

**NEW JERSEY DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

**DRINKING WATER
STATE REVOLVING FUND**

**FINAL PRIORITY SYSTEM,
INTENDED USE PLAN,
PROJECT PRIORITY LIST
AND RESPONSE DOCUMENT**

FEDERAL FISCAL YEARS 1997/1998/1999

June 1998

Christine Todd Whitman
Governor

Robert C. Shinn, Jr.
Commissioner

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APPENDIX B - PROJECT PRIORITY LIST

MEMORANDUM

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

FROM: Shing-Fu Hsueh, Administrator
Water Supply Element

SUBJECT: Drinking Water State Revolving Fund
Final Priority System, Intended Use Plan, Project Priority List and Response
Document for Federal Fiscal Years 1997/98/99

DATE: June 8, 1998

This "Drinking Water State Revolving Fund Final Priority System, Intended Use Plan, Project Priority List and Response Document for Federal Fiscal Years 1997,1998 and 1999" (IUP) was proposed on November 14, 1997, with a public hearing conducted on December 17, 1997, and public comments received through January 5, 1998.

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 will be administered similarly to Clean Water State Revolving Fund (CWSRF). New Jersey's CWSRF program, which is jointly administered by the New Jersey Environmental Infrastructure Trust (Trust) and the New Jersey Department of Environmental Protection (NJDEP), provides low interest loans to publicly owned wastewater systems for planning, design and construction of wastewater treatment, collection facilities, and water quality improvement projects. This successful program has financed projects with total loans of over \$1.3 billion since 1987. The SDWA authorized a total of \$9.6 billion nationally for the DWSRF for Federal Fiscal Year (FFY) 1995 through FFY2003. Congress appropriated \$1.275 billion for FFY 1997 for the DWSRF; the United States Environmental Protection Agency (USEPA) allotted approximately \$27.9 million to New Jersey for FFY 1997. Congress appropriated \$725 million for FFY 1998 for the DWSRF, the USEPA allotted approximately \$17.3 million to New Jersey for FFY 1998.

States must file capitalization grant applications each year with the United States Environmental Protection Agency 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 attached (IUP). The IUP describes how the State intends to spend the federal grant moneys, including both project and nonproject set-aside expenditures. The non-project set-asides are allowed by the DWSRF for activities that are not construction related, e.g., administration, public water system supervision, technical assistance for small systems, operator certification, capacity development, source water assessment and wellhead protection programs. Project expenditures typically involve loans, or other assistance, by the DWSRF to water systems for planning, design and construction of drinking water facilities.

This final IUP contains revisions made in response to comments received from the public and the USEPA, and includes the NJDEP's response document.

Should you have any questions regarding the DWSRF program, please contact Philip Royer, Josephine Craver or Roger Tsao at the Bureau of Safe Drinking Water at telephone (609) 292-5550, or fax (609) 292-1654.

Attachments

c: USEPA Region II, Robert Gill, SRF Coordinator
Drinking Water Quality Institute
USDA, Rural Development, Mike Kelsey, Director, Community and Business Programs
NJAWWA
NJ Rural Water Association, Rick Howlett, Program Manager
Water Supply Advisory Council
Water Supply Advisory Committee
NJ Office of State Planning, Charles Newcomb, Assistant Director
NJ Department of Community Affairs, Christine Zopicchi, Chief, Local Government Services
Board of Public Utilities, Paul Slevin, Director
Assistant Director Ed Putnam, NJDEP, Site Remediation
Assistant Commissioner, Gary Sondermeyer, NJDEP, Environmental Regulation
Assistant Commissioner Ray Cantor, NJDEP, Land Use Management
Administrator Shing-Fu Hsueh, NJDEP, Water Supply Element
Assistant Director Nicholas G. Binder, NJDEP, Municipal Finance & Construction Element
Director E. David Barth, NJDEP, Management & Budget
Executive Director Dirk C. Hofman, 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 will be administered similarly to the Wastewater Treatment Financing Program (WTFP) which is the state's Clean Water State Revolving Fund (CWSRF). New Jersey's WTFP 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. This successful program has financed projects with total loans of over \$1.3 billion since 1987. The SDWA authorized a total of \$9.6 billion nationally for the DWSRF through Federal Fiscal Year (FFY) 2003. Congress appropriated \$1.275 billion for FFY 97 for the DWSRF; the United States Environmental Protection (USEPA) allotted \$27,947,300 to New Jersey for FFY 97. This allotment was based on the Public Water Supervision System Program formula. USEPA conducted the first nationwide survey of the drinking water systems' infrastructure needs to estimate how much money drinking water systems nationwide will have to spend from 1995 to 2014. The results of the 1995 Drinking Water Infrastructure Needs Survey ultimately determined the FFY 98 allotment to New Jersey. Congress may appropriate about \$750 million for FFY 98 for the DWSRF; the USEPA allotment to New Jersey for FFY 98 is estimated at about \$17 million. Funds available to the State for FFY 99 appropriations and beyond 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, the continued involvement of the water systems in New Jersey to participate in future Needs Surveys directly impacts future DWSRF allotments.

This document serves as the New Jersey Department of Environmental Protection's (NJDEP) 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 Priority List;
- 2- the establishment of program requirements and document submittal deadlines for award of DWSRF loans in State Fiscal Year (SFY) 99 (i.e., November 1998) using FFY97 and FFY98 federal capitalization grant funds;
- 3- the establishment of program requirements and document submittal deadlines for award of DWSRF loans in SFY2000 (i.e., November 1999) using FFY99 and remaining FFY97 and FFY98 federal capitalization grant funds; and
- 4- the establishment of the proposed uses of the set-asides using FFY97 and FFY98 federal capitalization grant funds (set-asides using FFY99 capitalization grant funds will be established in a future IUP).

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 97, FFY 98 and FFY 99 capitalization grants. The NJDEP intends to apply for the DWSRF grant including both project and non-project set-aside expenditures. The non-project set-asides provide for DWSRF activities that are not construction related and include administration of the DWSRF, technical assistance for small systems, operator certification, capacity development and source water assessment. Project expenditures involve loans made by the DWSRF to water systems for the planning, design and construction of drinking water facilities.

NJDEP is currently developing the New Jersey DWSRF program and will propose regulations in accordance with the Drinking Water State Revolving Fund Program Guidelines by USEPA dated February 1997.

The DWSRF program will be jointly managed by the Bureau of Safe Drinking Water and other Water Supply programs, the Municipal Finance and Construction Element of the Division of Water Quality, both in Environmental Regulation, and the New Jersey Environmental Infrastructure Trust (the Trust, formerly known as the New Jersey Wastewater Treatment Trust).

With passage of S468 on June 23, 1997 by the Legislature and signed by Governor Whitman on August 20, 1997, which amended the 1985 New Jersey Wastewater Treatment Trust Act, the New Jersey Environmental Infrastructure Trust was authorized to finance not only wastewater, combined sewer and stormwater management projects but water supply systems as well. In addition, the legislation allows the Trust to provide financing not only to publicly-owned drinking water systems but also to privately-owned systems.

In addition to the amendments to the Trust Act, the Legislature also passed amendments to the 1981 Water Supply Bond Act and the 1989 Stormwater Management and Combined Sewer Overflow Abatement Bond Act. These amendments allow a portion of the already approved bond act funds to be made available to the Environmental Infrastructure 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 Bond Act authorized financing only to publicly-owned systems, and the amendments would not change this. Notwithstanding, passage on this November's ballot would allow the State 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. Thus, while no new dollars are involved in these referenda, passage of the amendments would be a significant step toward implementation of the State's DWSRF program to provide low interest financing to publicly and privately-owned drinking water systems (and to continue the progress being made under the existing water supply and wastewater programs). It is anticipated that the DWSRF program could close on loans in escrow as early as September 1998, in tandem with the existing Wastewater Treatment Financing Program schedule, with loans being fully executed in November 1998.

The initial legislative appropriation and authorization bills for the first funding cycle of the DWSRF program will be introduced next spring 1998 and will address funding to publicly and privately owned water systems.

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. While NJDEP may make a transfer of up to 33% of the DWSRF capitalization grant into CWSRF or an equivalent amount from the CWSRF into the DWSRF, no transfers of funds between DWSRF and CWSRF is being proposed in this IUP.

Under the current Environmental Infrastructure Financing Program structure, repayments of wastewater loans that have been awarded in past years by the Trust and Department are available for the repayment of the Trusts bonds. Given the significant amounts that are being annually repaid on these loans, as well as other features of the financing program, all three of the bond rating agencies have given the Trust's bonds the highest rating possible. The higher the bond rating, the lower the interest rate on the bonds and therefore the lower the cost to the loan recipients.

Final federal legislation has been enacted to allow cross-collateralization between the federal wastewater and drinking water programs. The Environmental Infrastructure Financing Program proposes to utilize this option in its financing structure for both the Drinking Water and Clean Water (Wastewater) SRF Programs.

As indicated above, a direct transfer of monies between the two funds is not being proposed. However, 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 wastewater 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 new program. However, the State's proposed cross-collateralization would involve only a temporary use of funds from the CWSRF and the DWSRF or vice versa if a default in loan repayment did occur (which, to date, has not occurred under the wastewater program). Further, the Trust and the Department would take steps to collect the defaulted loan repayments, and the appropriate drinking water or wastewater fund would be reimbursed.

PRIORITY SYSTEM

I. Priority List - General

Placement on the Project Priority List is a prerequisite to be considered eligible for financial assistance and **all eligible projects for FFY97/98 financing must be on this year's project priority list**. Projects not on this list can be added for future funding cycles. 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. **All planning and design documents must be submitted by February 2, 1998 and loan applications submitted by March 2, 1998, in order to be considered for funding in the initial funding cycle of the DWSRF program.**

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.

Presently there are 93 projects totaling \$298,952,662 on the Project Priority List.

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 according to their ranking. The projects with the higher number of points rank above those with lesser points. For projects which include multiple elements as listed in priority Category A below, projects 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, 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 which 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) Conformance with the New Jersey State Development and Redevelopment Plan, D) Affordability and E) Population. Points are assigned for each of the five priority categories discussed below, as applicable:

A. Compliance with Safe Drinking Water Act (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 sixteen project elements that are eligible for DWSRF funds:

Table 1

1. Systems which 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, directive or recommendation by NJDEP requiring the correction of any noncompliance of its

- | | |
|---|---------|
| treatment facilities to address an immediate public health threat | 500 pts |
| 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, directive or recommendation by NJDEP requiring the correction of any noncompliance of its treatment facilities to address an immediate public health threat | 350 pts |
| 3. Systems which utilize groundwater that have had any acute violation (either fecal coliform or nitrates) | 300 pts |
| 4. Systems which have had any maximum contaminant level violations (except acute violations) or exceedance of action levels (lead and copper rule) | 200 pts |
| 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 pts |
| 6. Purchase of a water system to comply with the SDWA for capacity development | 150 pts |
| 7. Extension of water mains to private wells that have had any maximum contaminant level violations or exceeded lead and copper action levels | 125 pts |
| 8. Existing treatment facilities that need to be rehabilitated, replaced or repaired to ensure compliance with the SDWA | 100 pts |
| 9. 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 pts |
| 10. Existing pump stations or finished water storage facilities that need to be rehabilitated or replaced to maintain compliance with the SDWA | 60 pts |
| 11. New finished water storage facilities or pump stations that are needed to maintain pressure in the system and/or prevent contamination | 50 pts |

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|---|--------|
| 12. 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 | 45 pts |
| 13. Construction of new or rehabilitation of existing interconnections between water systems to improve water pressures to maintain safe levels or to ensure compliance with the SDWA | 30 pts |
| 14. Replacement or installation of new water meters | 25 pts |
| 15. Redevelop wells or construct new wells to meet the New Jersey SDWA rules for required pumping capacity | 15 pts |
| 16. Other project elements, not including items 1 through 15 above, that ensure compliance with the SDWA and protect public health, as approved by NJDEP | 1 pt |

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, correction of a problem, or 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.

C. State Development and Redevelopment Plan

NJDEP seeks to coordinate and enhance the State Planning Commission's (SPC) efforts to implement the State Development and Redevelopment Plan. NJDEP assigns points to projects in municipalities the SPC has approved under the Center Designation Process. Points are also given to distressed areas. Points are assigned as shown in Table 2.

Table 2

1. Distressed areas that have an endorsed Strategic Revitalization Plan	20 pts
2. Urban Centers	10 pts
3. Towns	5 pts
4. Regional Centers	3 pts
5. Villages	2 pts
6. Hamlets	1 pt

Contact the N.J. Office of State Planning, Department of Treasury, 33 West State Street, 9th 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.

D. Affordability

The purpose of the affordability criteria is to determine which 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:

$$\frac{\text{Municipal MHI}}{\text{Statewide MHI}} \times 100 = \text{Affordability Factor}$$

Points are assigned as follows:

1. Affordability factor of 100	0 pts
2. Affordability factor from 91 through 99	10 pts
3. Affordability factor from 71 through 90	30 pts

- 4. Affordability factor from 41 through 70 50 pts
- 5. Affordability factor less than or equal to 40 70 pts

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.

In determining the affordability factor, a weighted municipal MHI will be calculated for private or public water systems serving more than one municipality as shown in the example.

Example

Municipalities served	MHI	Population served	Fraction of total population served	Weighted municipal MHI
Lancaster	30,000	5,000	.167	5,000
Mayberry	20,000	10,000	.333	6,660
Holmeville	25,000	15,000	.500	12,500
Total		30,000	1.00	24,160

Population served for resort communities will be calculated by the following equation:

$$\frac{(2x \text{ Winter Population}) + \text{Summer Population}}{3} = \text{Avg. Population}$$

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 tie breaker, 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. 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.

INTENDED USE PLAN

This IUP provides information on funds available through the Drinking Water SRF Program to provide financial assistance for projects using FFY 97, FFY 98, and FFY 99 capitalization grants, state match and Trust bond proceeds. 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. 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. For the first funding cycle for the FFY 97/98, project documents must be submitted in accordance with the second chance provisions

in order to be funded. This IUP also provides an opportunity for those interested to be on the FFY 99 priority list. Therefore, project sponsors must meet one of the two program schedules established below:

	<u>FY 97 and FY 98</u>	<u>FY 99</u>
Commitment Letter	February 2, 1998	February 2, 1998
Planning Documents	February 2, 1998	April 24, 1998
Design Documents	February 2, 1998	November 2, 1998
Loan Application	March 2, 1998	March 1, 1999
Loan Award	November 1998	November 1999

An acceptable planning documentation submittal must consist of a complete project report, the appropriate environmental planning documentation for the level of environmental review determined applicable by NJDEP, complete cultural resources survey documentation, documentation of completed public participation activities, and the results of preliminary coordination activities with lead agencies regarding environmental and permit reviews.

I. Eligible Systems and Projects

A. Eligible Systems

Drinking water systems that are eligible for DWSRF assistance are community water systems, both privately and publicly-owned, and nonprofit noncommunity water systems. Federally-owned systems are not eligible to receive DWSRF assistance.

B. Eligible Projects

1. Compliance and public health

The DWSRF may provide assistance only 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, total trihalomethanes 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:

- X rehabilitate or develop sources (excluding reservoirs, dams, dam rehabilitation

- X and water rights) to replace contaminated sources;
- X install or upgrade treatment facilities, if the project would improve the quality of drinking water to comply with primary or secondary drinking water standards;
- X install or upgrade storage facilities, including finished water reservoirs, to prevent microbiological contaminants from entering the water system; and
- X 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.

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 financial, managerial or technical reasons.

2. Restructuring of systems that are in noncompliance or that lack the technical, managerial and 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.

3. Allowable Costs

i. Land acquisition

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

ii. Planning and design of a drinking water project

NJDEP anticipates proposing DWSRF regulations that will provide a planning and design allowance to defray costs; the attached table is for informational purposes only. This allowance provision may not fully fund the planning and design costs of a project (see Table 3).

Table 3-Allowance for Facilities
Planning and Design

Building Cost

Allowance as a Percentage

of Building Cost*

\$100,000 or less.....	27.5396
120,000.....	26.8177
150,000.....	25.9599
175,000.....	25.3834
200,000.....	24.8944
250,000.....	24.0981
300,000.....	23.4663
350,000.....	22.9452
400,000.....	22.5032
500,000.....	21.7833
600,000.....	21.2124
700,000.....	20.7413
800,000.....	20.3418
900,000.....	19.9956
1,000,000.....	19.6910
1,200,000.....	17.1564
1,500,000.....	16.6076
1,750,000.....	16.2389
2,000,000.....	15.9259
2,500,000.....	13.6029
3,000,000.....	13.2464
3,500,000.....	12.9522
4,000,000.....	12.7026
5,000,000.....	12.2963
6,000,000.....	10.7766
7,000,000.....	10.5373
8,000,000.....	10.3343
9,000,000.....	10.1585
10,000,000.....	10.0036
12,000,000.....	8.6591
15,000,000.....	8.3821
17,500,000.....	8.1960
20,000,000.....	8.0381
25,000,000.....	7.1325
30,000,000.....	6.9456
35,000,000.....	6.7913
40,000,000.....	6.6605
50,000,000.....	6.4474
60,000,000.....	6.2785
70,000,000.....	6.1390
80,000,000.....	6.0207
90,000,000.....	5.9183

100,000,000.....	5.8281
120,000,000.....	5.4174
150,000,000.....	5.2441
175,000,000.....	5.1277
200,000,000 (or more).....	5.0289

NOTE: The allowance does not reimburse for costs incurred. Accordingly, the allowance Table should not be used to determine the compensation for planning or design services. The compensation for planning or design services should be based upon the nature, scope and complexity of services required by the community.

* Interpolate between values

iii. Construction related cost of a drinking water project

NJDEP anticipates proposing DWSRF rules that will 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.

iv. 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 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 is eligible. The remaining capacity related to growth may be funded by the Trust.

C. Projects not Eligible for Funding

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

- X Dams, or rehabilitation of dams;
- X 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;
- X 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;
- X Laboratory fees for monitoring;
- X Operation and maintenance expenses;
- X Projects needed mainly for fire protection;

- X Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will ensure compliance;
- X Projects for systems in significant noncompliance, unless funding will ensure compliance;
- X 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 program will be developed to evaluate each system to be funded to ensure each meets the capacity development requirements. The NJDEP is preparing the capacity development evaluation methodology applicable to project sponsors, a draft copy of which may be obtained by contacting the NJDEP, Bureau of Safe Drinking Water, either by telephone at (609) 292-5550, or by writing to: NJDEP, Bureau of Safe Drinking Water, P.O. Box 426, Trenton, N.J. 08628-0426.

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.

II. Description of DWSRF Financing Program

In addition to the USEPA's grant, financing is 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 provide loans through the capitalization grant in combination with leveraging a portion of the state match 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. The Trust offers market rate loans for the remaining allowable project costs, also for a 20 year term. Table 4 illustrates the NJDEP's intended use of the FFY 97/98 funds. Table 5

outlines the distribution of FFY 97/98 non-project set-aside funds. Nonproject set-aside funds identified in Table 5 will be used for the activities shown or banked for future fiscal years use, in accordance with USEPA guidance. Funds not used for nonproject set-aside activities will be returned to the project fund for DWSRF use.

Table 4 - DWSRF Uses

	<u>FFY 97</u>	<u>FFY 98</u>
<u>Funds Available</u>		
Federal Capitalization Grant	\$27,947,300	\$17,347,900
State Match	\$5,589,460	\$3,469,580
Funds Available	\$33,536,760	\$20,817,480
<u>Projected Expenditures</u>		
Non-project Set-asides (see Table 5)	\$8,663,663	\$5,377,849
Funds Available for Projects	\$24,873,097	\$15,439,631
NJDEP \$\$ Available	\$22,609,645*	\$14,034,625*
<u>Trust Reserve Fund</u>	\$2,263,452*	\$1,405,006*
<u>Trust Bond Proceeds</u>	\$22,634,520*	\$14,050,060*
Total Funds Available for Projects (NJDEP & Trust)	\$45,244,165*	\$28,084,685*

* Approximate amounts

Table 5 - Non-Project Set-Aside Fund Uses

	<u>FFY 97</u>	<u>FFY 98</u>
<u>Non-project Set-aside Amounts</u> (see Table 4)	\$8,663,663	\$5,377,849
<u>Program Administration of DWSRF Projects (4%)</u>	\$1,117,892	\$693,916
<u>Small System Technical Assistance (2%)</u>	\$558,946	\$346,958
<u>State Program Management (10%)</u>	\$2,794,730	\$1,734,790
Source Water Program Admin.*	\$1,676,838	\$1,040,874
Capacity Development*	\$558,946	\$346,958
Operator Certification*	\$558,946	\$346,958
<u>Section 1452 (k) Activities (15%)</u>	\$4,192,095	\$2,602,185
Delineation and Assessments**	\$2,794,730	
Loans for Community Water Systems to Implement SWP Measures**	\$1,397,365	

* These figures are approximate, and are subject to a workplan submittal to USEPA.

** Each of the activities cited above can receive no more than 10% of the capitalization grant amount.

The use of the FFY 99 capitalization grant will be established in a future IUP. Currently NJDEP's IUP does not call for providing funds for disadvantaged communities and systems, although we are specifically requesting input on this issue. NJDEP may adopt such funding, if after receiving public comment, it feels such action is warranted. The Priority System does provide additional priority points based upon an affordability criteria.

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. With the exception of FFY 97, this amount must be deposited on the date of or before receiving federal payments under the capitalization grant agreement. For FFY 97, this amount (\$5,589,460) must be deposited into the DWSRF no later than September 30, 1999. The funding source of the State Match is anticipated to 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 is \$2,794,730 and the source of match for FFY 97 is anticipated to be matched through the Public Water Supervision System overmatch under the Performance Partnership Grant.

III. Small Systems

A state must annually use at least 15% of all funds credited to the DWSRF project account 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. Therefore, a reserve 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.

IV. Non-project Set-asides

Section 1452 of the Federal Safe Drinking Water Act authorizes the states to provide funding for certain non-project activities, so long as the amounts do not exceed ceilings specified in the statute. Workplans will be submitted to the USEPA with the capitalization grant application for the non-project set-asides activities, except for program administrative costs. The workplans will provide a task, output and budget breakdown for the set-asides. Any costs that are not covered by the workplans will be transferred for use in financing projects, and the authority to set-aside funds for non-project activities will be "banked" to be utilized under future capitalization grant applications.

A. Administration (4%)

These funds will be used to administer the DWSRF in New Jersey. These administrative costs may include start-up expenses such as development of the Project Priority System, the IUP and Project Priority List, the capitalization grant application, DWSRF program regulations, the Operating Agreement and other program documents. In addition, NJDEP's costs for project management for planning, design, construction, loan payment/repayment, annual reporting activities, etc., are also eligible. Since the start-up, development and implementation of the DWSRF program must take place in a relatively short period of time, NJDEP will reserve the full 4% for this set-aside. If this entire amount is not obligated in one year, the Department will "bank" the excess balance, as is allowed by the federal guidelines, and use it for administrative costs in subsequent years.

B. Program Management (10%)

NJDEP intends to use this set-aside to provide support for: source water protection program administration; development and implementation of a strategy to generate water system technical, financial, and managerial capacity; and the conduct of an operator certification program.

I. Source Water Protection Program Management - The 1996 Safe Drinking Water Act Amendments (SDWAA) require States to develop a source water assessment program. States are required to have a public participation program to assist in the development of this plan. Public participation consists of public advisory and technical advisory committees that will advise NJDEP on a Statewide source

water assessment plan. NJDEP will initiate the public participation program in 1998. States have until February 1999 to submit a source water assessment plan to USEPA. NJDEP intends to use funding from this section to administer or provide technical assistance for the source water protection program.

NJDEP intends to use different levels of source water assessments and protection programs for different types of supplies in different areas. The general objective of each assessment will be "for the protection and benefit of the public water system". DWSRF source water protection set-aside funds will help manage the source water delineation and assessment efforts and coordinate them with local, purveyor, state and federal source water protection activities. Public participation through existing and new activities will help define source water protection plans.

Concurrently, the water supply program will coordinate with State programs responsible for surface and ground water quality standards, areawide and watershed planning as well as wellhead and aquifer recharge programs.

New Jersey is the most densely populated state in the nation. The public water supply (PWS) of more than 1.0 bgd for more than 7 million residents is from water sources within New Jersey close to those populated areas. For these reasons, water resource planning has always required an evaluation of water quality and quantity interactions and competing uses within the framework of local, State and Federal laws. During the past 100 years New Jersey has assessed and implemented many source water protection strategies that the 1996 SDWA is recommending. New Jersey has a Municipal Land Use Law that provides for land use and zoning procedures for all municipalities, in addition to comprehensive water quality and quantity statutes that address most facets of source water protection and water resource management.

II. System Capacity Development - Section 1420 of the SDWA contains the following deadlines which the State must meet to be eligible to receive set-aside for capacity development and not to jeopardize the State's allocation of DWSRF funds:

1. By August 1997, the State must submit a list of Significant Non-Complying (SNC) systems to EPA. (On July 30, 1997 New Jersey submitted such a list containing 55 community and 92 noncommunity water systems);
2. By August 1998, the State must have in place the legal authority to assure that all new water systems demonstrate adequate capacity;
3. By October 1, 1999, the State must have a capacity development program in place;
4. By August 2000, the State must establish a capacity development strategy for all public water systems;
5. By August 2000, the State must identify factors that encourage or impair capacity development;

6. By August 2002, the State's program (NJDEP) has to prepare a report to the Governor which reviews the efficacy of the strategy and progress made toward improving the capacity of public water systems; and
7. After August 2002, the NJDEP is to prepare updates to the strategy and prepare a progress report for the Governor every three years thereafter.

Under Section 1420(g) of the SDWA, New Jersey is required to have a capacity development program and a Capacity Development Strategy. If a State fails to comply with the above-mentioned Capacity Development Strategy, it is subject to lose up to 10% of the DWSRF funds in FFY 2001, 15% in FFY 2002, and 20% in each fiscal year thereafter. The goals of the NJDEP's Capacity Development Strategy are to prevent the formation and approval of new non-viable public water systems and to assist and encourage consolidation of existing non-viable water systems through a well thought out process which is rational and implementable. New Jersey will review the Small Water Utility Take Over Act (N.J.S.A. 58:11-59) and companion regulation (N.J.A.C. 7:19-5) and seek to modify each, if necessary, to address existing non-viable water systems.

The recently revised Standards for the Construction of Public Community Water Systems (N.J.A.C. 7:10-11) and Standards for the Construction of Public Non-Community Water Systems (N.J.A.C. 7:10-12) will be reviewed and adjusted, if necessary, in order to assure that only viable new systems will be approved. In addition and perhaps more importantly the New Jersey Board of Public Utilities' (BPU) current regulations in effect which establish rates for public utilities will be evaluated by the BPU to assure the formation of non-viable public water system will not take place in the future.

In order to meet the federal SDWA requirements for capacity development, the State intends to accomplish the following tasks:

- a. Identify all the public water systems with a history of Significant Non-Compliance¹
 1. List identified public water system as of July 30, 1997 (55 community and 92 noncommunity water systems).
 2. Update status of identified systems every 3 months until the water system returns to compliance and remains in compliance for a specified period.
 3. Revise list yearly.

¹ PWS w/ History of Non-Compliance means a PWS which has been in SNC status for 3 or more quarters during the past 3 years.

- b. With assistance from the Division of Law within the Department of Law and Public Safety and the New Jersey Board of Public Utilities, make a legal determination whether the existing statutes and regulations governing the approval of new water systems apply to all public water systems subject to the SDWA's system capacity requirements and whether adequate economic determination is made as to viability of the proposed system.
- c. Inventory and provide a description of the institutional regulatory, financial, tax and legal factors at all levels of government (local, State & federal) which encourage capacity development.
- d. Identify agencies (local & State) that would have an interest in and be involved in the development and implementation of a capacity development program.
- e. Develop a list of hardships areas and water systems which would likely benefit from private/public partnership or regionalization efforts to make them viable.
- f. Conduct round table discussions with local entities (CEHA agencies, and other local health departments) to explain capacity development and seek their input and/or help to implement a capacity development strategy.

The NJDEP is preparing the capacity development program. A draft copy of the capacity development program, including the evaluation methodology applicable to DWSRF project sponsors, may be obtained 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.

III. Operator Certification

In 1918 New Jersey became the first state to mandate operator certification for water works personnel. Presently in New Jersey, operators can obtain licenses for water distribution or treatment systems. Certification prerequisites include operating experience, direct responsible charge experience and educational criteria. Each license category has four levels of classification based on system size and/or treatment complexity. Licenses are renewed annually without any continuing education Unit (CEU) requirements.

We now have over 1,000 certified operators to serve 613 public community water systems. Approximately 77 small systems, which do not treat their water, are not required to have licensed operators. New Jersey does not currently require licensed operators for our 1,022 nontransient noncommunity water systems.

The Federal Safe Drinking Water Act requires that all public community and nontransient noncommunity water systems have licensed operators. In addition, we expect that CEU's will become a Federal requirement for license renewal. Therefore, through administrative development

and increased training capability, New Jersey must anticipate the need for more licensed personnel with continuing educational requirements for license renewal.

In order to implement these changes, the New Jersey Department of Environmental Protection, Bureau of Safe Drinking Water plans the following:

1. evaluate and recommend changes to existing legislation to allow for required changes to our regulations for the licensing of operators.
2. amend existing regulations to require licensed operators for nontransient noncommunity water systems and cover CEU requirements for operator license renewal.
3. develop a training plan to meet the needs for certifying additional operators to cover small public community water systems and nontransient noncommunity water systems.
4. coordinate with Rutgers University and the N.J. Section AWWA to develop CEU programs for continuous operator training.
5. develop the administrative procedure and data processing capability to track CEUs for license renewal.
6. improve testing methods to assure proper evaluations for operator certification.
7. develop a plan for the distribution of training funds to small water system operators and unsalaried operators.

C. Small System Technical Assistance (2%)

Systems serving a population of 10,000 or less are eligible to receive technical assistance under this set-aside. The Bureau of Safe Drinking Water will coordinate with the N.J. Rural Water Association and the N.J. Section American Water Works Association to provide technical assistance to systems serving 10,000 or fewer persons. Such assistance should include, but is not limited to, an outreach program to explain the SRF program and to provide assistance in completing funding applications; assessment and treatment of ground water under the influence of surface water; appropriate treatment for lead and copper action level exceedances; and purchase and maintenance of global positioning equipment for use by outside organizations.

D. Local Source Water Protection (15%)

Under the DWSRF Guidelines promulgated by the USEPA, loans are available for: the delineation and assessment of source water protection (SWP) areas; acquisition of land or conservation easements; implementation of SWP measures and related activities; and wellhead protection programs. The USEPA will allot funds for delineation and assessment of source water protection areas from FFY 97 funds for activities to be carried out over the next four fiscal years. The New

Jersey DWSRF will emphasize funding for delineation and assessment of source water protection areas, to which it will devote up to 10% of the State's capitalization grant and will utilize only remaining available funds under the set-aside for the implementation of SWP measures.

1. Delineation and Assessment of Potential Sources of Contamination

Section 1452 (k)(1)(c) allows States to make expenditures from the capitalization grant for fiscal years 1996 and 1997 to delineate and assess source water protection areas in accordance with section 1453, the "Source Water Quality Assessment Program". The ability to allocate funds for source water delineation and assessment is limited to FFY97, and therefore it is New Jersey's intention to utilize the full allocation of 10% for the "Source Water Assessment Program". Expenditures for source water delineation and assessment can be made over the next several years. Funds must be obligated within four years of the grant award.

According to Section 1453 of the 1996 Amendments to the Safe Drinking Water Act, the State has the responsibility to carry out a "Source Water Assessment Program" within the State's boundaries. The statute states that the "Source Water Assessment Program" will delineate the boundaries of areas from which public water systems receive supplies of drinking water and identify the potential sources of drinking water contaminants within the delineated areas to determine the susceptibility of the public water systems to these contaminants. This includes the area upstream of approximately 30 potable water intakes and approximately 8400 public water system wells that serve community, nontransient noncommunity and transient noncommunity water systems in New Jersey. These 30 potable surface water intakes are the primary source of water supply for 45% of the population of New Jersey.

Source water assessments and source water protection plans are complex by nature: they require the gathering, storage, and manipulation of extensive technical information as well as the cooperation of both state and local agencies, the drinking water systems and public interest groups. By definition these assessments must be flexible enough to fit the unique characteristics of each source of drinking water. Final guidance entitled "State Source Water Assessment and Protection Programs Guidance" published by USEPA in August 1997 set forth the critical components for conducting source water assessments and establishing effective source water protection programs. Through the guidance document, USEPA has made it clear that all federal and state programs need to coordinate efforts to implement source water protection.

Three main layers of information are necessary to conduct a source water assessment. The first data layer is the delineation of the source water protection area. Although both state and county agencies know where the water systems are located according to street addresses and mailing addresses, the exact location of the water source (i.e., the well itself) is often unknown. The precise location of the water source, including the location of the surface water intake, is a critical component of an accurate delineation and assessment strategy. The success of the "Source Water Assessment Program" depends on locating the water sources (and intakes) using global positioning system (GPS) technology and storing the data for access using Geographical Information System (GIS) software.

Once a water source has been accurately located, the source water protection areas can be delineated. There are several methods for the delineation of groundwater sources of drinking water described in the "New Jersey Well Head Protection Plan", adopted by New Jersey in 1991. In general, this plan describes two main approaches for wellhead delineation: 1) time of travel for contaminants to reach the well and 2) effects of hydrologic boundaries on flow direction. In New Jersey groundwater studies and simulations have been developed for the most productive aquifers. These studies will be used to identify regions where changes in pumping patterns may change delineations. Where necessary, field investigations may be used to verify construction of wells to determine aquifers affected. In general the methods for the delineation of surface water sources of water are described in the USEPA final guidance for the source water assessment and protection program. In New Jersey prior studies have evaluated the impact of interbasin transfers of water and wastewater and depletive uses on the quality and quantity of surface water. Additional studies may be proposed to evaluate measures to protect sources of supply, to locate discharges and intakes, and to link instream water quality monitoring stations with treatment plant operations.

The second data layer is the susceptibility of water treatment and distribution systems to physical, chemical and biological parameters in the source water and to potential pollutant sources. This may be a resource intensive effort if all pollution sources within the delineated area and any land use activity within the watershed must be considered. For these reasons NJDEP is considering different approaches for Susceptibility Assessments and Inventories as discussed below:

- a. If a Public Water System (PWS) withdraws water from a large watershed with many jurisdictions, many potential sources of contamination and widely varying flow conditions, the Source Water Assessment Program will screen available water quality data, establish critical stream monitoring locations and utilize models and regulatory programs to inventory the most significant discharges and impacts on water treatment plants.
- b. For those PWS within large watersheds that rely solely on ground water sources or on a small watershed the Source Water Assessment Program may place greater reliance on conducting an inventory of potential contamination sites as a means of effecting source water protection if the linkage between sites and source is established.
- c. If a PWS withdraws water from a groundwater source with many jurisdictions and potential sources of contamination, Source Water Assessment Program will utilize models and regulatory programs to understand the water quantity and quality impacts.

Technical information used for source water assessments must be stored in such a way as to be flexible enough to adapt to future USEPA regulations. NJDEP is already anticipating several new federal drinking water regulations which may require NJDEP to adopt new areas of delineation for microbiological contaminants. In addition, USEPA guidance requires the source water assessment program to have ability to produce maps for the public.

An inventory of the potential sources of contamination and of management programs for contamination sites within the delineated areas is the third layer of information for source water

assessments. This may be the most labor intensive effort in the source water assessment process. The most effective use of this effort may be for small delineated source water areas upstream of intakes or around wells. This information includes the locations of sites or facilities within the delineated area that use or store contaminants regulated under the Safe Drinking Water Act regulations. NJDEP is evaluating the status of well location information, delineation information and inventory information work performed by both state agencies and local health and planning agencies to date. It is estimated that 80% of the community wells have been located.

The preferred form of this inventory information is using GPS technology and the information stored for access using GIS software. The location of potential sources of contamination is one key component of the source water assessment process because source water assessments become the basis for regulatory decisions and monitoring schedules for public water systems. If in the future, NJDEP is required to consider different times of travel, the location of the inventory information on GIS will make new assessments possible using the computer.

In New Jersey, regional studies of ground water have been conducted to determine water supply issues. Where there is regional assessment data on multiple sources of drinking water, management programs may be based on that information. In some instances, the data and proposed management program may minimize the need for geohydrologic studies and delineations.

2. Implementation of Source Water Protection Measures

A State may also use up to 10 percent of a fiscal year capitalization grant for various source water protection activities. NJDEP has been approached by several water systems and municipalities for the use of these funds to seal abandoned wells to prevent future contamination. Unless NJDEP receives other requests for protection measures, NJDEP is proposing the following simplified system to rank well sealing projects. Twenty-five points are assigned to seal wells due to dry and abandonment, and 50 points are assigned to seal wells due to contamination. Haledon, Tuckerton and Fortescue Realty Company each receive 25 points. Haledon, Tuckerton and Fortescue Realty Company each receive 25 points.

NJDEP intends to use 5 percent of the FFY 97 capitalization grant to seal contaminated and/or abandoned wells to avoid potential contaminations. The Borough of Haledon, Borough of Tuckerton and Fortescue Realty Company seek DWSRF loan assistance in the amount of \$100,000, \$500,000 and \$100,000 respectively, to seal abandoned dry wells.

For FY98 funds, 15% (\$2,602,185) will be reserved for implementation of drinking water protection initiatives that will be determined once the source water protection plan is drafted and public comment is received in December 1998. Workplans will be submitted for this set-aside and the capitalization grant application amended to include a description of what activities will be requested.

In future IUPs, NJDEP intends to develop the other activities allowed under this section including loans for land acquisition or conservation rights, other source water protection and monitoring

measures, and implementation of well head protection programs.

V. Short and Long-Term Goal Statements

Providing a minimum of 15% of project funds to help finance improvements to small water systems and providing assistance to the highest priority projects on the Project Priority List are the most imminent short-term goals. Other short-term goals include implementing administrative regulations for the DWSRF program, and securing NJDEP's FFY 97/98 drinking water capitalization grant so that funds will be available for water supply systems to comply with the SDWA.

The primary long-term goal is to continue to use funds to assist water systems to achieve and maintain drinking water quality to eliminate any 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. Due to a large need of water system improvements in New Jersey, the state will leverage the funds to extend financial assistance to more water systems.

SUMMARY OF OUTREACH EFFORTS

An inherent component of the implementation of the State's DWSRF program includes the conduct of public participation activities. NJDEP mailed on May 29, 1997 a preliminary Project Priority System to all community water systems, county and local health authorities, selected environmental groups, selected engineering concerns, water associations and assorted state agencies, with a call for

projects to be included in the initial DWSRF Project Priority List. Stakeholder meetings were held on June 18 at the NJ American Water Co. in Delran and on June 24 at the Passaic Valley Water Commission in Little Falls, for the purpose of soliciting public participation and comments. In addition, a number of other meetings have been held in order to provide information to and solicit comments from various interested parties regarding the efforts to implement this new financing program in the state. The State is developing its program to make low-interest loans to community (both publicly and privately-owned) and nonprofit, noncommunity water systems. The call for projects for the initial funding cycle (November 1998 loans) closed on August 29, 1997, while the call for projects for future funding cycles will be continuous. The draft IUP was issued November 14, 1997 and a public hearing held on December 17, 1997; written comments were received until January 5, 1998. The summary of the comments received at the two stakeholder meetings and the public hearing as well as the NJDEP's responses is listed in Appendix A.

PROJECT PRIORITY LIST

NJDEP developed a proposed Project Priority System which was sent to community 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 proposed drinking water financing program. A Project Ranking 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. The NJDEP conducted two stakeholder meetings on June 18 and June 24, 1997 to inform applicants of the impact of the SDWA on their water systems and to describe financing options available through the DWSRF. Also, these meetings were used to receive input and discussion of the proposed use of the DWSRF. Appendix B lists all projects on the current project list. Revisions were made to the list after the public hearing as noted. Appendix B also include the following revisions:

Projects #6,7,40,44 and 89 (N.J. American Water Company) and #52 (Ridgewood Village) were deleted from the list for funding since the projects were bid before a pre-award approval was obtained from NJDEP and the Trust;

Project # 8 (Ridgewood Village) was deleted from the list for funding since the project will be funded under another funding program other than the DWSRF; and

Project #20 (Ridgewood Village) was listed incorrectly as the "Ramapo treatment facility" when it is the "Maxwell treatment facility".

APPENDIX A

- 1) Sample Commitment Letters
- 2) FFY 98/SFY 99 Drinking Water Financing Program Schedule
- 3) FFY 99/SFY 2000 Drinking Water Financing Program Schedule
- 4) Project Ranking Form
- 5) Summary and Comments of DWSRF Stakeholders Meetings
- 6) Summary of Responses to Written Comments
- 7) Summary and Comments of DWSRF Public Hearing
- 8) Summary of Responses to Written Comments

**Sample Commitment Letter
FFY 98/SFY 99 Funding Cycle**

This letter, on official stationary, must be received or postmarked by February 2, 1998 to be given consideration by the New Jersey Department of Environmental Protection (NJDEP) and the New Jersey Environmental Infrastructure Trust (Trust) for inclusion as a second chance project in the 1998 Financing Program (for loan awards scheduled to be made in November 1998).

Mr. Steven Nieswand, P.E., Administrator
Water Supply Element
New Jersey Department of Environmental Protection
PO Box #426
Trenton, New Jersey 08625-0426

Dear Mr. Nieswand:

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

This is to advise you that the _____ has the project noted
(Applicant)

above which will be ready for expedited processing and inclusion in the SFY99 funding cycle (November 1998 scheduled financing). In accordance with the provisions of the Priority System, Intended Use Plan and Project Priority List for SFY 99, I, _____, as

(Project Representative)

authorized representative for the above-referenced project do hereby commit to meet the project document submittal deadlines established by the Trust and the NJDEP for participation in the SFY 99 funding cycle (November 1998 scheduled financing):

Planning Documents	February 2, 1998
Design Documents	February 2, 1998
Loan Application	March 2, 1998

I understand that failure to submit this commitment letter by February 2, 1998 will be interpreted as a decision not to pursue funding in the SFY99 funding cycle. Failure to meet the submittal requirements and deadlines will result in the bypassing of the project for this funding cycle. I also recognize, with submittal of the planning and design documents by the deadline, that if the project is bypassed for this funding cycle, it would automatically remain on the Project Priority List and remain eligible for the SFY2000 funding cycle (November 1999 scheduled financing) based upon that particular year's Priority System and Financing Program.

Enclosed is a project ranking form including proposed modifications to the project cost/description.

Very truly yours,

(Authorized Representation)

Enclosure

c: New Jersey Environmental Infrastructure Trust (w/enclosure)
P.O. Box #440
Trenton, New Jersey 08625-0440

Administrator, Permit Coordination and Pollution Prevention Element (w/enclosure)
P.O.Box #423, 401 East State Street
Trenton, New Jersey 08625-0423

Very truly yours,

(Authorized Representation)

Enclosure

c: New Jersey Environmental Infrastructure Trust (w/enclosure)
P.O. Box #440
Trenton, New Jersey 08625-0440

Administrator, Permit Coordination and Pollution Prevention Element (w/enclosure)
P.O.Box #423, 401 East State Street
Trenton, New Jersey 08625-0423

SFY 99 Drinking Water Financing Program Schedule
(Using FFY97 and FFY 98 Federal Monies)

<u>DATE</u>	<u>ACTION</u>
on or about December 17, 1997	-Public hearing on FFY 97/98 Priority System, Intended Use Plan and Project Priority List proposal
on or about January 5, 1998	-Close of comment period
February 2, 1998	-Project commitment letters due
February 2, 1998	-FFY 97/98 Applicants submit all planning and design documents to NJDEP
March 2, 1998	-FFY 97/98 Applicants submit complete loan application to NJDEP/Trust
on or before May 15, 1998	-Financial Plan for forthcoming State Fiscal Year submitted by NJDEP/Trust to Legislature
July 1, 1998	-Legislature acts on Financial Plan and Legislature approves appropriation and authorization bills for project funding for FFY 97/98 projects
July 1, 1998	-NJDEP/Trust transmit draft loan agreements to qualifying applicants
on or after September 15, 1998	-Trust financial transactions completed -Execute NJDEP/Trust loan agreements

SFY 2000 Drinking Water Financing Program Schedule
 (Using FFY 99 and Other Available Federal Monies)

<u>DATE</u>	<u>ACTION</u>
on or about December 17, 1997	-Public hearing on FFY 97/98/99 Priority System, Intended Use Plan and Project Priority List proposal
on or about January 5, 1998	-Close of comment period
February 2, 1998	-Project commitment letters due
April 24, 1998	-FFY 99 Applicants submit all planning and design documents to NJDEP
August 28, 1998	-NJDEP notifies project sponsors of acceptability of planning documentation submittal and verifies estimated allowable project costs
November 2, 1998	-FFY 99 Applicants submit all design documents to NJDEP
on or before January 15, 1999	-NJDEP/Trust submit list of projects (based on Priority System ranking methodology) to Legislature for forthcoming State Fiscal Year
March 1, 1999	-FFY 99 Applicants submit complete loan application to NJDEP/Trust
on or before May 15, 1999	-Financial Plan for forthcoming State Fiscal Year submitted by NJDEP/Trust to Legislature
July 1, 1999	-Legislature acts on Financial Plan and Legislature approves appropriation and authorization bills for project funding for FFY 99 projects
July 1, 1999	-NJDEP/Trust transmit draft loan agreements to qualifying applicants
on or after September 15, 1999	-Trust financial transactions completed -Execute NJDEP/Trust loan agreements

**New Jersey Department of Environmental Protection
Drinking Water State Revolving Fund Program
Bureau of Safe Drinking Water
P.O. Box 426, Trenton, N.J. 08625-0426
Tel. No.: (609) 292-5550
Fax No.: (609) 292-1654**

PROJECT RANKING FORM

Please complete this form for each project 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.

1. Drinking Water System Name: _____
2. Drinking Water System Contact Person: _____
3. PWS ID# : _____
4. Mailing Address: _____
Municipality: _____ State: _____ Zip: _____
County: _____
5. Telephone No.: (____) _____ Fax No.: (____) _____
6. Engineering Consultant(as applicable): _____
7. Mailing Address: _____
Municipality : _____ State: _____ Zip: _____
County: _____
8. Telephone No.: (____) _____ Fax No.: (____) _____
9. Project Description: (attach sheets, if necessary) _____

10. Need for Project (List by project element): _____

11. Estimated construction cost: \$ _____
12. Copy of acceptable drinking water infrastructure plan or regional water comprehensive plan attached: _____
13. Median Household Income Level (1990 Census): \$ _____
14. Applicable State Planning Commission designation: _____
15. Population served by drinking water system: _____

**Summary of Comments of DWSRF Stakeholders' Meeting
June 18, 1997, New Jersey-American Water Company, Delran, NJ**

Q. Can SRF funds be combined with other state or federal funds?

Response: Yes, other federal funding and state bond act monies could be available, although 100% loans are expected to be awarded through the state DWSRF. This is consistent with the current water system rehabilitation loan program, which has provided funding in combination with the contaminated water supply loan proceeds in certain instances.

Q. Is there a federal emphasis or mandate to favor surface water systems in giving financial assistance?

Response: No, there is not a federal emphasis or mandate to favor surface water systems. The states are given flexibility in identifying their priorities in the award of financial assistance. New Jersey, in its rehabilitation loan program, puts some emphasis on surface water because of the potential for *giardia* and *cryptosporidium* contamination.

Q. Where population and socio-economic information is needed, is latest census data used?

Response: Yes. Other valid sources of this information may also be used, such as data from the Bureau of Economic Analysis.

Q. Are the points given for being in a priority category equivalent to or in place of the points listed in Table 1?

Response: Five priority categories are included in the proposed ranking criteria: A) Compliance and Public Health Criteria; B) Approved Drinking Water Infrastructure Plan; C) Conformance with the New Jersey State Development and Redevelopment Plan; D) Affordability; and E) Population. The points shown in Table 1 are for Category A: Compliance and Public Health Criteria. The points available in the four other priority categories included in the proposed ranking criteria would be in addition to the points shown in Table 1. Thus, a project or project element may accumulate points from any and/or all categories.

Q. What does "population of area served" mean, the number of people actually served by the water system in the service area or the number of people in the service area (even though some may not be actually receiving water from the system)?

Response: This term means the "population of the system's service area at the time of

the loan application". Thus, the number of people actually served is intended.

Comment: The priority system should be modified to include an affordability analysis similar to that used by Farmer's Home, taking into account median family income levels in each municipality served by the water system, using a weighted average based upon population and income levels.

Response: In response to these concerns, the priority system has been modified to utilize a weighted average based on population and income levels.

Comment: The priority system should include points for population served, taking into account summer and permanent population served, using a weighted average based upon population and season.

Response: In response to these concerns, the priority system has been modified to incorporate seasonal variation in population.

Comment: The secondary standard priority point category should be revised to make sure desalination projects are included.

Response: Desalination projects are covered in the priority system when the sodium standard is exceeded.

Comment: The NJDEP should define what constitutes an acceptable capital improvement plan (checklist?).

Response: It should include 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.

**Summary of Comments of DWSRF Stakeholders' Meeting
June 24, 1997, Passaic Valley Water Commission, Little Falls, NJ**

Q. Will there be a transfer between the DWSRF and the Clean Water SRF?

Response: The NJDEP does not expect to do so initially. Subsequent years' decisions will take into consideration project needs under the two programs.

Comment: Larger systems (especially privately owned) will be too low on the priority list, based on priority system criteria.

Response: The criteria rank projects based on overall drinking water priority/project needs, whether the water systems are large or small. Note that readiness-to-proceed (i.e., meeting document submittal deadlines) will also be important for project financing.

Q. Can we obtain financial support or priority points toward such support if we have a project which will enable our water system to meet **future** Safe Drinking Water Act regulatory requirements, such as requirements regarding *cryptosporidium*?

Response: This is not now included as a ranking criteria under the priority system, but NJDEP will accept further input on this, and will re-evaluate this issue.

Q. I have a project which will be completed in 12 months. Can I refinance it through the SRF program?

Response: Yes, so long as you obtain preaward approval from the NJDEP and so long as you are a governmentally owned system. The NJDEP is continuing to seek clarification from EPA to assure that refinancing can also be accommodated under the states DWSRF for privately owned systems.

Q. What is required for preaward approval?

Response: Preaward approval is required from both NJDEP and the Trust. The preaward approval given by the NJDEP once program requirements (planning, design and permitting) are met and the environmental assessment process is completed. The Trust's preaward approval assures that the municipality has adopted the necessary resolutions to meet the IRS requirements in order to allow project financing at a later date.

Q. Are NEPA assessments of project alternatives necessary to obtain financial support through the DWSRF?

Response: A "NEPA-like" assessment of project impacts is a federal requirement

under the Federal Safe Drinking Water Act (SDWA). A "NEPA-like", but substantially streamlined, environmental assessment process was developed for the wastewater loan program and will be applied to the DWSRF as appropriate. The process include three levels of review, with Level 1 requiring minimal evaluation. It is anticipated that the majority of DWSRF projects will require a Level 1 environmental review.

Q. For the purposes of the Water System Rehabilitation loan and Drinking Water SRF programs, is the extension of water mains in cases of contamination considered to be consolidation?

Response: Yes.

Comment: The NJDEP should carefully consider the pro's and con's of giving priority points for "affordability" and be aware of what types of system will be helped by doing so and why they should receive such help.

Response: The Federal SDWA and guidance require an affordability criteria to be included under the states' priority systems.

Q. If a system serves several municipalities, but the mains in only one municipality will be cleaned and lined, will the NJDEP use income information for that municipality or a weighted average? What about a case in which the project is for only a part of a municipality? Flexibility should be maintained.

Response: As indicated earlier, the population of the system's service area at the time of the loan application will be used. Thus, the purveyor's service area will be used

with a weighted average when more than one municipality is served.

Comment: A longer loan payback period should be allowed, not just for disadvantaged communities.

Response: While the Federal SDWA includes this flexibility, the N.J. Environmental Infrastructure Trust statute limits the term of loans to no more than 20 years. In order to provide greater repayment security (which results in lower interest rates for the borrowers), repayment of the NJDEP's loans are also limited to the 20-year period.

Comment: In placing emphasis on treatment to meet drinking water standards, the SRF program should not lose sight of the importance of maintaining good distribution systems. A poor distribution system can also impact drinking water quality. A greater number of points should be awarded for distribution system improvements, since the current ranking methodology gives higher priority to treatment system improvements.

Comment: I agree with previous comment. Some systems purchase treated water and for them, the condition of the distribution system is the major concern.

Response: The Department places a high priority on surface water systems due to potential *cryptosporidium* or *giardia* problems. Moreover, regulations for treatment related issues have changed rapidly in the last few years and it is costly to maintain compliance with the regulations, thus warranting high priority. It should be noted that distribution system condition may receive higher ranking points when other factors are taken into account, such as compliance with fecal coliform requirements and other primary safe drinking water standards. It should also be noted that additional priority points are awarded for systems with approved safe drinking water infrastructure plans.

Q. Can a small system receive priority points if they hire a consultant to handle project?

Response: No. A project will receive the priority points based upon the drinking water system's circumstances. The means chosen by a project's sponsor to meet the program's requirements are not considered to be appropriate project ranking criteria. It should be noted that most water systems utilize consultants' services when applying for water supply loans, as per the Water Supply Loan Program and Wastewater Treatment Financing Program experience.

Summary of Responses to Written Comments

Comment: The City of Cape May requested an expansion of concepts and types of problems warranting assistance that represents a threat to the entire water supply system for the area and is therefore a major public health issue.

Response: Section III, Category A of the priority system was revised to include a project element to address problems that threatened public health where water resources would not be available due to decreased allocation or where public wells that were unable to be used due to contamination. A high priority was given to this element in order to take into consideration public health risks.

Comment: Section III, Category B of the priority system should be changed to a two tier approach to take into consideration regional planning versus local planning documents.

Response: NJDEP agrees with this recommendation. Thus, this section was revised to give 50 points to a water system that connects to a regionalized plant approved under a regional planning document, such as the New Jersey Statewide Water Supply Plan. 25 points will be given to a water system that has a five year master plan, capital improvement plan or regional watershed plan.

Comment: The water industry is now focusing more attention on distribution system problems, especially water quality issues in the distribution system. The ranking methodology in Section III places a higher priority on treatment related projects, and suggested that more points be given to distribution work.

Response: The NJDEP places higher priority on surface water systems due to potential *cryptosporidium* or *giardia* problems. Also, regulations for treatment related issues have changed rapidly in the last few years and it is costly to maintain compliance with the regulations. Distribution system related needs are contained within the priority system but are considered to be a lower priority.

Comment: Mr. Paterson gave the name and phone no. of Kathryn Perel of the New Jersey Housing and Mortgage Financing Agency to call regarding affordability.

Response: Various agencies were contacted or material referenced from several other states in preparing a new Section III, Category D, Affordability which utilizes Median Household Income Levels.

The hearing officer, Joseph Miri, stated that certain corrections were made on the IUP. Three projects for Waterford Township MUA were added to the priority list, due to an oversight, the Department neglected to include these projects on the Project Priority List even though the ranking forms were received August 21, 1997. Also, the Department acknowledged it made an error in the priority score for one of Ridgewood Village's projects which was ranked no. 57 and is now ranked no. 36. In addition, the Department is amending A.7 in the proposed priority system to include lead and copper action levels, in addition to MCL violations, as a clarification to the proposed priority system. Finally, a statement on the cross-collateralization issue was read at the hearing and added to the IUP at the end of the Overview section.

Comments received from:

Mike Kelsey, Director of Community and Business Programs, United States Department of Agricultural Rural Development read his letter that was sent to the Department. His comments were addressed under the written comments portion of this response document.

Anthony DiLodovico, Schoor DePalma Consulting Engineers:

Comment: Why are points given for consistency with the State Development and Redevelopment Plan (SDRP) when the purpose of the SDRP is to plan future growth throughout the State?

Response: The SDRP is utilized to manage and work within existing infrastructures and not to expand into new areas, not to promote growth. The highest points are assigned to urban centers, which are frequently disadvantaged communities under this section. Please note that the New Jersey Statewide Water Supply Plan emphasized maintenance and rehabilitation on infrastructure in urban centers, in recognition of principles set forth in the SDRP. The next speaker commented that more points should have been given to these centers and felt it was not stressed enough in the IUP.

Comment: Small systems lack the funds to prepare a water supply master plan or even come into the program for funding, is there any hardship grant program or up front assistance for these communities to come up with plans so they can apply for funding?

Response: The Department is aware that it is harder for small systems to apply for funding for projects or to prepare a water supply master plan. In the set-asides, there is 2% for small systems technical assistance that should aid small systems by utilizing outreach programs and help in preparing the documents necessary to apply for funding.

Comment: Why weren't all Water Supply Bond Loan applicants, specifically Marlboro Township MUA, that are awaiting funding automatically placed on the DWSRF project priority list. We question whether adequate notice was given and why ranking forms cannot be submitted after the original date of August 27, 1997.

Response: A letter dated May 29, 1997 was sent to all community water systems, health authorities, environmental groups and engineering consultants, explained the proposed DWSRF priority system, and requested anyone that was interested in the first funding cycle submit ranking forms by August 29, 1997; i.e. the May 29, 1997 letter represented a call for projects. Two stakeholder meetings were held in June 1997. Schoor DePalma attended the stakeholder meeting on June 24, 1997 in Little Falls, N.J. and had been aware of the requirements to submit ranking forms by August 29, 1997. There was never a representation made to any of the Water Supply Bond Loan applicants that any application would automatically be put on the DWSRF project priority list; all water systems were told to submit a ranking form in order to be placed on a DWSRF project priority list. The submittal date for ranking forms was must close on a certain date because the State must complete an intended use plan, project priority system and project priority list with a public comment period before requesting the capitalization grant from USEPA. Marlboro MUA or any other interested system may submit a ranking form for inclusion in the next project priority list for consideration for funding of eligible projects in future project financing cycles. Project priority lists with the project priority system and intended use plan are subject to public comment and must be done annually.

Dave Pringle, Campaign Director, N.J. Environmental Federation:

Comment: Is this the only public hearing? We feel there was a lack of public involvement in preparing this plan and one hearing is not adequate to involve the public. It involves millions of dollars over the next three years and is an important document.

Response: One public hearing was conducted but written comments were due to be received by January 5, 1998. The Department feels that adequate public notice was given since the draft priority system was sent on May 29, 1997 to all community water systems, health authorities, environmental groups and engineering consultants explaining the proposed DWSRF priority system and requested comments or suggestions from all interested parties. Two stakeholder meetings were held in June 1997 and N.J. Environmental Federation attended the stakeholder meeting on June 24, 1997 in Little Falls, N.J. The public has been notified of the development of this program since June 1997 and a request for comments and suggestions was made at that time. The deadlines for the comments on the IUP are tight because if New Jersey does not submit a capitalization grant to USEPA by June 1998 for the DWSRF Federal Fiscal Year 1997 funds and does not obtain USEPA approval of the grant by September 1998, then the money will go to other states. There are numerous steps that must be completed in accordance with the USEPA guidelines for the DWSRF Loan Program before a capitalization grant can be submitted. Also, the IUP is an annual document and will be prepared again in 1998, therefore revisions may be made yearly and public comments on the program are always welcomed.

Comment: When will the response document for the written comments be done and will there be a public response period for the response document? Will there be a public advisory board for this program.

Response: The response document will be started after the public hearing transcript is received by the Department. It is important to remember that the intended use plan is prepared annually, and that changes can be made since it represents what the State intends to do. Changes in the IUP may be addressed in the next year's IUP. This IUP addresses three years so that project sponsors may have time to prepare for FY99 projects and to get on the same timeframe as the existing Clean Water SRF program. This longer period will allow small systems a better chance to prepare their documents that are necessary for funding. Due to the time limitations in submitting a capitalization grant application to USEPA, the Department will proceed with this IUP and not have another response period to this document. The program will be reviewed annually and there will be a chance to comment as the Department proceeds with the DWSRF program. The Department may look into creating a public advisory board for this program.

Comment: What types of groups was the May 1997 mailing of the proposed priority system mailed to? Is this list available for review and may we add to it?

Response: The call for projects letter dated May 29, 1997 was sent to all community water systems, health authorities, environmental groups and engineering consultants. There is a list of the different groups that the letter was mailed to and is available at your request. The Department welcomes suggestions of names to add to our mailing list. Contact Josephine Craver of the Water Supply Element at (609) 292-5550.

Comment: It has been mentioned that rules are being drafted for this program. When will they be proposed and when will the public comment period be open?

Response: The rules were proposed in the New Jersey Register on April 6, 1998 with a public hearing conducted on April 27, 1998, and comment period closed on May 6, 1998 to allow public comment and review. The existing rules for the Clean Water SRF program, N.J.A.C. 7:22-1 et seq are being amended to include the DWSRF program. Contact Theresa Fenton of the Municipal Finance and Construction Element at (609) 292-3859 for more information.

Comment: Why is there such a tight deadline and time lines in the IUP? What is the rush? Why is FY99 included in this document?

Response: The deadlines of February 2, 1998 and March 2, 1998 for planning, design and application documents are for projects that wish to execute a loan in November 1998. This is a "fast track" time schedule as the time constraints are necessary for applicants that wish to execute a loan in November 1998, since all their design has to be completed by the middle of 1998. Also, the State must complete an intended use plan, project priority system and project priority list and include it with the capitalization grant application, which must be submitted to USEPA by June 1998. The deadlines of April 24, 1998 and November 2, 1998 for planning and design documents are for projects that wish to execute a loan in November

1999. The reason Federal Fiscal Year 1999 is included in this IUP is to allow the applicants time to prepare for FY99 construction projects and to get on the same time frame as the Clean Water SRF program. This 22 month period will allow systems, especially small systems, a better chance to prepare the documents that are necessary for funding and more time to plan their projects. Note that set-asides for FY99 are included in this IUP and will be contained in next year's IUP.

Comment: Isn't the ready to proceed factor only to be used for the first two years as per the USEPA guidelines? Doesn't this hinder the small systems since they need more time and don't have as much resources as the larger systems?

Response: In accordance with USEPA guidelines, the ready to proceed factor cannot be part of the priority system. It is not part of the priority system in New Jersey but used as a by-pass procedure in New Jersey. Since the DWSRF program is a leveraged program in New Jersey, certain deadlines must be met, so the Department can certify to bond counsel that the projects' planning and design are complete and the projects' ready to proceed to construction. Bonds cannot be sold unless the projects are certified. The reason the Trust gets such good rates when the bonds are sold, which are passed on to the borrowers, is because all the applicants are duly processed and certified and ready to proceed. The applicants that are not ready remain on the list and get prioritized for the next project priority list.

Comment: I am glad to see in table 1.14, replacement of water meters, however, it should not be ranked as low as it is since it has good economic and conservation benefits. Also, why aren't points given for systems that have source water protection or conservation plans?

Response: The Department gave the highest priority to safe drinking water needs, e.g., surface water treatment problems, and then to other infrastructure improvements. The replacement of water meters was included because it aided in capacity development of a system (technical and financial capacity) and also does aid in water conservation. However, water conservation should not be the main focus of the projects to be considered eligible by the USEPA. USEPA guidance states that loans should ensure compliance with the Safe Drinking Water Act and protect public health and have an affordability criteria involved in the ranking system. As of this date, the eligibility of water meters is still questioned by USEPA. USEPA has neither approved or disapproved water meters as a viable project under the DWSRF. The Department has asked that this element be considered eligible for funding under the DWSRF program.

Source water protection, comes under the set asides portion of the funds, and therefore is the reason it is not included in the project priority system.

Comment: Why aren't more points given for the State Development and Redevelopment Plans (SDRP)?

Response: The SDRP points were kept low in response to USEPA's guidance that Category

A, Compliance with the SDWA and protection of public health and affordability be the main initiative of the priority system. The points were kept low so as to not influence the rank of lower element projects to leap in front of the highest ranked project.

Comment: Why is a desalination plant being funded; you are paying for the problem instead of the solution and aquifer problems should be addressed.

Response: The set-asides address the source water protection aspect of the funds, whereas the projects address the public health aspect of the fund. The desalination plant will aid in providing potable water to the users in conformance with the N.J. Statewide Water Supply Plan.

Comment: Why aren't the anticipation of future federal rules contained in the priority system?

Response: Since this is an annual intended use plan, any future federal rules may be addresses as they occur. The projects identified in the current IUP are for project sponsors intending to promote compliance with the current rules for water systems.

Comment: We feel the local source water protection program is not detailed enough and is not doing enough to address pollution prevention.

Response: The source water protection plan, which is covered under the set-asides, has not been drafted yet, and will be open to public comment and review as it is drafted.

Comment: Why isn't the option the option for reserving 30% for disadvantaged communities been utilized?

Response: The Department did not have the resources to evaluate a system for disadvantaged communities for the first funding cycle. The points under the affordability category assign the highest points to communities who have the lowest income levels. The highest points under the SDRP are assigned to urban centers, which are frequently disadvantaged communities under this section. A disadvantaged communities program is being reviewed by the Department for future funding cycles, for inclusion in future intended use plans.

Comment: Does the public have access to the local five year capital improvement plans?

Response: Yes.

Comment: How does the 15% small system reserve fund work?

Response: If there are not enough water systems serving fewer than 10,000 persons that are eligible for the 15% reserve fund and are ready to proceed, then the moneys would be

utilized for any size system that has an eligible project, in priority order on the list that is ready to proceed. The money cannot be put on hold until a system is ready because binding commitments (loan agreements) must be issued within one year of grant payment from USEPA to the State in accordance with the USEPA Guidelines.

Comment: We would like to see more details on the program management set-asides and how the money will be spent.

Response: The Department noted the amounts intended to be spent on each program on page 16 of the IUP. Work plans must be submitted to USEPA on these set-asides before any grant payments can be made to the State. The Department is currently drafting these work plans which will contain the details on how the funds are to be spent. All funds are to be used to develop the programs required by the 1996 Amendments to the Safe Drinking Water Act.

Comment: Why are the funds limited to two associations under the technical assistance for small systems set-asides?

Response: The two associations were the only associations to date requesting funds under this set-aside. The Department will not limit the funds only to these two groups but will consider any group that is interested in the funds and submits a proposal to the Department. Jane Nogaki, Pesticide Program Coordinator, N.J. Environmental Federation:

Comment: A consideration for areas that particularly service small children should be taken into account and given priority for projects.

Response: Non-community water systems, which may include schools, are eligible under the DWSRF program and as a small system would come under the 15% small system reserve fund. The Department tried to address an overall public health risk but can reevaluate this concept for future funding cycles.

Comment: Environmental justice should be considered in the DWSRF program.

Response: Since the DWSRF program utilizes federal funds, environmental justice is one of the cross-cutters with which all projects must be in compliance before receiving project financing.

Comment: Surface waters that are susceptible to parasites should receive a priority.

Response: Category A, Table 1 of the project priority system gives the most points to surface water systems that are not in compliance with the surface water treatment rule.

Comment: Extend the comment period to February 9, 1998.

Response: Due to our time constraints in that New Jersey must apply to USEPA for a capitalization grant by June 1998, the Department feels that the comment period cannot be

extended. However, public comments are always welcomed by the Department and will be taken into consideration while developing the DWSRF program and preparing the annual IUP.

Ed Derby, Clerk, Lakehurst Environmental Working Group and Advisory Board, Partners for Environmental Quality:

Comment: I cannot speak for my group since we do not meet in time for the comment period and feel this is too short a time for comments to be prepared. Please extend the comment period.

Response: See the above answer.

Amy Goldsmith, State Director, N.J. Environmental Federation:

Comment: Hearing locations need to be more areas than Trenton and in the middle of the day. Many people I called did not get a copy of the IUP.

Response: For future funding cycles, the Department may consider the commenter's request. Also, the Department used the State environmental group listing when mailing out this document when mailing out the documents. Please provide the name of any groups which would like to be included on the this list and they will be added for future mailings.

Comment: Provide a more detailed list of the priority point calculations for each project. Also, which projects are ready to proceed?

Response: Attached is a summary of the priority points breakdown per applicant. Priority point Categories A through E address each category that points could be assigned base on the priority system. Also, the final IUP contains a list which shows which projects are ready to proceed; the Department did not have this information until commitment letters were received from project sponsors on February 2, 1998.

Comment: Is the source water protection assessments a one time thing? What considerations will be given to future contamination and assessing that contamination once the initial assessments are done.

Response: The Department acknowledges that the initial assessments will be completed and no plans have been made for reassessments. Once the source water protection plan is proposed, public comment will be received and this idea can be revisited at that time.

David Pringle, Campaign Director, N.J. Environmental Federation:

Comment: Page 24 states 10% for source water protection measures, isn't that supposed to be 15%? Why are wells being sealed under this provisions, that isn't source water protection.

Response: Up to 15% is allowed for section 1452(k) activities which include delineation and assessment of source water protection and other source water protection activities. Up to 10% is allowed for any one individual activity under this group. The Department intends to take 10% for source water protection and 5% under loans to community water systems to seal wells. The Department feels that open wells that are no longer in use are a threat to the aquifers and need to be sealed to prevent contamination of the aquifers. Haledon Borough, Fortescue Realty Company and Tuckerton Borough each sent in a request for these funds to seal wells.

Written Comments/Responses

Comments received from:

Sierra Club, Sally Dudley, Executive Director:

Comment: The overall Project Priority System (PPS) does not include ranking criteria of non-project set-aside funds, especially land acquisition funds. Also, what are the policies and criteria for such acquisition?

Response: The PPS provides the ranking criteria for projects only. Sufficient funds are available for non-project set-aside activities in FFY97/98 and therefore requires no effort to prioritize these activities. Since the IUP is to be updated annually, it may be revised in the future to include ranking criteria for non-project set-asides. The land acquisition described in the IUP under Section I.B.3.i. is applicable to projects to be financed under the DWSRF program. At this time, land acquisition under the set-aside provision is not contemplated in this IUP. Upon development of the source water assessment plan or delineations and assessments, the NJDEP may consider the utilization of the set-aside for land acquisition.

Comment: The PPS should be restructured to include eligibility and a ranking methodology to be consistent with a) the State Development and Redevelopment Plan; b) the New Jersey Statewide Water Supply Plan; c) the draft Watershed Management Framework; d) the prevention policies of the Pollution Prevention Act and the Organic Act; e) the Source Water Provisions of the Act; and f) Right-to-Know Provisions of the Act.

Response: The PPS has already taken into consideration the State Development and Redevelopment Plan and the New Jersey Statewide Water Supply Plan. The recommended Watershed Management Framework and Source Water Provisions of the Act were recognized under Section IV.D.1 of the IUP since they are related with non-project set-aside activities.

Comment: The PPS is biased in favor of regulatory compliance and is not prevention, planning and public right-to-know oriented. The ranking criteria should give greater weight to public health risks and planning: a) Limit the population of the service area to the role of the tie breaker, the PPS eliminates important public health and planning considerations; b) Increase the points assigned to planning to be comparable to points for compliance; c) consider future growth; d) Increase points assigned to distressed areas and urban centers; e) Consider the location and density of growth for consistency and with the State Development and Redevelopment Plan and the New Jersey Statewide Water Supply Plan; f) Consider environmental implications and effects of secondary growth; and g) Assign low priority and limited eligibility to growth inducing or growth related projects.

Response: The primary function of the DWSRF program is to provide financial assistance to all eligible systems to facilitate compliance with national primary drinking water regulations as stipulated in the SDWA. Therefore, the incentive points assigned to planning, distressed areas and urban centers are low in comparison with the points for compliance. It is not expected to neglect public health by using the population of the service area as a tie breaker since projects which have public health concerns have been assigned much higher priority points, and hence will not be impacted by fractional points. In addition, the Department is considering a disadvantaged community plan in the next IUP which will further benefit distressed areas and urban centers. Section I.B.3.iv of the IUP addressed that population growth is allowed to the date of initiation of operation of the infrastructure improvements. The DWSRF does not fund projects purely for growth in accordance with the SDWA Amendments of 1996.

Borough of Lakehurst, Mark Hartnett, Director of Public Works:

Comment: The IUP may overlook New Jersey Association of Rural Water and Wastewater Utilities (NJARWWU) as a valuable resource in the development of the Continuing Education Unit (CEU) program.

Response: The IUP mentioned coordination with only Rutgers University and the New Jersey Section of the American Water Works Association (NJAWWA) for development of continuing education programs for water operators, but it was not the intent to purposely exclude representatives from any other group. NJARWWU has some representation through NJAWWA; NJARWWU has a representative on both NJAWWA's Small System Committee and its Education Committee. Therefore, NJARWWU will have input into the development of the licensed operator program. Any interested parties that would like to be involved in any of the set asides activities should contact the NJDEP, Bureau of Safe Drinking Water at (609)292-5550.

Ocean County Planning Board, Alan W. Avery, Jr., Director:

Comment: The Department should consider appropriate analysis of nonregulated contaminants on a site specific basis. This would be particularly appropriate for systems that rely on groundwater and for which a Superfund might have a defined plume of both regulated and nonregulated.

Response: The IUP describes a three step source water assessment process in the following order: delineation, susceptibility and inventory. Susceptibility to contaminants, regulated or nonregulated, is generally a function of water treatment processes. Specifically, Section 1453 subsection (a) (2) (B) of the Safe Drinking Water Act notes the conditions under which the Department may inventory unregulated contaminants. 'A source water assessment program ... shall identify for contaminants regulated (or for unregulated contaminants selected by the State, in its discretion, which the State, for the purposes of this subsection, has determined may present a threat to public health) ...'. These issues as well as analytical procedures are to be addressed in the work plan. The commentor cites an example in which the source of supply is

groundwater that might be susceptible to a known Superfund site with a plume of regulated and unregulated contaminants. In that instance, the Department may 'use other... programs to avoid duplication of effort' (Section 1453.(a) (6)).

USDA, Rural Development, Mike Kelsey, Director, Community and Business Programs:
Comment: Enact a memorandum of understanding with USDA/Rural Development to establish a partnership in working with small communities.

Response: The Department encourages coordination with other programs to work with small communities to utilize funding options available and to comply with the Safe Drinking Water Act. Coordination with USDA will aid small systems in choosing the most optimum finance package for water system improvements. However, the Department feels a memorandum of understanding is not necessary due to our past history of working together.