



**NEW JERSEY DEPARTMENT OF  
ENVIRONMENTAL PROTECTION**

**DRINKING WATER  
STATE REVOLVING FUND**

**FFY2008 FINAL PRIORITY SYSTEM,  
INTENDED USE PLAN,  
PROJECT PRIORITY LIST,  
RESPONSE DOCUMENT,  
AND FINAL CHANGES TO  
FFY2007 INTENDED USE PLAN**

JULY 2007

Jon S. Corzine  
Governor



Lisa P. Jackson  
Commissioner



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State of New Jersey

JON S. CORZINE  
Governor


DEPARTMENT OF ENVIRONMENTAL PROTECTION

LISA P. JACKSON  
Commissioner

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MEMORANDUM

TO: Community Water Supply Systems  
Nonprofit Noncommunity Water Supply Systems  
County and Municipal Health Authorities  
Environmental Groups  
Engineering Consultants

FROM: Barker Hamill, Assistant Director  
Water Supply Operations Element 

SUBJECT: Drinking Water State Revolving Fund Final Priority System,  
Federal Fiscal Year 2008 Intended Use Plan, Project Priority List,  
Response Document, And Final Changes to FFY2007 Intended Use Plan

DATE: July 27, 2007

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

The NJDEP was pleased to receive a DWSRF Award for Sustainable Public Health Protection from the United States Environmental Protection Agency (USEPA) in January 2006 for the NJDEP's creative use of set-asides and innovative lending practices. The Award was for:

- New Jersey's efficient pace of program,
- New Jersey's leveraging of the DWSRF monies and Smart Growth Initiative,
- New Jersey's promotion of an innovative radon risk trading program through the implementation of a Multi Media Mitigation Program, and
- New Jersey's implementation of and enhancements to an enterprise data management system that consolidates data management systems across many media (air, water, land, and solid waste).

For more information about the DWSRF Award for Sustainable Public Health Protection from the USEPA and for narratives about the award recipients, please visit [http://www.epa.gov/safewater/dwsrf/pdfs/brochure\\_dwsrf\\_awardsforpublichealth.pdf](http://www.epa.gov/safewater/dwsrf/pdfs/brochure_dwsrf_awardsforpublichealth.pdf).

States must file capitalization grant applications each year with the USEPA to secure an allotment of federal funds needed to initialize and to continue the DWSRF at the State level. The central component of the State's application to the USEPA is the Priority System, Intended Use Plan, Project Priority List, and Response Document (IUP). The IUP describes how the State intends to spend the federal grant moneys, including eligible projects and non-project set-aside expenditures. The non-project set-asides are allowed by the DWSRF for activities that are not construction related, e.g., administration, technical assistance for small systems, State public water system supervision (PWSS), source water program administration, capacity development, and operator certification. Project expenditures typically involve loans by the DWSRF to water systems for planning, design, and construction of drinking water facilities.

The IUP also contains the FFY2007 and the FFY2008 schedules. Project sponsors must meet these schedules with all applicable deadlines in order to be considered for financing in November 2007 or 2008. Applicants are given priority in order of the ranking, except that projects for small systems will be financed before standard schedule projects with up to 15% of the DWSRF funds, in accordance with Section III - Small Systems, of the IUP.

Amendments to the New Jersey Environmental Infrastructure Trust's (Trust) enabling legislation authorized the establishment of a short-term financing program. It is proposed to channel CWSRF and DWSRF loan repayments to the Trust for this purpose. The interim loans will provide funds to project sponsors that are eligible for financing in the current fiscal year to cover project costs anticipated to be incurred prior to the award of the permanent long-term loans from the NJDEP and the Trust, which are typically awarded in November. As part of the development and implementation of the interim financing program, the Trust, in consultation with the NJDEP, adopted amendments to the Trust's rule to further define the application and award procedures. A rule adoption was published in the August 5, 2002 *New Jersey Register* (34 NJR 2803(a)).

Please note that several significant changes were proposed in the Proposed FFY2008 IUP and are finalized in this IUP. The Second Chance FFY07 Schedule required a Commitment Letter, Planning and Design Documents, a Loan Application, and proof of administratively complete permit applications by March 5, 2007. The NJDEP has discontinued the second chance schedule provision starting with the FFY2008/SFY2009 financing cycle. Emergency Repair Projects will

continue to be available on the list of eligible projects. Emergency Repair Projects will not have to be ranked on any Priority List, as stated in Section 35.3555 of the Final DWSRF Interim Rules in the August 2000 *Federal Register*, but will be identified in the following IUP and the Annual Report to USEPA. The water system will need to follow the requirements starting on page 18 in order to receive financing for emergency projects. And the full order of project priority is shown on page 12.

In the FFY2007 IUP, the NJDEP proposed a modification to the methodology of funding new and replacement well projects in which project sponsors will be eligible for a separate loan to construct the well. Please see page 17 for a discussion of this new method. This change was put into effect with the start of the November 2007 financing cycle and will continue to be in effect.

The USEPA has published guidelines for using the DWSRF to support Brownfield areas. The NJDEP proposes to implement a policy to fund Brownfield projects starting with the November 2007 funding cycle. Please see page 17 for a detailed discussion on Brownfield projects.

In an effort to better promote Smart Growth Initiatives, the NJDEP will continue to 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 urban centers or complexes and Transit Villages. Additionally, starting with the FFY2007 projects, the NJDEP will extend 75/25 funding to NJDEP's Brownfield Development Areas (BDAs). This initiative encourages investment in portions of New Jersey where infrastructure and public transit already exist, reduces traffic congestion, improves air quality by increasing transit riders, and promotes reuse of previously contaminated sites. Please see <http://www.nj.gov/dca/osg/plan/centerslist.shtml> for a listing of Urban Centers, <http://www.nj.gov/transportation/community/village/faq.shtm> for a listing of Transit Villages, and <http://www.nj.gov/dep/srp/brownfields/bda/> for a listing of BDAs.

In the Priority System under Category A, Compliance with SDWA and Protection of Public Health, Item 4, maximum contaminant level/action level violations, has been changed from 200 points to 250 points and language added to include "when NJDEP reasonably expects" to exceed the violations or exceedances. This change is to ensure the projects that address violations of primary drinking water standards receive the higher point totals to protect public health. Please see page 6 to view Table 1, Compliance and Public Health Criteria.

In the Priority System under Category C, five additional points will be awarded to a project that is sponsored by a Transit Village Community or a project that serves a Brownfield Development Area. Please see pages 9 and 10 for further information about these topics.

Ranking in this IUP is based on the current priority point system. Once the proposed changes are publicized and approved, the IUP will be finalized. After the IUP is finalized, the project priority ranking revised to reflect the changes noted above and a new version of the Project Priority List will be available in the next IUP issued by the NJDEP.

In addition, please note that the NJDEP and the Trust readopted the rules for the SRF programs, N.J.A.C. 7:22, with amendments. The Financial Assistance Programs for Environmental

Infrastructure Facilities rules were readopted with amendments and published in the January 3, 2006 *New Jersey Register* 38 NJR 139(a). Amendments were needed to clarify existing program requirements and streamline the program. Provisions to address emergency projects were added to the rule. Please contact Scott Shymon of Municipal Finance and Construction Element at (609) 292-3859 for more information on the revisions to the NJDEP rule.

Historically, any eligible project under the DWSRF program that meets the program requirements and is ready to proceed has been 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. The fundable line was first determined after the March 5, 2007 deadline and it is possible that this line will continue to fluctuate as project sponsors elect to bypass themselves or project sponsors are notified that their projects will, for various reasons, be bypassed. 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. However, 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.

Should you have any questions regarding the IUP or the DWSRF program, please contact Philip Royer, Josephine Craver, or Roger Tsao at the Bureau of Loans and Data Management at (609) 292-5550 or fax (609) 292-1654. If you would like a copy of the IUP, you may contact the DWSRF program or obtain a copy from our website, <http://www.nj.gov/dep/watersupply/loanprog.htm>.

#### Attachments

C: USEPA Region II, Bruce Kiselica, Chief, Drinking Water Section  
USEPA Region II, Stephen R. Vida, SRF Team Leader  
USEPA Region II, Alicia Suarez, DWSRF Coordinator  
Drinking Water Quality Institute, Mark Robson, Chairman  
USDA, NJ Rural Development, Kenneth C. Drewes, Director, Community and Business Programs  
NJAWWA, Stacy Fysz, Section Chair  
NJ Water Association, Rick Howlett, Executive Director  
Water Supply Advisory Council, Gene Golub, Chairman  
NJ Office of Smart Growth, Ben Spinelli, Acting Executive Director  
NJ Dept. of Community Affairs, Joseph Valenti, Bureau Chief, Local Government Services  
Board of Public Utilities, Maria Moran, Director, Division of Water and Wastewater  
NJ Economic Development Authority, John Rosenfeld, Director, Program Services  
NJ Housing and Mortgage Finance Agency, Jerome Keelen, Director, Single Family Programs  
New Jersey Redevelopment Authority, Leslie Anderson, Executive Director  
Gary Sondermeyer, Director of Operations, NJDEP  
Assistant Commissioner Nancy Wittenberg, Environmental Regulation, NJDEP

Assistant Commissioner Mark Mauriello, Land Use Management, NJDEP  
Director E. David Barth, Management and Budget, NJDEP  
Director Narinder K. Ahuja, Division of Water Quality, NJDEP  
Director Michele Putnam, Division of Water Supply, NJDEP  
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Dennis Hart, Executive Director, NJEIT



## OVERVIEW

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 \$850,000,000 for the Drinking Water SRF for FFY2006 and \$841,500,000 for the Drinking Water SRF for FFY2007. The results of the 2003 Drinking Water Infrastructure Needs Survey, which was published in June 2005, determines the allotment to New Jersey. 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 next cycle of data collection began in March 2007.

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 FFY2008 Priority List;
- 2- the summary of program requirements and document submittal deadlines for award of DWSRF loans in State Fiscal Year (SFY) 2008 (specifically, November 2007) using FFY2007 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 SFY2009 (specifically, November 2008) using FFY2008 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 FFY2008 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 2008 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 Loans and Data Management will jointly manage the DWSRF program with the Municipal Finance and Construction Element of the NJDEP and the New Jersey Environmental Infrastructure Trust (the 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 far 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 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 will be introduced each spring for each funding cycle. The DWSRF program closed in escrow on 187 DWSRF funded projects (\$473,004,399) and 3 projects funded through other sources (\$90,638,570) over the past nine funding cycles in 1998 to 2006 with loans being fully executed in November of each year.

The SDWA of 1996 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% 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 is proposing to transfer up to the maximum amount authorized from the CWSRF loan repayments to the DWSRF, as needed, as long as the transfer doesn't jeopardize the ability to fund clean water projects. The CWSRF program evaluates funds available to determine that adequate monies are available to be utilized for CW projects in the current fiscal year. In addition, the type and number of DWSRF projects are reviewed and the type and number of CWSRF projects are reviewed. Then 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 eight transfers of funds from CWSRF repayments to DWSRF have been approved by USEPA for a sum of \$64,256,610. The

NJDEP fully supports efforts to enact legislation to continue to allow the transfer of funds and the transfer provision was been extended by the USEPA for FFY2008. If adopted, the NJDEP proposes 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 program that meets the program requirements and is ready to proceed has been able to receive a CWSRF loan.

The 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 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 EIFP structure, all three of the bond rating agencies (Fitch, Moody's, Standard and Poor's) have 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 4.19% for the 2006A series bonds and at 4.48% for the 2006B bonds, which are for private water purveyors. The EIFP 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 EIFP, project sponsors (and in turn users) can expect to save up to 30% on the financing of the total eligible costs of a project. Please see page 72 for a summary of Trust bond rates.

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. For the FFY07 cycle, the NJDEP is extending this funding package to Brownfield Development Areas (BDA). The NJDEP plans to pursue regulatory changes to implement Smart Growth policies and laws in subsequent rulemaking. Upon adoption of these rules, the NJDEP will also provide the enhanced "75/25" funding package for projects that serve areas consistent with recently enacted legislation, rules, and policies. In the Priority System under Category C, five additional points will be awarded to a project that is sponsored by a Transit Village Community or a project that serves a Brownfield Development Area. Please see page 21 for a description of growth and Smart Growth issues.

NJDEP has developed a funding procedure for emergency infrastructure repairs under the DW and CWSRF programs and this IUP includes language to address those situations. Emergency repair projects will be limited to replacement in kind to correct the failure of an essential portion

of the water system where the service to the customers is expected to be disrupted for a minimum of 24 hours and/or pose a substantial threat to public health, safety, and welfare. The water system will need to follow the requirements starting on page 18 in order to receive financing for emergency projects. The full order of project priority will be revised as shown on page 12.

Historically, any eligible project under the DWSRF program that meets the program requirements and is ready to proceed has been 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. The fundable line was first determined after the March 5, 2007 deadline and it is possible that this line will continue to fluctuate as project sponsors elect to bypass themselves or project sponsors are notified that their projects will, for various reasons, be bypassed. 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. However, 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

The Second Chance FFY07 Schedule required a Commitment Letter, Planning and Design Documents, a Loan Application, and proof of administratively complete permit applications by March 5, 2007. Please see page 13 for a description of Second Chance eligibility. However, the DWSRF discontinued a Second Chance schedule as of FFY2008. The Second Chance schedule was added to the DWSRF program in the FFY2006 cycle.

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% and collected from all borrowers. A description of the NJDEP fee and a chronological summary of the fees starts on page 23. There is no SRF funding involved in the NJDEP loan origination fee and the Trust retains these fees until the NJDEP determines that the monies are needed that fiscal year.

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. As indicated starting on page 13, the FFY2007 schedule projects were required to submit planning documents and commitment letters by October 2, 2006 and all design documents and loan applications were due by March 5, 2007, in order to be considered for funding in the FFY2007 funding cycle (November 2007). In order to be considered for the FFY2007 Second Chance Schedule, projects were required to submit planning documents, commitment letters, all design documents, loan applications, and administratively complete application for all permits by March 5, 2007.

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 181 projects totaling \$625,432,894 on the Project Priority List. There are 53 Standard Schedule, 9 Second Chance projects, and 9 supplemental projects totaling \$176,871,713 on the proposed project priority list for November 2007.

### **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 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 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

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1. Systems that utilize surface water, that are not in compliance with the surface water treatment requirements or have had any acute violations (either fecal coliform or nitrates) and have been issued an administrative order or directive by NJDEP requiring the correction of any noncompliance of its treatment facilities to address an immediate public health threat.	500 Points
2. Systems which utilize groundwater under the direct influence of surface water, that are not in compliance with the surface water treatment requirements or have had any acute violations (either fecal coliform or nitrates) and have been issued an administrative order or directive by NJDEP requiring the correction of any noncompliance of its treatment facilities to address an immediate public health threat.	350 Points
3. Systems that utilize groundwater that have had any acute violation (either fecal coliform or nitrates).	300 Points
4. Systems that have had, or NJDEP reasonably expects to have, any maximum contaminant level violations (except acute violations) or exceedance of action levels (lead and copper rule).	250 Points

- |     |   |            |
|-----|---|------------|
| 5.  | Systems that have lost well capacity due to 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 |
| 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 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 fencing, lighting, motion detectors, cameras, and alternative auxiliary power sources.   | 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 |
| 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 Drinking Water Infrastructure Plan

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 or five year capital improvement plan 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.



2. 25 priority points will be assigned to a water system that has a local five year master plan or five year capital improvement plan or that is linked to a comprehensive water supply plan for a particular region or watershed 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).

C. State Designations

1. State Development and Redevelopment Plan

NJDEP seeks to coordinate with and implement 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. Points are assigned as shown in Table 2.

TABLE 2  
Conformance with State Development and Redevelopment Plan

1. Endorsed Strategic Plans or Urban Complexes or Urban Centers	20 Points
2. Regional Centers	5 Points
3. Towns	3 Points
4. Villages	2 Points
5. Hamlets	1 Point

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. 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/osg/plan/centerslist.shtml>.

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 see page 17 for further discussion about BDAs.

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 3:

TABLE 3  
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 Point

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

A weighted MHI will be calculated for a project sponsor whose water system serves more than one municipality, as shown in the example below.

Example

Municipalities Served	MHI	Populations Served	Fraction of total population served	Weighted municipal MHI
Lancaster	30,000	5,000	0.167	5,000
Mayberry	20,000	10,000	0.333	6,660
Holmeville	25,000	15,000	0.500	12,500
<b>Total</b>		<b>30,000</b>	<b>1.00</b>	<b>24,160</b>

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

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 (Standard Schedule and

Second Chance) 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 this document on page 26, Section III, Small Systems) up to 15% of DWSRF Funds,
3. Supplemental Projects,
4. Current Year's Standard Schedule Projects and Second Chance Projects which received 125 points or greater under Category A, Compliance with SDWA and Protection of Public Health, and
5. Second Chance Projects which received less than 125 points under Category A, Compliance with SDWA and Protection of Public Health from the Current Year.

## INTENDED USE PLAN

This IUP provides information on funds available through the Drinking Water SRF Program to provide financial assistance for projects using FFY2008 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 FFY2008 priority list. Project sponsors must have met the program schedule established below in order to be funded in November 2007:

### Standard FFY2007 Schedule

Commitment letter and Planning Document	October 2, 2006
Design Document and Loan Application	March 5, 2007
Application submitted for all Permits	March 5, 2007
Loan Award	November 2007

### Second Chance FFY2007 Schedule

Commitment Letter, Planning Document, Design Document, Loan Application, administratively complete applications submitted for all Permits	March 5, 2007
Loan Award	November 2007

In addition, due to the shorter timeframe to process the loan applications and project submittals, the following conditions apply for all Second Chance Projects:

1. Limited to project sponsors that qualify for Level I reviews (no Level II/III projects), and
2. Limited to project sponsors that have completed the public hearing portion of the Bureau of Water Allocation (BWA) permit application, if a BWA permit is required.

The FFY2007 Schedule (i.e., for loan awards in November 2007) was previously published in

the NJDEP's last IUP for the DWSRF Program finalized in June 2006. Please note that the prospective project sponsors that meet the deadlines in the FFY2007 Schedules will be given priority in order of ranking. Refer to Section III- Project Priority, in the Priority System section of this IUP.

The Standard Schedule for FFY2008 (November 2008) is as follows:

Standard FFY2008 Schedule

Commitment letter and Planning Document	October 1, 2007
Design Document and Loan Application	March 3, 2008
Application submitted for all Permits	March 3, 2008
Loan Award	November 2008

Second Chance FFY2008 Schedule

Starting with the FFY2008/SFY2009 financing schedule, the NJDEP has discontinued the second chance schedule provision.

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 2007 must have submitted a loan application and any permit applications by March 5, 2007. All supplemental loan applications pursuing funding in November 2008 must submit a loan application and any permit applications by March 3, 2008.

Historically, any eligible project under the DWSRF program that meets the program requirements and is ready to proceed has been 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. The fundable line was first determined after the March 5, 2007 deadline and it is possible that this line will continue to 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 Loans and Data Management (BLDM) 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.

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. Any project that fails to submit planning information by October 1, 2007 may be bypassed. Three copies of the planning document must be submitted by the deadline to:

Philip Royer, Section Chief  
Bureau of Loans and Data Management  
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, 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 (please see page 20), 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 for using the DWSRF to support Brownfields. Please see <http://www.epa.gov/safewater/dwsrf/index.html#facts> 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. In the Priority System under Category C, five additional points will be awarded to a project that is sponsored by a Transit Village Community or a project that serves a Brownfield

Development Area. 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 Standard Schedule or Second Chance 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. Please refer to page 11 for the priority ranking of projects.

The affected system must notify the Assistant Director of the Water Supply Operations Element in the Division of Water Supply, Barker Hamill, 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. 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 Department's satisfaction prior to the water system being reimbursed for the emergency repair.

### C. Projects not Eligible for Funding

The DWSRF cannot provide funding assistance for the following projects and activities:

- Dams, or rehabilitation of dams;
- Water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy;
- Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;
- Laboratory fees for monitoring;
- Operation and maintenance expenses;
- Projects needed mainly for fire protection;
- Projects for systems that lack adequate technical, managerial, and financial capability, unless assistance will ensure compliance;
- Projects for systems in significant noncompliance, unless funding will ensure compliance; and
- Projects primarily intended to serve future growth.

#### 1. Lack of technical, managerial, and financial capability

The DWSRF may not provide any type of assistance to a system that lacks the technical, managerial, or financial capability to maintain SDWA compliance, unless the owner or operator of the system agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance from the DWSRF will ensure compliance over the long term. A capacity development program was created to evaluate each system to be funded to ensure each meets the capacity development requirements (see Appendix B).

## 2. Significant noncompliance

The DWSRF may not provide assistance to any system that is in significant noncompliance with any national drinking water regulation or variance unless NJDEP determines that the project will enable the system to return to compliance and the system will maintain an adequate level of technical, managerial and financial capability to maintain compliance.

### D. Compliance without DWSRF Funding

The inability or failure of any public water system to receive assistance from the DWSRF or any other funding agency shall not alter the obligation of a drinking water system to comply in a timely manner with all applicable drinking water standards.

### E. Supplemental Loans

In the event that additional monies are needed because the low bid building cost is higher than the original loan amount, the project sponsor may request a supplemental loan. The NJDEP may execute a supplemental loan agreement only after passage of a subsequent legislative appropriations act providing monies for the specific project. In the event that additional monies are needed because of differing site conditions, the project sponsor may request a post-construction supplemental loan. The NJDEP may execute a post-construction supplemental loan agreement only after passage of a subsequent legislative appropriations act providing monies for the specific project. In both instances, the project sponsor is responsible for other costs. The NJDEP will give funding priority over projects on the current Priority List that are ready to proceed to projects that have previously received a loan in any previous funding cycle. Please see page 12 for a complete list of project priority.

### F. Pre-award Approval

In order to maintain eligibility under the DWSRF program, a project sponsor cannot advertise for bids before executing a loan unless the Department and the Trust issue written pre-award approval. Therefore, written pre-award approval is needed before the project sponsor advertises for bids. Any project sponsor is eligible for pre-award approval once programmatic requirements have been met. A project sponsor needs to receive all applicable permits, an Environmental Decision Document (EDD) from the Bureau of Program Development and Technical Services, 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.

### G. Allowable costs

#### 1. Land acquisition

Land acquisition is eligible only if it is integral to a project that is needed to meet or maintain compliance and further public health protection. In this instance, land that is integral to a project

is only that land needed to locate eligible treatment or distribution projects. In addition, the acquisition has to be from a willing seller.

## 2. Planning and design of a drinking water project

NJDEP has adopted rules at N.J.A.C. 7:22 entitled “Financial Assistance Programs for Environmental Infrastructure Facilities.” N.J.A.C. 7:22-5.12 establishes the eligible allowance to defray the cost of planning and design, for project sponsors whom do not seek reimbursement of actual planning and design costs. Please see Table 1, entitled “Allowance for Facilities Planning and Design” in N.J.A.C. 7:22 to calculate the planning and design allowance for projects whose sponsor does not seek reimbursement for actual planning and design costs.

## 3. Construction related cost of a drinking water project

The Financing Program rules (N.J.A.C. 7:22) provide eligible costs of 3% 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. In the Priority System under Category C, five additional points will be awarded to a project that is sponsored by a Transit Village Community or a project that serves a Brownfield Development Area. In response to the NJDEP’s extensive discussions throughout New Jersey regarding this significant environmental initiative, the NJDEP intends to propose program-specific regulatory changes (i.e., for various permits and/or approvals) to advance a tiered approach to natural resource protection. This rulemaking would also identify areas of the

state where the NJDEP will support growth. 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. Please see page 73 to view Table C.2, which 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/osg/plan/centerslist.shtml>. 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, and Netcong. 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. Please see page 15 for a discussion of eligible systems and projects. 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.

For those projects that have the potential to facilitate substantial growth or cause significant adverse environmental impacts, the NJDEP will thoroughly evaluate the planning submitted by the project sponsor with respect to the water quality/quantity impacts, location in the State, 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 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. In the future, this funding will be made available to areas identified as suitable for growth in subsequent rulemaking.

## 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 Trust retains these fees in an account outside the SRF fund until needed by the NJDEP. At that point the NJDEP informs the Trust of the monies needed to cover the amount of salaries in each fiscal year. The Trust releases the required amount and retains the excess for future use. 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 4  
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%	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% 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% 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 0% 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% of the project costs at 0% interest, while the Trust would provide 25% 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. After subsequent rulemaking for a tiered approach to natural resource management, this funding is expected to be available to projects identified as suitable for growth. The Trust offers market rate loans for the remaining allowable project costs, also for a 20-year term. Table 5 illustrates the NJDEP's intended use of the FFY2007 funds. Table 6 outlines the distribution of FFY2007 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 5 - DWSRF Uses

<u>Funds Available</u>	<u>FFY2008*</u>
Federal Capitalization Grant	\$18,500,000
State Match	\$ 3,700,000
Transfers from CWSRF to DWSRF	\$6,105,000
Estimated Repayments Available as of 2008	\$9,000,000
Interest Earnings	\$4,000,000
Remaining monies from previous Cap Grants **	\$0
Estimated Funds Available	\$41,305,000
<u>Projected Expenditures</u>	
Nonproject Set-asides (see Table 6)	\$ 2,960,000
Funds Available for Projects	\$38,345,000
Trust Reserve Fund	\$ 3,451,050
NJDEP \$\$ Available	\$34,893,950
Trust Bond Proceeds	\$34,893,950
Funds Available for Projects** (NJDEP & Trust)	\$69,787,900

\*The federal funds are estimated at \$18,500,000 for FFY2008 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 2008 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.

Table 6 - Non-Project Set-Aside Fund Uses  
\$2,960,000 (See Table 5)  
FFY2008\*

PROGRAM	AMOUNT	REMAINING AMOUNT***
Program Administration of DWSRF Projects (4%)	\$740,000	\$0
Small System Technical Assistance (2%) **	\$370,000	\$924,980
State Program Management (10%)**	\$1,850,000	\$2,437,810
State PWSS Program (3.74%)	\$691,000	\$1,335,434
Source Water Program Admin (2.86%)	\$530,000	\$633,204
Capacity Development (2.05%)	\$379,000	\$0
Operator Certification (1.35%)	\$250,000	\$469,172

\* The federal funds are estimated at \$18,500,000 for FFY2008 for planning purposes.

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

\*\*\* These figures are the unexpended funds in the DWSRF accounts as of December 1, 2006 and do not include outstanding contracts and salaries.

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 FFY2008 is \$1,850,000. The dollar to dollar state match is anticipated to be met by half of the funds coming from the SFY1993 PWSS Program overmatch and A-280 Safe Drinking Water Tax Fund and half from the SFY2008 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% of all funds credited to the DWSRF project account to provide loan assistance to systems serving fewer than 10,000 persons. Therefore, a fund of 15% 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% reserve fund, then the moneys would be utilized for eligible projects, in priority order, that have met program requirements.

NJDEP's most important short-term goal 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 these criteria; however it has proven to be a difficult goal to reach despite the best efforts and intentions of the NJDEP. For the last nine funding cycles, the New Jersey has not met the 15% goal. In the last funding cycle, five small systems for 8.12% of DWSRF funds were financed in November 2006. Only those small systems ready to proceed were issued loans.

A limited universe of viable applicants in New Jersey compounds this situation. Despite NJDEP's outreach efforts aimed specifically at small systems, there are simply not many small systems eligible for the DWSRF in need of assistance or that have an interest in pursuing the DWSRF loan program. Since New Jersey leverages its DWSRF program with a joint funding program with the NJ Environmental Infrastructure Trust, the larger amount of dollars that are subsequently available make it difficult to meet the 15% criteria. The NJDEP sponsored a state loan program under the 1981 Water Supply Bond that provided funding to many small systems in New Jersey throughout the twenty plus years the program was in effect. This effort significantly reduced the universe of small systems in need of infrastructure upgrades. Additionally, New Jersey's list of systems that are in significant non-compliance (SNC) contains only a few small systems that are DWSRF eligible. Also, NJDEP has actively promoted the Small Water Company Takeover Act and pushed small water companies that need help in meeting the SDWA requirements to merge with larger systems that are better equipped to handle all the SDWA requirements. Therefore, it is the larger systems that bought out the smaller systems, that are borrowing the funds and the credit does not get applied to small systems.

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% set-aside for technical assistance to small systems and a contract executed with New Jersey Water Association (NJWA), New Jersey will continue to strive to reach the goal of 15% in future funding cycles. The NJDEP entered into a contract with NJWA to provide engineering services to small systems under the Small System Technical Assistance set aside in March 2004 and was renewed in 2006. Under this contract, small systems serving less than 3,300 customers 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 this contract. As the 2004 contract was fully expended, NJDEP executed a new contract in 2006. Twelve engineers replied to the NJWA Request for Proposal (RFP). NJDEP will continue to reevaluate the program to see what changes can be made to better achieve this 15% goal.

#### 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 and the State Program Management categories of the set-asides have been reserved from each of the previous capitalization grants awarded to NJDEP by 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 (2%, 3 FTE)

On December 31, 2005, the agreement between the NJDEP and the New Jersey Water Association (NJWA), to provide one-on-one technical assistance site visits was terminated. In the first quarter of 2006 these site visits were taken over by Bureau of Safe Drinking Water personnel. The first quarter of 2006 was spent training an individual on how to conduct site visits. Over the next two quarters, twenty-two site visits were conducted.

During the twenty - two site visits, numerous problems were investigated and resolved including a fecal coliform problem caused by a shallow well (the owner cooperated and drilled a new

well), a nitrate problem from a shallow well only authorized for irrigation (the owner drilled new potable water well), a lead and copper problem at a school caused by injection of corrosion control treatment chemicals which were not flow paced (treatment was placed at well head and flow paced), another nitrate problem caused by shallow well near farmland (the owner installed anion exchange treatment), and a coliform problem in a community water system with numerous wells near surface water bodies (the facility has initiated microscopic particulate analyses).

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 SNCs), and 3) the smallest and/or poorest communities or Non-Transient, 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 and recommendations on financial records,
- f) Review of system's source and distribution system protection,
- g) Review of data required for issuing a Consumer Confidence report,
- h) Guidance in selecting appropriate technologies for small system needs,
- i) Guidance on DWSRF and other available financial assistance, and
- j) Review of record keeping.

The NJDEP continues to contract with the New Jersey Water Association (NJWA) to provide group-training sessions, for a term of three years. 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. NJWA conducted 19 group training sessions in 2006. The training sessions are well attended and receive positive reviews from the licensed operators.

NJWA and the NJDEP also cooperated to conduct four group training sessions for health officers on how to conduct site inspections and how to identify treatment. Approximately 30 - 40 persons attended.

NJDEP will continue field-sampling efforts to evaluate water quality at noncommunity water systems that have either monitoring/reporting or MCL violations. The sampling effort allows a wide snapshot of water quality problems that affect noncommunity 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 has an agreement (three year term until August 2009) 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 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 water systems to utilize their own resources to pay for these engineering costs.

### **Goals**

The following items will be addressed during FFY08:

- Training of staff person to conduct small water system technical assistance site visits.
- Continue to provide training so that health departments have more technical expertise when conducting their inspections of noncommunity water systems.
- Continue to provide 30 NJWA training courses per year for small water system operators that are applicable for Training Contact Hours for license renewal.
- Continue to sample approximately 400 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. This contract will be in effect for three years.

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

NJDEP intends to use this set-aside to provide support for: (1) PWSS programs such as the radon multi-media mitigation 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 (3.74%)

###### i. Radon Multi Media Mitigation Program (1 FTE)

The State of New Jersey is presented with a unique opportunity to develop and promote an innovative radon risk-trading program through implementation of a Multimedia Mitigation (MMM) Program. Radon poses a risk from both the air pathway and the water pathway. Radon is present in soil gas that enters homes and exposes the residents through the air pathway. It is also present in groundwater and drinking and showering exposes people. Although the radon in water risk is high relative to other drinking water contaminants, it is low compared to the risk of

radon exposure from the air pathway.

The amendments to the SDWA in 1996 changed the approach that USEPA uses to set drinking water standards. Congress mandated a National Academy of Sciences (NAS) risk assessment to guide the setting of the MCL for radon. Congress further stated that if USEPA promulgates an MCL “more stringent than necessary to reduce the contribution to radon in indoor air from drinking water to a concentration of radon in outdoor air,” then the USEPA must establish an Alternate Maximum Contaminant Level (AMCL). Based on the determination by the NAS Committee that the national average outdoor radon level is 0.4 pCi/l and the transfer factor from radon in water to air is 10,000:1, the NAS Committee recommended that the AMCL be set at 4,000 pCi/l.

On November 2, 1999, the USEPA proposed a new Radon in Drinking Water regulation. The unique nature of radon and the comparison of the risk from both water and indoor air set the stage for USEPA to propose an innovative multimedia approach for radon. The proposed regulation provides States with the flexibility in how to best limit the public’s exposure to radon. States can focus their efforts on the greatest public health risks from radon – those in indoor air – while also reducing the highest risks from radon in drinking water. USEPA strongly encourages States to take full advantage of the flexibility and risk reduction opportunities in the regulation.

The proposed “National Primary Drinking Water Regulations; Radon-222” in the Federal Register primarily focuses on public health protection. A Maximum Contaminant Level Goal (MCLG) is set at the level at which no known or anticipated adverse effects occur and for radon, therefore the Administrator set the MCLG at zero. An MCL should then be set, as close to the goal as feasible, by taking into account a cost/benefit analysis as well as consideration of affordable treatment technologies for small water systems. In the proposed rule, the MCL for radon is set at 300 pCi/l. In addition to the promulgation of a MCL, USEPA proposed an AMCL of 4000 pCi/l for radon. The AMCL must be accompanied by a MMM Program to address risks from radon in indoor air.

The proposed rule applies to all community water systems (CWSs) that use ground water or mixed ground and surface water. USEPA’s plans to publish the final rule are indefinite at this time. Under the proposed rule, CWSs would be required to begin their initial monitoring requirements for radon by three years after publication of the final rule. As an incentive for states to focus their program on the pathway that gives the greatest risk to its citizens, states that submit a letter from their Governor to the Administrator committing to develop a MMM Program plan within 90 days of publication of the final regulation in the Federal Register are required to begin monitoring 4.5 years after publication of the final rule.

New Jersey is one of the states where the unique provisions of the SDWA for radon could have a dramatic cost savings for purveyors and an equally dramatic risk savings in terms of lung cancer deaths averted. The strong radon in air program that has been in place in New Jersey for over 10 years furnishes the building blocks necessary to provide substantive input into the development of a MMM Program as well as perform a quantitative comparison of the risk trading.

It is estimated that about 50% of New Jersey public water systems, serving about 25% of New Jersey's population, have radon in water levels between 300 pCi/l (MCL) and 4,000 pCi/l (AMCL). Some of these systems may or will install treatment prior to the promulgation of the radon standard. The number of systems that might be eligible for participation in the MMM Program is between 250 and 350.

## Goals

### Multimedia Mitigation Programs

The MMM Program is intended to provide a more cost-effective alternative to achieve radon risk reduction, by allowing States (or CWS) to address radon in indoor air from soil, while reducing the highest levels of radon in drinking water. The MMM Program is modeled on the National Indoor Radon Program implemented by USEPA and States to address radon in indoor air. The program has been successful in achieving indoor radon risk reduction through a variety of program strategies, which form the basis for USEPA's proposed MMM Program plan criteria. USEPA has identified four criteria that a State MMM Program plan is required to meet to be approved by USEPA. The four criteria are:

1. Public involvement in development of the MMM Program plan,
2. Quantitative goals for existing homes fixed and new homes built radon-resistant,
3. Strategies for achieving goals, and
4. Plan to track and report results.

The Radon Section will schedule a meeting with the Radon in Water work group. This group of government and regulated community representatives is instrumental in developing a draft Radon MMM Program. Upon completion, the draft will be circulated for comment. The Radon Section database will continue to be enhanced and outreach efforts will continue. As previously identified, a new position has been approved to work on the MMM Program.

The following items will be addressed during FFY08:

- 1) Interpretation of the information gathered from focus groups will be ongoing through FFY2008.
- 2) Prepare background materials that include health, cost, and treatment position papers for the Drinking Water Quality Institute (DWQI).
- 3) Develop a MMM Program for New Jersey to present to the DWQI, if requested.
- 4) Present occurrence and affected population data for New Jersey.
- 5) Contact CWS in an effort to provide assistance to the Bureau of Safe Drinking Water.
- 6) Maintain course outlines, material, instructors, and logistics for a certification program for radon in water professionals.
- 7) Maintain technical reference materials for radon in water mitigation.
- 8) Continue efforts with the Radon Section to develop quantitative goals for (a) the development of new construction that is radon resistant (b) the mitigation of radon in air at existing homes, and (c) the development of funding with money from MMMP a program for school testing and mitigation.



- 9) Work with legislators on dedicated funding of radon program and/or mandatory testing of homes and schools.

- 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.

Currently, the NJDEP and AMS-CGI are developing and designing the NJEMS-SDWIS/State Interface application to provide an efficient electronic data exchange between NJEMS and SDWIS/State; maintain data integrity between the two data systems; 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 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.

*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 the former mainframe computer application, New Jersey Public Water System (NJPWS) to SDWIS/State.

NJDEP has not yet achieved full implementation of SDWIS/State 8.0, due to the substantial complexity of SDWIS/State 8.0, with its considerable functionality and built-in modules. 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 anticipates implementing 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 1 (SSwr1).

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

NJDEP anticipates the effort to implement E2, including outreach, guidance and assistance to interested users, NJDEP program changes to revise standard operating procedures, system administration and report management roles, design and development of 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 various reports in support of the E2 Reporting System for DWR and PWTA reporting, data evaluations, and perform other system implementation activities.

### Geographic Information Systems (GIS)

NJDEP Water Supply data management activities provide Geographic Information Systems (GIS) support to the Source Water Assessment Program (SWAP) for the completion of reports for new sources of supply; provided additional analysis, mapping, and presentation of data for: water resource allocations, critical water supply areas, water system components, water system emergency response, SDWA compliance, and potential impacts on SDWA Ground Water Rules; and participated in the needs assessment for iMap-NJ.

### 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;
- 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;
  - move or migrate legacy PWTA data to the COMPASS database system;
  - install SDWIS/State web release 1 (SSwr1), migrate data from SDWIS/State 8.0, and implement SSwr1 and subsequent releases;
  - 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;
  - design, develop, test, and implement an 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 SSwr1;
  - enhance the New Jersey Electronic Environmental (E2) Reporting System for compatibility with SSwr1;
  - develop 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 and SDWIS/State 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; and

- 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.

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 (2.86%, 4 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) and determined each source's susceptibility to contamination. Susceptibility is a measure of the potential exposure of a drinking water source to contamination.

Approximately 85 to 90 percent of New Jersey's population receives drinking water from public water systems. These public water systems are highly regulated and perform routine monitoring for the presence of contaminants. In 2003, 606 public community water systems consisting of 2237 wells and 64 surface water sources served approximately 7.5 million New Jersey residents.

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.

NJDEP issued source water assessments for community water systems in December 2004 and for noncommunity water systems in June 2005. All source water assessment information is available to the public through NJDEP's Source Water Assessment Program web site at <http://www.state.nj.us/dep/swap/>.

## **Goals**

NJDEP will develop and implement source water protection initiatives to better safeguard current and future drinking water resources. 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. 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.

NJDEP anticipates proposing revisions to the New Jersey Safe Drinking Water Act rules to incorporate a well head protection component. The Safe Drinking Water Act regulations at N.J.A.C. 7:10 establish construction standards for public community and public noncommunity water systems. NJDEP anticipates the proposal will consist of five key modifications that clarify and strengthen the existing Safe Drinking Water Act rules, but address source water protection concerns. The anticipated procedures public water systems must follow when proposing to install a new, modified or expanded source of drinking water will reinforce the NJDEP's vision of source water protection. The proposed amendments will improve the definition of a major pollutant source, expand the area under consideration for the placement of a proposed well (revision of time of travel criteria), revise the new source application requirements to include the submission of a Well Head Protection Area (WHPA), establish a public notification procedure, and create source water protection requirements for all development consisting of 50 realty improvements or more. The New Jersey Safe Drinking Water Act rules are readopted every five years. If NJDEP continues to move forward with the anticipated rule amendments described above, the amendments will be adopted in 2008.

As part of the NJDEP's anticipated proposal, WHPAs already generated through the Source Water Assessment Program (SWAP) to date will be adopted into the Statewide Water Quality Management Plan.

In addition, NJDEP anticipates proposing that all existing water quality and drinking water protection programs at the State and local level adopt the New Jersey Geological Survey (NJGS) WHPA methodology and that new WHPAs are certified by NJGS. This action is intended to geographically target and prioritize special protections for New Jersey's groundwater drinking water supply.

In the meantime, 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 locational 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.

In addition, new sources of public water will need to be evaluated and assessed. It is anticipated that 25-50 new community water system wells will be placed into service each year. NJDEP anticipates approximately 60 or more new noncommunity water systems (transient and nontransient) will become active each 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.

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.

Continuing public participation activities for SWAP include participation in training sponsored by other agencies such as the NJWA, Rutgers Continuing Education, and other groups upon request. The NJDEP will continue to maintain its Source Water Assessment Program website to keep the public informed of the protection strategies, provide the most recent source water assessment reports and summaries, and answer questions the public may have concerning the program. NJDEP will revise and expand its source water protection page to include examples of well head protection ordinances and updates on source water protection regulations. On average, the website receives approximately 500 visits per month.

### 3. System Capacity Development (2.05%, 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. Additionally, New Jersey adopted a new rule at 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. Review and revise New Jersey's Capacity Development Strategy. It is important to update the Strategy, as needed, to reflect the changes that the Program has experienced and to utilize the knowledge learned since the Strategy was approved in 2000.
  - b. If not completed in FFY2007, develop a Strategy List of public water systems requiring capacity development. This list identifies those existing water systems that require TMF evaluations and improvement plans, where necessary.
  - c. Perform TMF evaluations and provide technical assistance as necessary to promote capacity development of those water systems that fail to demonstrate TMF capacity. Capacity evaluations are performed and technical assistance is to be provided by the NJDEP and/or by third party contracted services.
  - d. Perform TMF evaluations on any new community and NTNC water systems.
  - e. Prepare and issue approximately 1,500 monitoring schedules to all community and NTNC water systems.
  - f. Prepare and submit, by August 15 of each year, an annual report to the USEPA-Region II on the ongoing implementation of the NJDEP's Capacity Development Program.
  - g. Prepare and submit, by September 30, 2008, a report to the Governor on the efficacy of the State's Capacity Development Strategy and progress made towards improving the technical, managerial and financial capacity of public water systems. This will be the third report to the Governor.
4. Operator Certification (1.35%, 2 FTE)

The NJDEP regulations titled N.J.A.C. 7:10A "*Licensing of Water Supply and Wastewater Treatment System Operators*" will expire on May 24, 2007. NJDEP has petitioned to extend the expiration date so that any needed changes can be made upon readoption of the rule.

These regulations require all public community and NTNC water systems to employ a licensed operator. To assist with compliance, the NJDEP notified affected facilities and created the Very Small Water System (VSWS) license classification, which covers approximately 85% of the systems, which were required to employ a licensed operator for the first time. The NJDEP with the assistance of its stakeholder group, the Advisory Committee on Water Supply and

Wastewater Licensed Operator Training, and New Jersey's educational institutions have trained and certified over 300 VSWS licensed operators.

In December 2003, the NJDEP identified approximately 140 systems that did not comply with the new operator requirements. NJDEP coordinated with local and county health department agencies and NJDEP regional field offices to assist with noncompliance issues for those systems that did not have a licensed operator. At this time, of the approximately 1500 public water systems not required to have a licensed operator, less than 1% are not in compliance. 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.

NJDEP also has a regulatory requirement for 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. The New Jersey Advisory Committee on Water Supply and Wastewater Licensed Operator Training gave program approval to the AWWA's Online Institute. This is the first distance education provider to receive New Jersey's approval. NJDEP is currently reviewing other online training and distance education courses for TCH credit eligibility.

NJDEP has engaged in the several activities to support training programs in New Jersey. NJDEP contracted with the SOTC at Rutgers University to provide tuition cost reimbursements for qualified water licensed operators. The reduced costs have made this training more accessible to operators. NJDEP also subsidizes operator continuing education courses provided by the NJAWWA.

NJDEP had conducted a number of on site point of entry analyses for those water systems whose operator reports show a curious consistency in chlorine residual readings. In several instances, onsite investigation has shown no point of entry chlorine residual. These systems were referred to Water Compliance and Enforcement for further action. In addition, the NJDEP has identified water system operator reports that were submitted to the NJDEP with what appeared to be photocopied pages or where the explanation for consistent chlorine residual readings appears to be implausible. These water systems have also been referred to Water Compliance and Enforcement.

## **Goals**

The following items will be addressed during FFY08:

- The NJDEP will work to effect regulatory changes, if needed, to N.J.A.C. 7:10A “*Licensing of Water Supply and Wastewater Treatment System Operators*” in concert with our Board of Examiners and the Advisory Committee.
- NJDEP will continue to subsidize the training and examination of persons wishing to become VSWS operators. However as over 300 VSWS licenses have been issued, the interest in acquiring a VSWS license has diminished.
- 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 remains at less than 1%.
- NJDEP will continue to review course materials for approval to award TCHs, course providers, and monitor license holders for adequate TCH accumulation. Also, the NJDEP will 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. The tracking process has not been implemented to date.
- The NJDEP will execute a new agreement to extend funding for course fee reimbursement under both the Rutgers SOTC and NJAWWA programs through FFY2006. Also, NJDEP will continue a program to provide tuition reimbursement to any persons who are taking the introductory or advanced courses needed to obtain a drinking water operator license.
- 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

Striving to provide a minimum of 15% of project funds to help finance improvements to small water systems and providing assistance to eligible projects of the highest priority on the Project Priority List are the most imminent short-term goals. Other short-term goals include securing NJDEP’s current drinking water capitalization grant from the USEPA so that funds will be available for water supply systems to comply with the SDWA. The NJDEP will continue to meet all USEPA deadlines for DWSRF submittals and have all submittals approved by the USEPA. Also, the NJDEP will provide opportunities for the funding of security projects to protect New Jersey’s water supply facilities.

The primary long-term goal is to continue to use all available and appropriated funds to assist New Jersey water systems to achieve and maintain drinking water quality to eliminate violations of the SDWA. In addition, NJDEP desires to maintain the fiscal integrity of the DWSRF and to assure a self-sustaining loan fund for future generations. New Jersey will continue to evaluate funding sources to supplement the ability of the DWSRF to fund construction projects and set aside activities, such as the need for a dedicated bond. NJDEP will periodically review the

program, loan fund, and set-aside projects to ensure it meets the needs of New Jersey water systems and continues to address the needs of the water systems and customers. The NJDEP will assure that the DWSRF and projects receiving funds comply with all federal “cross-cutting” regulations and will continue to encourage project sponsors to meet all socially and economically disadvantaged (SED) business requirements. The NJDEP will continue to implement all set-aside programs.

The NJDEP will continue to promote New Jersey’s Smart Growth initiatives. Additionally, the DWSRF program will utilize the Brownfield policies of the USEPA and the NJDEP in an effort to fund infrastructure projects associated with Brownfield site in New Jersey. An estimated 10,000 sites of the approximately 23,000 contaminated sites in New Jersey are potential brownfield sites. The DWSRF program will work with drinking water systems that sponsor Brownfield redevelopment projects to provide funding for drinking water infrastructure. The NJDEP proposes to offer up to 75/25 funding to projects in Brownfield Development Areas (BDAs).

Historically the NJDEP has been able to fund all projects that have been ready to proceed in each funding cycle. However, resources for the FFY07 and FFY08 funding cycles are limited. The NJDEP, in conjunction with the Trust, will pursue developing alternative funding options for projects that are ready to proceed but fall below the funding limits of the DWSRF. In an effort to increase the amount of money available to fund projects, the NJDEP may pursue additional sources of money to fund drinking water infrastructure projects. Further, the NJDEP in conjunction with the Trust and the Trust’s bond council will utilize the financial model provided by the USEPA to aid in long term financial planning. NJDEP intends to form a financial committee consisting of financial and technical staff to evaluate and make recommendations about short and long term financial planning. Also, the NJDEP will explore additional sources of money to fund the salaries of DWSRF Set Aside positions.

The DWSRF will target marketing efforts towards systems that are out of compliance in an effort to offer DWSRF assistance to return the systems to compliance. The NJDEP develops a list of systems (Strategy List) not in compliance through the Capacity Development program. The systems on this list are notified, through the efforts of NJDEP staff and a contract with the NJWA, of the availability of the DWSRF program. Also, small systems serving a population of less than 3,300 that are not in compliance are eligible for engineering assistance through a contract with the NJWA. Of the six community water systems that were ranked high on the most current strategy list (2004), five are small systems. DWSRF staff will present the loan program to the three NJDEP Water Compliance and Enforcement bureaus so the Enforcement staff that most often visits systems is aware of the benefits of the DWSRF.

## 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.

This document, along with other DWSRF documents, is available at the NJDEP Public Access Center and other NJDEP informational centers. Information about this program and essential contact information is available on the NJDEP home page, <http://www.nj.gov/dep>, which can be accessed from the State of New Jersey home page, <http://www.nj.gov>. This IUP is 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://njenv.rutgers.edu/njdlib>. The catalogue of loans and grants is available on the State of New Jersey page, <http://www.nj.gov/dep/grantandloanprograms>. The NJDEP has enhanced its website and the new site will include a link to this site from the new Water Supply homepage.

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 (NJAWWA), and the North Jersey Water Conference. Also, an informational sheet was sent to community water systems serving less than 10,000 residents to ensure they are aware of the availability of loan funds and to promote the engineering assistance program available to systems that serve a population of less than 3,300. NJDEP staff makes presentations throughout the year to interest groups that represent small systems.

The NJDEP anticipates sponsoring several meetings throughout the state with health agencies and municipal government agencies for SWAP activities to explain the significance of the source water assessments. Also, continuing public participation activities for SWAP, and other set-asides, 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 developed a proposed Project Priority System which was sent 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. A Construction Project Ranking and Nonproject Set-aside Expenditure Input Form, included in the proposed Project Priority System, was used to solicit interested project sponsors to place proposed infrastructure projects on the Project Priority List and to solicit interested sponsors to provide input on nonproject set-aside expenditures. Appendix C lists all construction projects on the current project list (comprehensive list), projects funded in November 2006, and projects expected to be funded through the Standard Schedule and the Second Chance Schedule in November 2007 under the fundable list, and a summary of projects already funded in November 1998 to November 2006.

## **APPENDIX A**

- 1) Critical Steps for DWSRF Loans
- 2) FFY2007/SFY2008 Drinking Water Financing Program Schedule
- 3) FFY2008/SFY2009 Drinking Water Financing Program Schedule
- 4) Construction Project Ranking and Nonproject Set-Aside Expenditure Input Form
- 5) Sample Commitment Letter for Standard Schedule Projects FFY2008/SFY2009

## 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/forms/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 FFY07 cycle second chance deadline is March 5, 2007
- The FFY08 cycle deadline is October 1, 2007
- 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/forms/commitmentletter.pdf>

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

- Plans, specifications, loan application and all permit applications must be submitted
- The FFY07 second chance deadline is March 5, 2007
- The FFY08 cycle deadline is March 3, 2008

### 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



**FFY2007/SFY 2008 Drinking Water Financing Program Schedule**  
 (Using FFY 2007 and Other Available Federal Monies)

<b><u>DATE</u></b>	<b><u>ACTION</u></b>
Before April 26, 2006	-Project Ranking Forms are due from prospective project sponsors for projects not already on the Project List
April 26, 2006	-Public hearing on FFY2007 Priority System, Intended Use Plan and Project Priority List proposal
Before October 2, 2006	-Prospective project sponsors attend preplanning meeting with NJDEP prior to submitting Commitment Letter
October 2, 2006	-Project Commitment Letters due -Applicants submit all planning documents to NJDEP
On or before January 15, 2007	-NJDEP/Trust submit list of projects (based on Priority System ranking methodology) to Legislature for forthcoming State Fiscal Year
March 5, 2007	-Applicants submit all design documents to NJDEP -Applicants submit complete loan application to NJDEP -Second Chance applicants submit all required documents to NJDEP -Supplemental Loan applications due
On or before March 30, 2007	-Financial Plan for forthcoming State Fiscal Year submitted by Trust to Legislature
May 2007	-Applicants submit financial addendum form to the Trust
June 30, 2007	-Legislature acts on Financial Plan -Trust transmits both draft loan agreements to qualifying applicants
Late August through mid-September 2007	-Execute NJDEP/Trust loan agreements in escrow
November 2007	-Loan award

**FFY2008/SFY 2009 Drinking Water Financing Program Schedule**  
 (Using FFY 2008 and Other Available Federal Monies)

<b><u>DATE</u></b>	<b><u>ACTION</u></b>
Before April 12, 2007	-Project Ranking Forms are due from prospective project sponsors for projects not already on the Project List
April 12, 2007	-Public hearing on FFY2006 Priority System, Intended Use Plan and Project Priority List proposal
Before October 1, 2007	-Prospective project sponsors attend preplanning meeting with NJDEP prior to submitting Commitment Letter
October 1, 2007	-Project Commitment Letters due -Applicants submit all planning documents to NJDEP
On or before January 15, 2008	-NJDEP/Trust submit list of projects (based on Priority System ranking methodology) to Legislature for forthcoming State Fiscal Year
March 3, 2008	-Applicants submit all design documents to NJDEP -Applicants submit complete loan application to NJDEP -Supplemental Loan applications due
On or before March 30, 2008	-Financial Plan for forthcoming State Fiscal Year submitted by Trust to Legislature
May 2008	-Applicants submit financial addendum form to the Trust
June 30, 2008	-Legislature acts on Financial Plan -Trust transmits both draft loan agreements to qualifying applicants
Late August through mid-September 2008	-Execute NJDEP/Trust loan agreements in escrow
November 2008	-Loan award

New Jersey Department of Environmental Protection  
Drinking Water State Revolving Fund Program  
Bureau of Loans and Data Management  
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

December 2006

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 2007;  November 2008;  Beyond 2008

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 2007;  November 2008;  Beyond 2008

**DWSRF CONSTRUCTION PROJECTS**

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

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

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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

**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 10 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.

**Sample Commitment Letter**  
**FFY2008/SFY2009 Funding Cycle**  
**Schedule**

This letter, on official stationery, must be received or postmarked by October 1, 2007 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 2008 Financing Program (for loan awards scheduled to be made in November 2008).

Barker Hamill, Assistant Director  
Water Supply Operations Element  
New Jersey Department of Environmental Protection  
PO Box 426  
Trenton, New Jersey 08625-0426

Dear Mr. Hamill:

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 FFY2008 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 SFY2009 Financing Program (November 2008 scheduled financing):

Commitment Letter and Planning Documents	October 1, 2007
Design Documents and Loan Application	March 3, 2008

I understand that failure to comply with the submittal requirements and deadlines may result in the project being deemed ineligible for the 2008 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.**



## 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) Summary of Public Hearing

## **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 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 \$18,211,700 (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 have 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. No small water systems, serving less than 3,301 residents, in New Jersey are selected to be surveyed by USEPA. However, the needs of small water systems will be statistically assigned based on the national needs. Results of the 2007 Needs Survey will affect State allotments for fiscal years 2010 through 2013.

## **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.

**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 27, 2006
FFY07	826,877,500	2.21	18,212,000	Future Award
TOTAL FFY97 to FFY07:			212,929,000	

**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	Pending
TOTAL:	70,266,570	



**DWSRF Environmental Results SFY2007**  
**Anticipated Outputs & Outcomes for SFY 2007**

**Strategic Plan Objective 2.1**

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	11 Binding Commitments	Improved compliance with the SDWA for systems receiving DWSRF funds
	Increase cumulative # of project completions by 10%	Increase # of projects initiating operation resulting in improved compliance
	Increase cumulative total of funding to small systems by 2%	Increased # projects of small systems improving compliance with the SDWA
SET ASIDE	OUTPUTS	OUTCOMES
Small System Technical Assistance	Execute a \$400,000 contract with NJWA to provide engineering assistance to systems serving less than 3,300 with the DWSRF loan process	Increase the number of very small systems able to take part in the DWSRF loan process
	Perform spot-check water quality sampling of noncommunity systems that are out of compliance (Target-400 systems per annum).	Increase consumer confidence for noncommunity system water quality and target small system technical assistance to problem systems.
	Develop a County Health Department field inspection training program (Target 1 course –minimum two training sessions)	Educate local health department personnel on how to conduct field inspections and identify water treatment units to ensure that water systems comply with NJDEP regulations
Radon	Enhance Radon database	input 90% of all applicable systems into database once R-MMP Rule is proposed
Data Management	Installation & migration to SDWIS/State Web release 1	Compliance with additional rules
	Five laboratories or water systems will utilize E2-eDWR for lab-to-state electronic interface transfer of SDW compliance monitoring data	Electronic submittal of test results will reduce the amount of paperwork at NJDEP by 7-1-07
Development of Program Rules	Develop Primacy submittal application for new rules	Receive primacy approval to aid water systems in complying with new rules

Sampling	150 community water systems sampled	increase the number of water systems returning to compliance and/or maintaining compliance
SET ASIDE	OUTPUTS	OUTCOMES
SWAP	Conduct instruction on interpreting and implementing the SWAs and promote sourcewater protection at 10 outreach sessions	increase the number of WS that implement their Source Water Assessment to protect the water supply
	Update and revise sourcewater assessments and reports as necessary. Provide new information to the water system and post on swap website	The most recent and accurate sourcewater assessment information for existing water systems will be available. This will assist water systems and municipalities in their sourcewater protection efforts
	Collect locational data for approximately 50 CWS and 60 NCWS new wells.	All new wells will be approved and all locational data will be collected to keep SWAs current and relevant
Capacity Development	Perform Capacity Development review for new NTNC water systems-15 per year	Ensure that new NTNC water systems are viable systems
	Provide regional outreach sessions to Health Departments-3 per year.	Increase compliance with SDWA regulations and HD's ability to enforce SDWA regulations
Operator Certification	Continue to identify systems out of compliance with the licensed operator requirement and follow-up with Enforcement action, as needed (95 % compliance rate).	Ensure that all public community and nontransient noncommunity water systems have a licensed operator, per NJDEP regulations and USEPA guidelines
	Continue to review and approve training programs and individual training courses for operator license renewal (5 new courses per year).	Training courses become more available for operators to attend.
	Continue to incorporate the Office of Examinations & Licensing operator data into the NJEMS database	Identify the operator for each water system.

## Sources of Funding

- 1) NJDEP DWSRF program  
609-292-5550  
<http://www.nj.gov/dep/watersupply/loanprog.htm>
- 2) New Jersey Environmental Infrastructure Trust  
<http://www.njeit.org>  
609-219-8600  
Fax: 609-219-8620
- 3) NJDEP – Clean Water SRF  
Municipal Finance and Construction  
[www.state.nj.us/dep/dwq/mface.htm](http://www.state.nj.us/dep/dwq/mface.htm)  
609-292-8961
- 4) NJDEP- Green Acres  
[www.nj.gov/dep/greenacres/trust.htm](http://www.nj.gov/dep/greenacres/trust.htm)  
609-984-0500
- 5) NJDEP - SRP  
Environmental Claims Administration  
[www.nj.gov/dep/srp/finance](http://www.nj.gov/dep/srp/finance)
- 6) NJDEP – ISRA Office of Accountability  
609-633-0743  
<http://www.nj.gov/dep/srp/guidance/isra/rfsguide.htm>  
<http://www.nj.gov/dep/srp/finance/hdsrf/>
- 7) NJ Department of Community Affairs  
<http://www.nj.gov/dca/dh/staff/staff.shtml>  
<http://www.nj.gov/dca/dcr/prog/index.shtml>  
1-800-NJ-HOUSE  
Potable water loans for individual homeowners:  
<http://www.nj.gov/dca/hmfa/consu/owners/water>
- 8) NJ Department of Community Affairs – Office of Smart Growth  
<http://www.nj.gov/dca/osg/resources/grants/index.shtml>
- 9) NJ Economic Development Authority  
[www.njeda.com](http://www.njeda.com)  
609-292-1800

- 10) US Department of Agriculture  
Rural Utilities Services  
<http://www.rurdev.usda.gov/nj/>  
In New Jersey, contact Victoria Fekete: [victoria.fekete@nj.usda.gov](mailto:victoria.fekete@nj.usda.gov) or (856) 787-7700
- 11) CoBank – for private water companies  
[www.cobank.com/services/index.html](http://www.cobank.com/services/index.html)  
1-800-542-8072
- 12) US Federal Government grant opportunities  
<http://www.grants.gov/>
- 13) Catalog of Federal Domestic Assistance  
<http://12.46.245.173/cfda/cfda.html>
- 14) New Jersey Redevelopment Authority  
Leslie Anderson, Executive Director  
609-292-3739  
[www.njra.us](http://www.njra.us)
- 15) Rural Community Assistance Partnership (RCAP)  
in Conjunction with USDA/Rural Development  
<http://www.rcap.org/rlf/rlf.html>  
RCAP Revolving Loan Fund  
Holly Baker - Loan Officer  
Community Resources Group, Inc.  
3 East Colt Square Drive  
Fayetteville, AR 72703  
phone: 800-709-4934  
email: [hbaker@crg.org](mailto:hbaker@crg.org)
- 16) US Department of Commerce  
Economic Development Administration  
<http://www.eda.gov>  
<http://www.eda.gov/Contacts/Contacts.xml>
- 17) <http://www.payingforwater.com/>  
Sponsored by the USEPA

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.

## Summary of Public Hearing

A memorandum dated March 12, 2007 from Barker Hamill, Assistant Director for Water Supply Operations Element of the Division of Water Supply, publicly advertised the DWSRF hearing. On Thursday, April 12, 2007 a public hearing was held at the NJDEP headquarters building at 401 East State Street in Trenton, New Jersey. The hearing officer, Dave Leach of the Bureau of Loans and Data Management, commenced the meeting by summarizing the Proposed FFY2008 Priority System, Intended Use Plan, Project Priority List and Proposed Changes to FFY2007 Intended Use Plan.

A statement summarizing the changes set forth in the Proposed IUP was presented at the public hearing. This IUP will carry forward several significant changes from the previous IUP. The financing program will continue to provide funding for eligible emergency repair projects, provide a few funding options for new wells and lower rates for Smart Growth projects. The Smart Growth package will also be extended to some brownfield projects starting with the November 2007 funding cycle. Brownfield Development areas (BDAs) will be eligible for Smart Growth funding.

This IUP represents new additions as well. Under Category C in the Priority System, the NJDEP proposed to give an additional five points to any project that serves a BDA or to a water system that serves a transit village. Under Category A in the Priority System, the points for Item #4, MCL or Action Level violation, are increased from 200 to 250. Additional language is included for circumstances in which the NJDEP may reasonably expect a water system to have any MCL or Action Level violations. These changes are proposed to ensure the projects that address violations of primary drinking water standards receive the highest points to protect public health. Also, the DWSRF may be facing a shortage of funds for future financing cycles. Historically, any eligible project that met the program requirements and deadlines and was ready to proceed was able to receive a loan. Now as the dollar amount of eligible projects exceeds the amount available loan dollars, it is possible that some projects that are eligible and ready to proceed will not be within the NJDEP's fundable range. Those project sponsors may elect to withdraw their project from the program or continue to pursue funding as the number of projects within the fundable range may increase or decrease and the project will become reachable. However, there is never a guarantee of funds. Also, the FFY2007 schedule was the last year the NJDEP will offer a second chance schedule and it will not be available starting with the November 2008 funding cycle.

Projects can be added to the list between the publication of the Proposed IUP and the public hearing. Since the publication of the Proposed IUP in February 2007, nine projects were added to the Project Priority List. Merchantville – Pennsauken Water Commission for water treatment plant upgrades, Brigantine City for rehabilitation of storage tanks and the Borough of Bloomsbury for replacement of water meters and installation of SCADA met the second chance deadline of March 5, 2007. Five projects are proposed for November 2008 financing. The project sponsors are Netcong Borough for the replacement of water mains and installation of a new well, Perth Amboy City for storage tank rehabilitation or replacement, and Roosevelt Borough for the replacement of a storage tank and cleaning and lining of water mains. Colonial Estates (CE) has been under review and may change the scope of its project. CE currently has

two wells that have exceeded the maximum contaminant level (MCL) for radium and must comply with a 2006 Administrative Consent Order that requires CE to interconnect with Monroe Township MUA. The scope of the project may change to the installation of radium treatment. However the priority points will remain the same as CE received 200 points for a system that exceeded an MCL. Further, 32 water systems, including four supplemental loans, met the March 5, 2007 deadline for November 2007 funding.

No members of the public were in attendance at the public hearing and no presentations were made. No written comments were received prior to the submittal deadline of April 18, 2007.

## APPENDIX C

- 1) DWSRF Financing Program Summary
- 2) Table C.3  
Projects by Table 1: Compliance and Public Health Criteria
- 3) Summary of Previously Funded Projects 1998-2006
- 4) Summary of Projects Funded Through Other Sources
- 5) Summary of November 2006 Funded Projects
- 6) [Construction Project Priority Lists](#)

## 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 2006.

**TABLE C.1**  
Trust Loan Rates

Year	Series A Bond Rate (public)	Series B Bond Rate (private)
1998	4.50%	4.70%
1999	5.45%	5.67%
2000	5.13%	5.37%
2001	4.37%	4.65%
2002	4.30%	4.52%
2003	4.23%	*
2004	4.05%	4.46%
2005	4.26%	4.62%
2006	4.19%	4.48%

\* There were no Series B bonds sold in 2003 because there were no private borrowers.

A rate similar to that in 2006 is expected for the November 2007 loans.

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 and Transit Villages designated by the Department of Transportation may be eligible for a modified rate. Further, a modified rate was made available to sponsors with projects located in Brownfield Development Areas (BDAs) in FFY2007. 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. Please see page 21 of the IUP for more information about the Smart Growth provisions of the DWSRF. Table C.2: NJDEP/Trust Proportions table summarizes the projects that have participated in the Smart Growth Initiatives and the proportionality of the loans.



**Table C.2**  
NJDEP/Trust Proportions

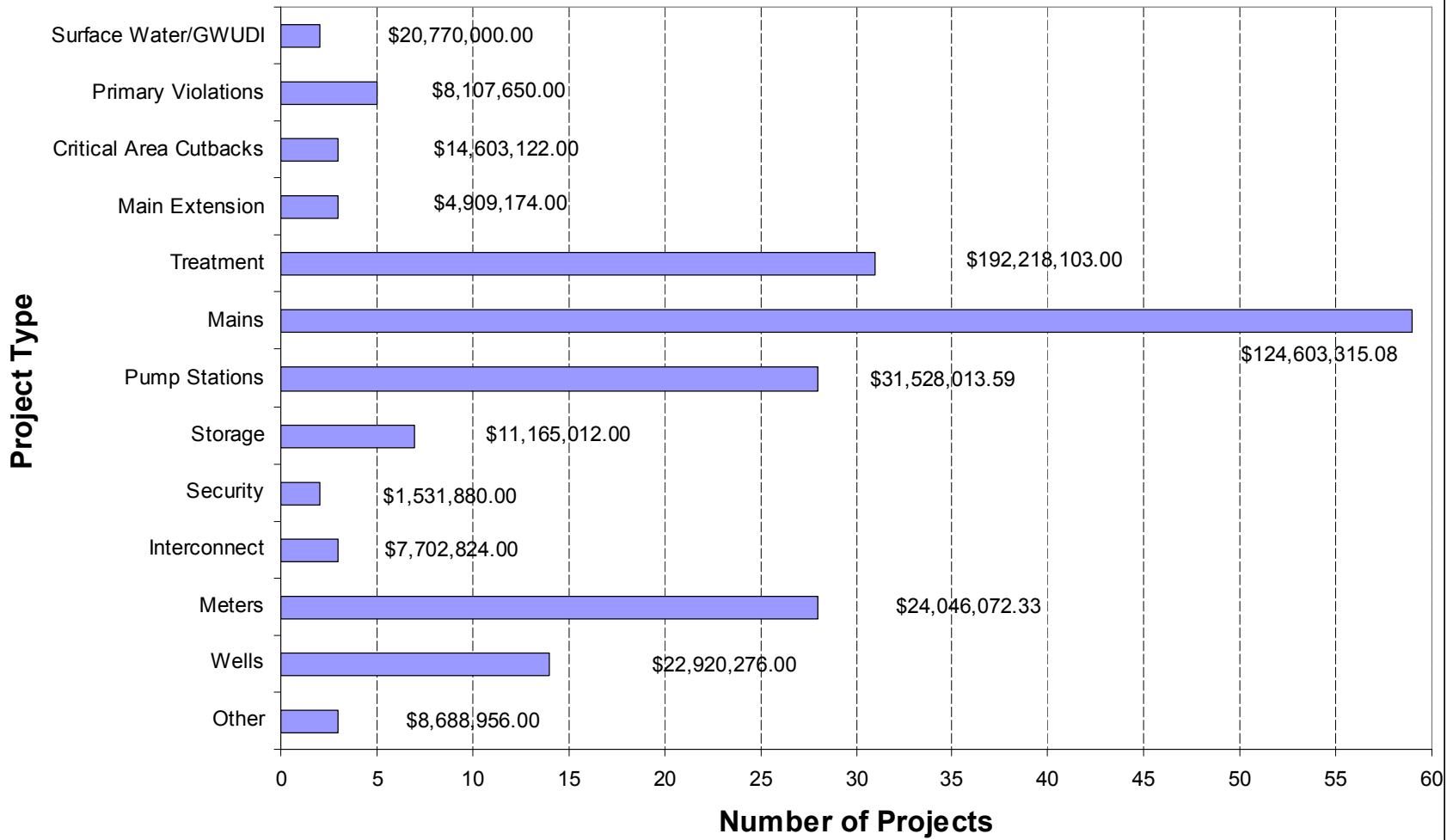
Project Sponsor	County	Project Description	Project Number	Year Financed	Project Amount	Proportion
Bayonne	Hudson	Rehabilitation of water mains-Phase 2	0901001-002-0-0	November 2007^	\$703,468	75% / 25%
Bayonne	Hudson	Rehabilitation of water mains-Phase 1	0901001-001-0-0	November 2007^	\$1,726,032	75% / 25%
City of Jersey City/Jersey City MUA	Hudson	Replacement of Traveling Bridge and Tube Settler system	0906001-002	November 2007^	\$6,070,000	75% / 25%
City of Jersey City/Jersey City MUA	Hudson	Cleaning and Lining of Mains	0906001-004	November 2007^	\$1,846,000	75% / 25%
City of Jersey City/Jersey City MUA	Hudson	Large Valve Replacement	0906001-003	November 2007^	\$4,841,608	75% / 25%
Newark City	Essex	Clean and cement line Pequannock Aqueduct 1 and 2	0714001-003	November 2007^	\$4,090,000	75% / 25%
Newark City	Essex	Clean and line water mains	0714001-004	November 2007^	\$4,090,000	75% / 25%
New Jersey City University/Jersey City	Hudson	Brownfields-water mains	0906001-005	November 2007^	\$316,100	75% / 25%
Passaic Valley WC	Passaic	Cleaning & Lining of mains in Paterson	1605002-006	November 2007^	\$2,110,000	75% / 25%
Trenton City	Mercer	Two emergency generators for central pumping station	1111001-006	November 2007^	\$8,050,000	75% / 25%
Camden City**	Camden	Replacement of lead service lines/replacement of ten wells at the Morris Delair WTP	0408001-009/012-1	November 2007^	\$2,094,139	75% / 25%

NJDWSC	Passaic	Install 6 Layer Aerators including air piping and appurtenances. Purchase and install one unit of variable speed, oil-free compressor w/ instrumentations	1613001-016-0-0	November 2007^	\$1,396,910	64% / 36%
Atlantic City MUA**	Atlantic	Expand and upgrade filtration facility	0102001-001-1-0	November 2006	\$2,397,472	75% / 25%
Trenton City	Mercer	Pre-treatment and facilities improvement projects	1111001-004-0-0	November 2006	\$48,893,604	75% / 25%
New Brunswick	Middlesex	Water treatment plant upgrades	1214001-003-0-0	November 2006	\$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	November 2006	\$1,271,911	64% / 36%
NJDWSC	Passaic	Wanaque Pump Station Upgrades	1613001-017-0-0	November 2006	\$2,183,362.00	64% / 36%
Atlantic City MUA	Atlantic	Expand and upgrade filtration facility	0102001-001-0-0	November 2005	\$5,377,620.00	75% / 25%
Trenton City	Mercer	Water main rehabilitation including cleaning and lining	1111001-003-0-0	November 2004	\$12,481,572.00	55% / 45%
Camden City**	Camden	Rehabilitate the Morris-Delair treatment plant	0408001-003-1-0	November 2003	\$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	November 2003	\$5,567,400.00	63% / 37%
North Jersey District WS	Passaic	Rehabilitation of existing chemical feed equipment	1613001-010-0-0	November 2003	\$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	November 2003	\$4,963,950.00	63% / 37%

Camden City	Camden	Cleaning & Lining of large transmission mains	0408001-010-0-0	November 2003	\$10,317,372.00	75% / 25%
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\*\*supplemental  
^ proposed project

**Projects By Table 1: Compliance and Public Health Criteria (1998 to 2006)**



GWUDI=Ground Water Under the Direct Influence of Surface Water

**Table C.3**

## **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.**



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