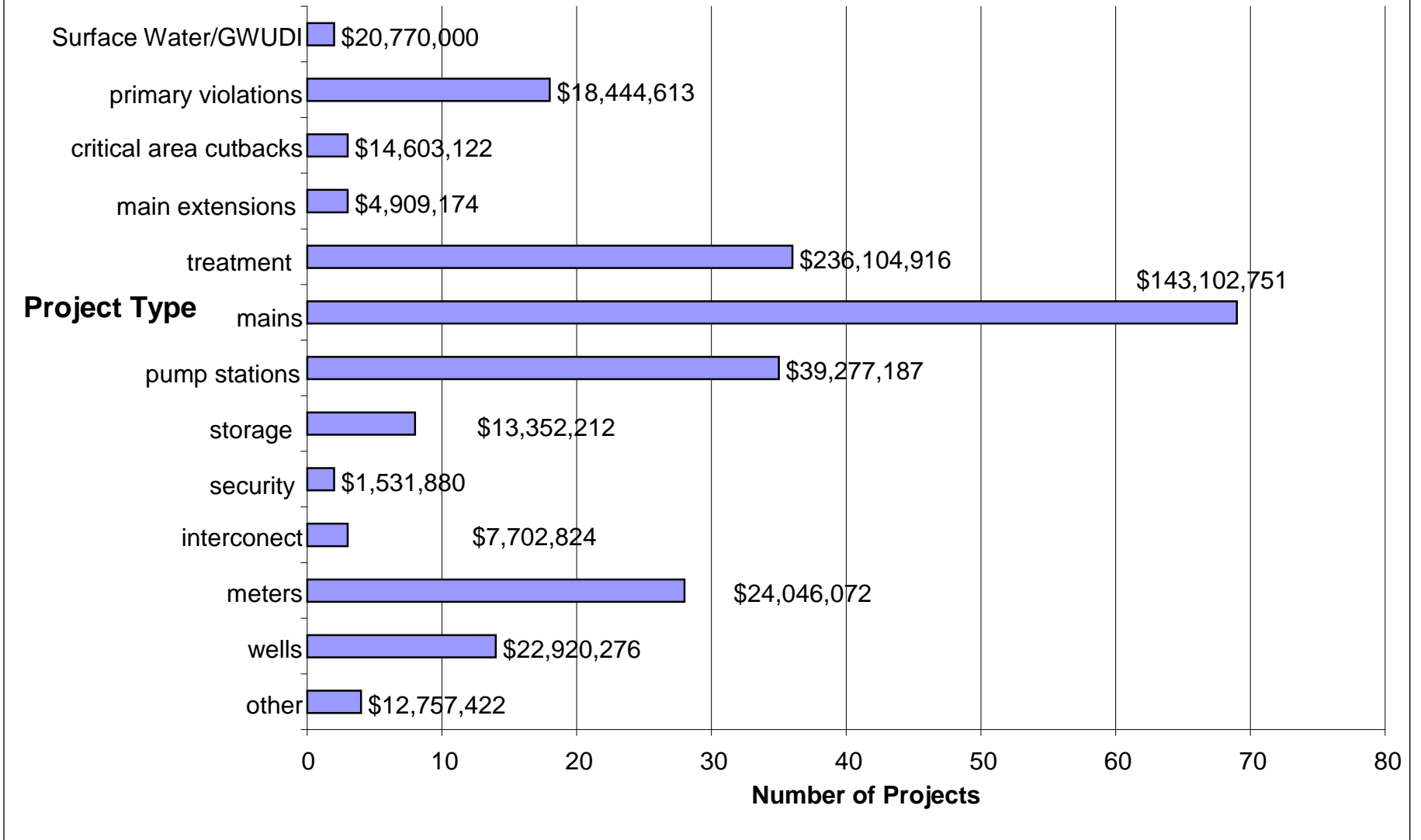
Project Sponsor	County	Project Description	Project Number	Year Financed	Project Amount	Proportion
Newark**	Essex	Cleaning and Lining of the Pequannock Aqueducts No. 1 and 2	0714001-003-1-0	Nov-08	\$4,894,140.00	75% / 25%
Newark**	Essex	Cleaning and Lining of 56,800 LF of 6,8 and 12-inch distribution mains	0714001-004-1-0	Nov-08	\$4,894,140.00	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%
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%
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	\$2,183,362.00	64% / 36%
Atlantic City MUA	Atlantic	Expand and upgrade filtration facility	0102001-001-0-0	Nov-05	\$5,377,620.00	75% / 25%
Trenton City	Mercer	Water main rehabilitation including cleaning and lining	1111001-003-0-0	Nov-04	\$12,481,572.00	55% / 45%
Camden City**	Camden	Rehabilitate the Morris-Delair treatment plant	0408001-003-1-0	Nov-03	\$6,655,299.00	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	\$5,567,400.00	63% / 37%
North Jersey District WS	Passaic	Rehabilitation of existing chemical feed equipment	1613001-010-0-0	Nov-03	\$2,968,650.00	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	\$4,963,950.00	63% / 37%
Camden City	Camden	Cleaning & Lining of large transmission mains	0408001-010-0-0	Nov-03	\$10,317,372.00	75% / 25%

**supplemental

Appendix C.2 - Projects by Type: Compliance and Public Health (1998 to 2008)



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.