

Illustrative Example

**Drinking Water
Revolving Loan Fund
State Fiscal Year 1999
Intended Use Plan**

**State of New Water
Department of Health and Environment**

June 1998

DRINKING
W A T E R

REVOLVING
LOAN FUND

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I. INTRODUCTION

A. State of New Water's Drinking Water Revolving Loan Fund

In 1996, Congress passed federal amendments to the Safe Drinking Water Act (SDWA) establishing the Drinking Water State Revolving Fund (DWSRF) program. New Water is eligible for a \$20 million grant from the \$1.275 billion appropriated by Congress for federal fiscal year 1997.

On April 15, 1998, the Governor signed State Law 98-121 to establish the State of New Water's Drinking Water Revolving Loan Fund (DWRLF). The program complies with the provisions of the SDWA section 1452 as codified through state regulations (State code 45-2.12).

The program is administered by the New Water Department of Health and Environment (NWDHE) with financial review from the New Water Department of Economic Development. The DWRLF uses federal capitalization grant funds from the U.S. Environmental Protection Agency (EPA) and matching funds provided by the State Legislature.

The SDWA requires that each state annually prepare an Intended Use Plan (IUP) to describe how it plans to use the DWRLF to meet the Act's objectives. The IUP must describe the use of a state's capitalization grant, state match funds, principal and interest from loan repayments, other interest earnings of the DWRLF, bond proceeds, funds designated for set-aside activities, funds transferred from the CWRLF and any other monies deposited into the DWRLF.

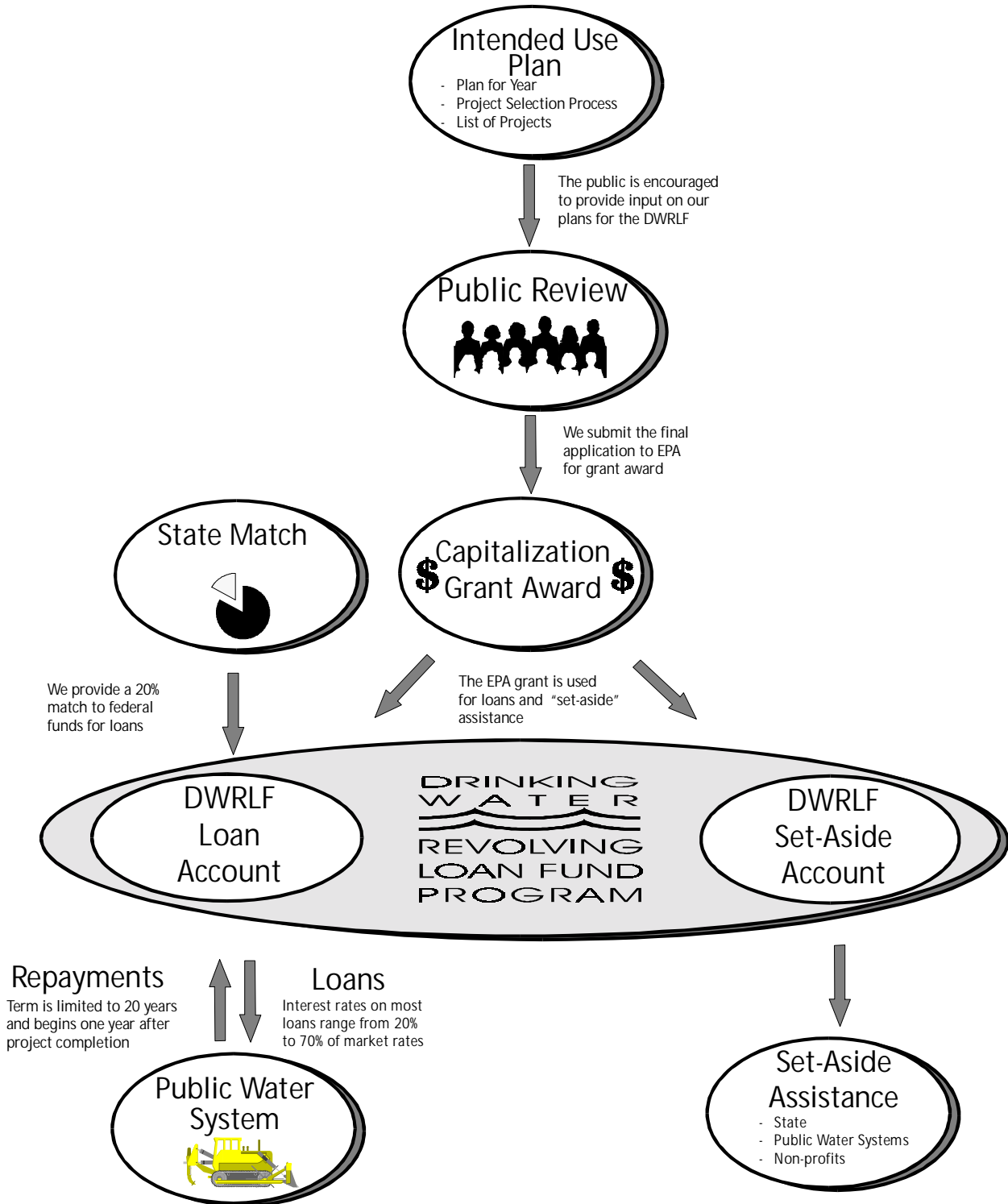
Our IUP is the central component of our DWRLF grant application and communicates our plans to stakeholders who include: public water systems, the public, EPA, and other state departments. This IUP provides specific details on key aspects of the program including our state's short- and long-term goals, the priority setting process we use to rank projects and the list of projects eligible to receive funding from available DWRLF funding. Exhibit 1 displays the role the IUP plays in the DWRLF funding process.

B. Program Overview

This IUP provides details on our plans for all funds available in the DWRLF during state fiscal year (SFY) 1999. This plan is based on receiving a \$20 million capitalization grant award from EPA. This IUP also addresses the use of our required 20 percent state match of \$4 million, a special one-time state appropriation of \$4.48 million, and \$100,000 of interest expected to be earned because of the early deposit of state funds in the SRF account. Through a comprehensive planning process that included participation of the public we have established the following primary objectives for the DWRLF:

EXHIBIT 1

The DWRLF Funding Process



1. Provide technical and financial assistance to eligible public water systems confronted with the most serious drinking water public health risks.
2. Ensure that the assistance provided will help systems come into or maintain compliance with the SDWA.
3. Provide assistance to the public water systems that can least afford to build, maintain, and operate needed facilities.
4. Design and operate the DWRLF as a permanent funding program to provide low-cost assistance to eligible systems into the foreseeable future.

To meet these objectives we will offer low interest loans to public water systems for the construction of facilities that will provide affordable, safe drinking water to the public. We also intend to use part of the federal capitalization grant as “set-aside” funding, to address other non-infrastructure activities which have public health benefits and assist in compliance with the SDWA. The major facets of the DWRLF program are summarized below.

Low Interest Loans

We will provide low interest loans to public water systems in the order of priority determined by the DWRLF priority ranking system. The total funding available for state fiscal year 1999 standard loans is \$15.9 million (69 percent of the total loan funding). Systems smaller than 10,000 in population will receive \$7.2 million (31 percent of the total loan funding). The interest rate on the loans will vary to reflect the prevailing market rates and the term of the loan. For state fiscal year 1999 loans the interest rate will vary from 1.4 percent for five year loans to 4.0 percent for 20 year loans. Standard loan terms are limited to a maximum of 20 years.

Disadvantaged Community Loans

Public water systems serving communities with weak economic conditions may be eligible to receive a “disadvantaged community” DWRLF loan. These loans will have interest rates that are lower than those provided through the standard loan program. The NWDHE plans to use \$4 million of the capitalization grant (20 percent) and over \$1 million of the state match funds for the disadvantaged community loan program. Interest rates on the disadvantaged community loans will be 50 percent of the current market rate or 2.85 percent. Disadvantaged communities will also receive a 20 to 60 percent subsidy in the form of principal forgiveness depending on affordability considerations.

Set-Asides

The SDWA allows states to use part of the federal capitalization grant to support various drinking water programs commonly known as set-asides. NWDHE proposes to use \$5 million (25 percent of the Capitalization Grant) for set-aside purposes to help ensure compliance with the

SDWA regulations and to address public health priorities. Set-aside funded activities will include the following:

- # DWRLF program administration
- # Technical assistance to small systems
- # Source water protection program development and implementation
- # Development of the state's capacity development strategy
- # Acquisition of land for source water protection
- # Assistance to individual systems in capacity development

“Leveraging” the DWRLF

The SDWA allows states to issue bonds through the DWRLF program using the federal capitalization grant as security to provide for higher funding levels in the current year of the program. “Leveraging” of federal funds is a useful financial option available to states with a high demand for immediate DWRLF funding. State-wide assessments of long-term capital needs for New Water have determined that up to \$1 billion will be needed over the next 20 years for investments in public water systems. However, an analysis of near-term (five years) needs show that the DWRLF, if funded at expected appropriation levels, will provide the funding needed to meet the demand for assistance in the state. As a result, leveraging will not be employed in the DWRLF at this time. However, as demand for funding increases and surpasses the annual funding available through the program, it is expected that leveraged financing will be employed to provide immediate funding for the state's public water systems.

C. Public Input, Review and Comment Procedures

Stakeholders Committee

New Water is committed to involving public stakeholders in the development and ongoing operation of our program. A thirteen-member stakeholder's group consisting of interested citizens and representatives from local and regional governments, grass roots organizations and public water systems helped state officials during development of the DWRLF program IUP and operating agreement. Three stakeholder meetings were held during the development of the DWRLF to review 1) the financial structure of the program including interest rates and terms, use of set-aside funding and long-term projected funding levels, 2) the proposed eligible projects and activities and 3) the priority setting system used to determine the order in which projects are funded. In the future, our stakeholder groups will continue as a source of public input on DWRLF management and operations.

Public Meetings and Comment Activities

To ensure that the public had an opportunity to review our proposed plans for the DWRLF, the draft IUP was made available 30 days before the first of two public meetings held on February 15, 1998 and March 15, 1998. To ensure that interested parties were made aware of the public

meeting dates, NWDHE published announcements in two statewide newspapers and distributed more than 1,500 announcements to a mailing list of public water systems, volunteer organizations, environmental organizations, public health officials, and interested citizens.

We welcomed input on all elements of the IUP at the public meetings. The meetings provided a forum for discussing the overall purpose, format, and content of the IUP including the types of assistance being provided through the DWRLF loan account and set-aside account, the long- and short-term goals of the program, the priority system used to rank individual projects, and the proposed list of projects to receive funding from SFY 1999 funds. A comment period remained open for four weeks after the hearings. Issues raised at the public hearings and in written comments were discussed in depth. Those issues that were not fully resolved have been carefully examined and letters setting forth our position and proposed action on these issues have been sent to the concerned parties. A summary of the results of these public participation activities is attached in Appendix A.

II. DWRLF LONG-TERM AND SHORT-TERM GOALS

In establishing the national Drinking Water State Revolving Fund program, Congress gave New Water and other states the flexibility to design a program that can be tailored to meet the needs of local public water systems. The long- and short-term goals developed for the DWRLF are presented below. They provide a framework that will guide the decisions New Water makes in the DWRLF program.

A. Long-Term DWRLF Goals

1. Maximize below-market rate loans to eligible public water systems to fund improvements to eliminate public health threats and ensure compliance with federal and state drinking water laws and regulations.
2. Maintain the long-term financial integrity of the DWRLF by judicious use and management of its assets and by realizing an adequate rate of return.
3. Use the DWRLF set-aside funds strategically and in coordination with the program loans to maximize the DWRLF loan account's impact on achieving affordable compliance and public health protection.
4. Target program resources and funds available each year to address the most significant public health and compliance problems facing the state.
5. Promote the development of the technical, managerial, and financial capability of all public water systems to maintain or come into compliance with state drinking water and federal SDWA requirements.

6. Encourage the consolidation and/or regionalization of small public water systems that lack the capability to operate and maintain systems in a cost-effective manner, thus allowing them to take advantage of the economics of scale available to larger water systems.

B. Short-Term DWRLF Goals

1. Initiate the operation of the DWRLF loan program by immediately providing loans to the fifteen systems confronting high priority acute health risks. (Target Completion: July 1998)
2. Develop NWDHE performance tracking measures for the DWRLF program to track:
 - A. Financial Management (e.g., repayment recycling rate, projected funding levels)
 - B. Compliance/Public Health (e.g., state-wide compliance improvement)
 - C. Customer service (e.g., total population served, disadvantaged communities served).(Target Completion: September 2000)
3. Develop accounting management reports to track loan account, set-aside account, and administrative account activities. Develop separate management reports for each set-aside activity in the set-aside account. (Target Completion: January 1999)
4. Finalize modifications to loan applicant credit review process for privately-owned public water systems. (Target Completion: October 1999)
5. Review and modify loan agreement and closing documents from the Clean Water Revolving Loan Fund for use in the DWRLF program. (Target Completion: July 1998)
6. Review loan processing procedures and modify as necessary to reflect DWRLF project requirements. (Target Completion: October 1999)
7. Conduct management study within three years to review annual DWRLF planning process, roles of NWDHE divisions, need for modification to memoranda of understanding, schedule of activities, and staffing and personnel levels and training. (Target Completion: August 2000)
8. Complete set-aside workplans for each set-aside activity. (Target Completion: October 1998)
9. Use local assistance set-aside funds to complete 50 percent of the effort to delineate and assess source waters in the state by July 2000, and 100 percent of the effort by June 2001. (Target Completion (100%): June 2001)
10. Use set-aside funding to support the implementation of the state's operator certification program. (Target Completion: December 2000)

11. Work with appropriate NWDHE water program sections to complete a capacity development strategy. (Target Completion: June 30, 2000)
12. Hold kickoff meeting of stakeholder committee. An initial meeting will be held to discuss goals for the committee and a schedule for the year. (Target Completion: July 1998)
13. Continue outreach activities to ensure systems are aware of and understand DWRLF assistance options and the loan application process by attending 7 state-wide meetings to publicize the DWRLF program. (Target Completion: Annually)
14. Conduct initial financial modeling to assess financial decisions in the program including the effects of using revenue bonds for state match and/or leveraging. (Target Completion: August 2000)

III. STRUCTURE OF THE DWRLF

The DWRLF consists of three accounts that will be used to provide assistance to accomplish its goals.

A. DWRLF Loan Account

This account will provide assistance for the planning, design, and construction of improvements to publicly and privately owned community water systems (CWS)¹ and nonprofit, noncommunity water systems (NPNCWS)². Federally owned facilities are not eligible for funding. This account will consist of all federal funds used for infrastructure loan assistance, all state match funds, loan repayments, and interest earnings of the Fund. The types of projects that can be funded under the loan account include the following:

- # Construction or upgrade of treatment facilities
- # Replacement of contaminated sources with new ground water sources
- # Installation or upgrade of disinfection facilities
- # Restructuring or acquisition and interconnection of systems to address technical, financial, and managerial capacity issues
- # Planning and engineering associated with eligible projects
- # Replacement of aging infrastructure
- # Transmission lines and finished water storage
- # Distribution system replacement/rehabilitation

¹A CWS is a public water system which serves at least 15 service connections used by year-round residents or regularly serves at least 25 year-round residents. (40 CFR 141.2)

²A NPNCWS is a non-profit public water system that is not a community water system and that regularly serves at least 25 of the same persons over 6 months per year. (40 CFR 141.2)

- # Acquisition of land that is integral to an SRF eligible project
- # Refinancing eligible projects where debt was incurred after July 1, 1993
- # Other projects necessary to address compliance and enforcement issues

Limitations of the DWRLF Loan Account

The SDWA allows states to buy or refinance debt obligations for publicly owned DWRLF projects if the long-term debt was incurred after July 1, 1993. We will only consider these applications after all projects addressing public health protection and compliance have been funded. We will also not refinance loans for the purchase of land. Funds in the loan account will be invested in interest bearing accounts, however, funds will not remain in the account primarily to earn interest.

The federal DWRLF Guidelines (EPA 816-R-97-005) specifically lists the following projects that cannot be funded through the DWRLF:

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

B. DWRLF Set-Aside Account

This account will provide assistance for set-aside activities funded through the DWRLF. The types of projects to be funded by the DWRLF set-aside account include, for example, technical assistance to small systems, delineation and assessment of source waters and development and implementation of our capacity development strategy. A complete description of set-aside activities is provided in Section V.

Each set-aside activity will have a separate sub-account that will be tracked separately in the state accounting and financial reporting system. Sub-account reports will provide budget levels and expenditures to date for tracking purposes and will be a source of reporting for the DWRLF biennial report required by the SDWA. Sub-accounts have been established for the following set-asides:

- # *Small system technical assistance* - for assistance to small systems through state personnel or agreements with third party assistance providers
- # *State program management* - for source water protection program administration, PWSS program support, capacity development strategy development, and operator certification program support
- # *Local assistance and other state programs* - for delineation and assessment of all state public drinking water supplies, land acquisition for source water protection, and for capacity development grants

C. DWRLF Administration Account

Fund resources from this account will be used to support the state operation and management of the DWRLF. This account will hold any fees collected by the NWDHE from applicants and the 4 percent set-aside from the federal capitalization grant provided for in Section 1452 (g)(2) of the SDWA. Funds in this account will be used to ensure the long-term operation and administration of the program.

IV. FINANCIAL STATUS OF THE DWRLF

This section reports on all sources of funding available to the DWRLF program and indicates their intended uses. This section also describes the financial assistance terms available through the program.

A. Sources and Uses of Funds

The total amount of funds in the DWRLF for SFY 1999 and the intended allocation to each activity is presented in Table 1. SFY 1999 funding reflects the allotment of funds from federal fiscal year 1997. SFY 1999 funding will total \$28.6 million. The DWRLF will provide \$23.1 million in loans to public water systems and \$5.5 million for set-aside program activities including \$800,000 to administer the program. Initially, all administrative funding will come from federal dollars because the state will not charge a fee for operation of the DWRLF until 2001. The administrative fee is expected to be 1/10 of 1 percent of the outstanding loan balance. The state is providing funding of \$4 million for the required state match and an additional one-time appropriation of \$4.48 million for the loan fund and for the additional match required for the state program management set-aside. Evidence of the state appropriation is included in Appendix B of the IUP. Although included as a heading in Table 1, leveraging for the DWRLF is not planned for SFY 1999.

TABLE 1
Financial Status of DWRLF
State Fiscal Year 1999 Funding

ACCOUNT	FEDERAL FUNDING (1997 Allotment)	STATE MATCH	LEVERAGING	OTHER STATE PROGRAMS	REPAYMENTS & EARNINGS	TOTAL
I. DWRLF LOAN ACCOUNT						
Standard Loans 1452(a)	\$ 9,300,000	\$ 2,480,000	N/A	\$ 4,000,000	\$ 100,000	\$15,880,000
Small Systems 1452(a)(2)						
<i>Standard</i>	<i>1,700,000</i>	<i>450,000</i>	-	-	-	<i>2,150,000</i>
<i>Disadvantaged Communities 1452(d)</i>	<i>4,000,000</i>	<i>1,070,000</i>	-	-	-	<i>5,070,000</i>
Small System Subtotal:	\$ 5,700,000	\$ 1,520,000	-	-	-	\$ 7,220,000
Subtotal:	\$ 15,000,000	\$ 4,000,000	-	\$4,000,000	\$ 100,000	\$23,100,000
II. SET-ASIDE ACCOUNT						
Technical Assistance (max. 2%) 1452(g)(2)	\$ 400,000	-	-	-	-	\$ 400,000
State Program Management (max. 10%) 1452(g)(2)						
<i>Source Water Program Administration</i>	<i>339,000</i>	-	-	<i>136,000</i>	-	<i>475,000</i>
<i>PWSS Program</i>	<i>417,000</i>	-	-	<i>168,000</i>	-	<i>585,000</i>
<i>Operator Certification</i>	<i>222,000</i>	-	-	<i>88,000</i>	-	<i>310,000</i>
<i>Capacity Development</i>	<i>222,000</i>	-	-	<i>88,000</i>	-	<i>310,000</i>
State Program Management Subtotal:	\$1,200,000	-	-	\$480,000	-	\$ 1,680,000
Local Assistance/ Other State Programs (max. 15%) 1452(k)						
<i>Source Water Delineation and Assessment</i>	<i>2,000,000</i>	-	-	-	-	<i>2,000,000</i>
<i>Source Water Land Acquisition</i>	<i>600,000</i>	-	-	-	-	<i>600,000</i>
Local Assistance/ Other State Programs Subtotal:	\$2,600,000	-	-	-	-	\$ 2,600,000
Subtotal:	\$ 4,200,000	-	-	\$480,000	-	\$ 4,680,000
III DWRLF ADMINISTRATION ACCOUNT						
4% Set-Aside 1452(g)(2)	\$ 800,000	-	-	-	-	\$ 800,000
Fees	-	-	-	-	-	-
Subtotal:	\$ 800,000	-	-	-	-	\$ 800,000
TOTAL	\$ 20,000,000	\$ 4,000,000	-	\$ 4,480,000	\$ 100,000	\$28,580,000

B. Financial Terms of Loans

The SDWA allows states to charge interest rates ranging from 0 percent to the market rate for DWSRF loans. We have determined that the interest rate on a DWRLF loan should reflect current market conditions. Therefore, the following terms are available for standard DWRLF loans:

Term	Interest Rate	SFY 1999 Interest Rate
5 Years	20% of Market Interest Rate	1.1 Percent
10 Years	50% of Market Interest Rate	2.8 Percent
15 Years	60% of Market Interest Rate	3.4 Percent
20 Years	70% of Market Interest Rate	4.0 Percent

The market rate for loans is taken from the 11 General Obligation Bond Index published the first week of May (5.7 percent in SFY 1999). All loans will have a maximum repayment term of 20 years with fixed interest rates determined by the above schedule. Repayment of loans will commence no later than one year after project completion. The state is planning to implement an annual DWRLF administrative fee of 1/10 of 1 percent of outstanding loan principal balance beginning in State Fiscal Year 2001.

We will implement a disadvantaged community program for public water systems serving communities with weak financial and socioeconomic conditions. The criteria used to establish that a community is disadvantaged is described in Section VI of this IUP. Disadvantaged communities will receive a low interest loan rate and some level of principal forgiveness. The level of principal forgiveness for a disadvantaged community program loan is determined by comparing the projected annual average household user charges for drinking water as a percent of the local median household income. User charges will include current and projected debt service and current and projected operation and maintenance costs. Communities with a higher user charge as a percent of median household income will receive a higher subsidy for their loan in the form of principal forgiveness. Communities in the highest impact categories will receive a 60 percent principal forgiveness subsidy in addition to the low interest loan rate.

The following terms are available for disadvantaged community DWRLF loans:

Average Annual Household User Charge as Percent of Local Median Household Income	DWRLF Disadvantaged Community Loan Interest Rate and Repayment Term	SFY 1999 Principal Forgiveness
>1.25 Percent	50 Percent of Market Rate, 20 Year Repayment	20 Percent
>1.50 Percent	50 Percent of Market Rate, 20 Year Repayment	30 Percent
>1.75 Percent	50 Percent of Market Rate, 20 Year Repayment	40 Percent
>2.0 Percent	50 Percent of Market Rate, 20 Year Repayment	50 Percent
>2.25 Percent	50 Percent of Market Rate, 20 Year Repayment	60 Percent

Terms will be further adjusted for disadvantaged community loans with repayment periods less than 20 years (i.e., 15, 10, and 5 years).

V. SET-ASIDE ACTIVITIES

The SDWA allows each state to set-aside up to 31 percent of its federal capitalization grant to support various drinking water programs including administration, technical assistance, state program management, and special activities. We plan to use a total of \$5.0 million of federal funding (25 percent of the federal FY 1997 funding) and an additional \$480,000 of state resources for set-aside purposes. We will submit detailed workplans to EPA for approval before we expend these funds and will report on the progress of set-aside activities to EPA in annual performance status reports. We will transfer any set-aside funding that is unused back to the DWRLF loan account.

A. DWRLF Administration Expenses

(SDWA reference 1452 (g)(2), Max Allowed: 4%, Taken from Federal FY 1997 Grant: 4%/\$800,00)

The DWRLF will be administered by the Drinking Water Section with assistance from Office of Administration and Accounting within NWDHE. The administration set-aside will be used to pay salaries and associated expenses of new and existing program personnel devoting time to the administration of the DWRLF loan account. Part of this account will also be used to reimburse the New Water Department of Economic Development for costs incurred when conducting credit reviews of privately-owned public water systems that apply for loans. Administration set-aside funds will also be used to procure all equipment and training necessary for the adequate

performance of the staff. Unused funds from this set-aside will be transferred into the DWRLF loan account.

B. Small Systems Technical Assistance

(SDWA reference 1452 (g)(2), Max Allowed: 2%, Taken from Federal FY 1997 Grant: 2%/\$400,000)

These funds will be used to provide technical assistance to public water supplies serving fewer than 10,000 people. NWDHE will use this set-aside to fund assistance providers that may include the New Water Rural Water Association, the New Water Rural Community Assistance Program, and the New Water Association of Community Action Agencies. Each organization will be under contract to provide specific activities such as the following:

- # Assisting with planning in preparation for a DWRLF loan
- # Helping small systems comply with federal cross-cutting requirements and other state requirements
- # Helping small systems to find and obtain funding in addition to the DWRLF
- # Determining the ability of a small system to repay a loan
- # Training small system operators
- # Providing capacity assessments to small systems and devising plans for improving technical, financial, and managerial capacity
- # Assistance to small systems with the development of a business plan

C. State Program Management

(SDWA reference 1452 (g)(2), Max Allowed: 10%, Taken from Federal FY 1997 Grant: 6%/\$1,200,000, Additional state match: \$480,000)

These funds will be used to address additional program requirements of the Public Water Supply Supervision (PWSS) program outlined by the SDWA and administer or provide technical assistance through source water protection programs.

This set-aside requires a one to one state match beyond the 20 percent state match for federal capitalization grants. However, credit is given for the match and over-match funding provided by the state for the PWSS grant in SFY 1993 and for the state over-match in the SFY 1999 PWSS funding. Using these match credits, the state satisfies \$720,000 of the required \$1,200,000 in match for this set-aside. The remaining \$480,000 is provided as an additional state contribution to the program (see Table 1).

Source Water Protection Program Administration (Federal FY 1997 Grant: \$475,000)

Source water protection is a cost-effective strategy that focuses on preventing contamination of drinking water supplies. Funding under this set-aside will be used to develop and implement the source water protection program component of the DWRLF, to develop and perform technical

assistance outreach, and to develop a strategy for dealing with threats including pathogens, inorganics and nutrients.

In SFY 1999, New Water will work to develop and integrate its state-wide source water protection strategy with other federal, state and local programs leading to improved protection and management of its water resources. In addition, NWDHE will encourage public support and responsibility for local water supplies by creating citizen advisory committees to help in the development and implementation of New Water's source water protection program.

PWSS Program (Federal FY 1997 Grant: \$575,000)

New Water will use funds from this set-aside to support PWSS activities. We will enhance the testing, data management, and reporting capabilities of the State Lab with the purchase of computer hardware and software and the use of contractor support. (The equipment will be used strictly for DWRLF/PWSS activities – the State Lab performs the majority of the laboratory analyses for SDWA compliance.) New Water will have the capability to perform water analyses, return the results to public water systems, and post the results to the internet.

The set-aside will also fund state personnel assigned to operate NWDHE's primacy program which will be working to implement the many new regulations that are scheduled to be released by EPA in the next several years. In the near term, we will work to help water systems implement the first of these new rules. The Consumer Confidence Rule requires that water systems develop and distribute reports to customers that describe the sources and quality of their drinking water. Many systems must provide the first of these reports to customers beginning in October 1999. We will develop guidance to help systems prepare their consumer confidence reports and will work with systems to help make their reports accessible to the public.

Operator Certification (Federal FY 1997 Grant: \$310,000)

New Water has conducted a water system operator certification program since 1967. Since that time, we have required community water systems using treatment to have a certified operator. To comply with the new SDWA requirements, we must significantly expand our program to certify operators of all community systems and nontransient noncommunity systems (including systems without treatment). We will use set-aside funding to augment our operator training contract and to add administrative and enforcement personnel.

New Water's operator certification program meets the minimum criteria that have been discussed by EPA in stakeholder meetings. When EPA publishes guidance on this issue, we will modify our existing program as necessary.

Capacity Development (Federal FY 1997: \$310,000)

The primary goal of our capacity development program is to provide public water systems with the tools and financial assistance they need to obtain and maintain the technical, financial, and

managerial capacity needed to ensure a supply of safe drinking water. Initially, this set-aside will be used to develop and implement a program to ensure that all new water systems have adequate capacity. We will be working to pass legislation and develop regulations to implement this program by the SDWA deadline of October 1, 1999.

After our new systems program is implemented we will turn towards development of a capacity development strategy to address all public water systems. This strategy will be developed in coordination with a stakeholder workgroup representing public water systems, technical assistance providers, and other interested parties. The goal of the strategy will be to identify the technical, financial, and managerial impediments confronted by water systems in their efforts to provide safe and sustainable drinking water. After identifying the impediments we will be able to more appropriately determine solutions to capacity problems. Such solutions could include technical or financial assistance or encouragement of consolidation, collaboration, regionalization, and contract operation and maintenance cooperatives.

D. Local Assistance and Other State Programs

(SDWA reference 1452 (k), Max Allowed: 15%, Taken from Federal FY 1997 Grant: 13%/\$2,600,000)

Funds for this set-aside will be used to support the development and/or implementation of local drinking water protection initiatives. SFY 1999 funds will be used for source water delineation and assessment and land acquisition for source water protection. Federal regulations state that no more than 10 percent of the federal capitalization grant can be allotted to any one of these activities.

Source Water Delineation and Assessment (Federal FY 1997 Grant: \$2,000,000)

To address source water protection, the SDWA created a new program to ensure that states conduct assessments, coordinated with existing information and programs, to determine the vulnerability of sources of drinking water to contamination. Funds from this set-aside will be used for delineation and assessment of all state public drinking water supplies. We are currently developing a Source Water Assessment Plan (SWAP) for submittal that will describe how assessments will be conducted. New Water will use other programs' assessment tools and other state water quality indicators to maximize efficiency and prevent duplication in conducting assessments, detecting contamination sources and determining the susceptibility of public water systems. As required by the federal DWSRF guidelines, only federal FY 1997 funds will be used for delineation and assessment and the funds will be expended within four years after the state receives the grant (through SFY 2003). The state plans to take the maximum allowable amount of \$2 million to complete this important activity.

Land Acquisition for Source Water Protection (Federal FY 1997 Grant: \$600,000)

Funding from this set-aside will be used to provide loans to public water systems for the purchase of land or a conservation easement. A public water system may only purchase land or a

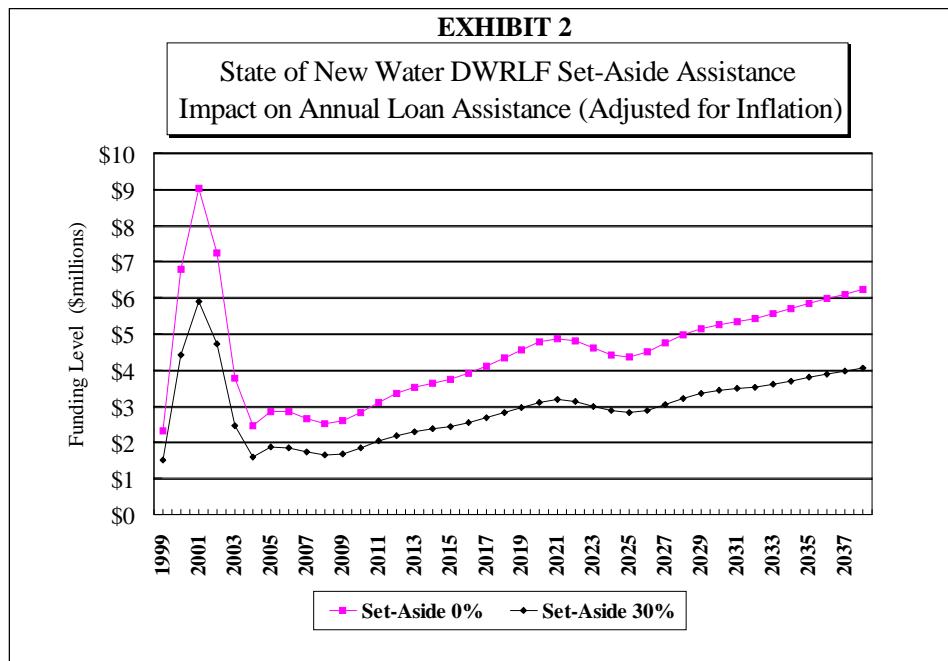
conservation easement from a willing party for the purpose of protecting a system’s source water(s) and ensuring compliance with national drinking water regulations. New Water has developed a priority setting process that will establish the priority order for funding these projects. A copy of the project priority system is attached in Appendix D. The interest rate for these loans will be established in the same way that the interest rate is established for other DWRLF loans.

VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

A. Distribution of Funds Analysis

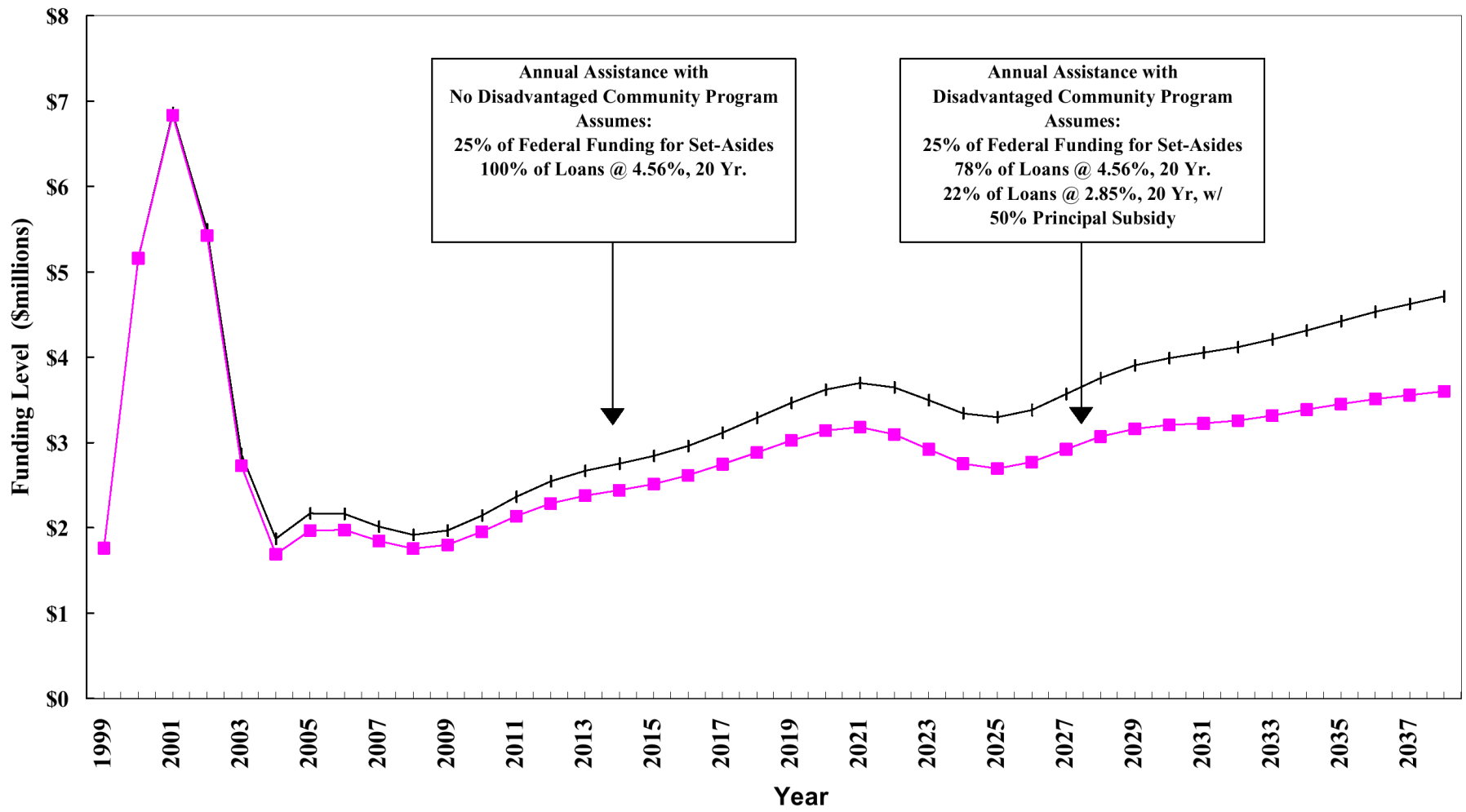
The SDWA provides each state with flexibility to determine how much of their grant should be used for infrastructure loans, disadvantaged assistance, and set-aside activities. However, with this flexibility comes responsibility to determine how to best direct funds to address the problems in our state. We believe it is critical to evaluate and understand the impact of our decisions in order to ensure that assistance will be available in the future. Therefore, we used a planning model to evaluate the impact of alternative set-aside funding levels and disadvantaged assistance levels on the long-term loan funding levels of the DWSRF program.

Not surprisingly, there is a direct relationship between set-aside funding and the long-term loan capacity of the DWRLF. For example, using 30 percent of federal funds for set-aside activities every year will reduce the long-term funding capacity of the loan fund by 30 percent (Exhibit 2). This impact is significant and might suggest that we



should limit our set-aside use. However, after consultation with the public, we determined to use 25 percent of the federal FY 1997 funds for set-aside activities. Many of the activities conducted under the set-asides can have a direct impact on preventing future problems. Implementing source water protection programs after conducting assessments of potential sources of contamination can reduce the need for costly treatment technologies. Ensuring that operators are properly trained and enhancing the technical, financial and managerial capacity of small water

State of New Water DWRLF Disadvantaged Community Program Impact on Annual Loan Assistance (Adjusted for Inflation)



systems can also reduce the need for costly infrastructure improvements. We will reevaluate our use of set-asides on an annual basis as we develop the IUP to determine whether set-aside levels should be reduced or increased in the future.

The SDWA also allows up to 30 percent of the federal capitalization grant to be used for disadvantaged community subsidies. Subsidies may be provided through loan “principal forgiveness,” or “negative interest rate” loans, or by providing loans with repayment terms up to 30 years. To consider the effects of using a disadvantaged community program a similar modeling evaluation was conducted. Exhibit 3 shows the effect on annual funding levels if the state uses 22 percent of loans for disadvantaged communities (interest rate: 2.85 percent, principal forgiveness: 50 percent) in addition to using 25 percent of federal funds for set-aside assistance. While there is a significant impact on funding over time, New Water finds the trade-off to be acceptable because of the importance the state places on providing subsidies to the systems that are most in need. We will adjust the terms of the loan based on affordability considerations of the system and the community it serves. The criteria we will use to determine whether a system qualifies for disadvantaged assistance is described in the next section. A complete set of the modeling printouts used in NWDHE’s analysis is included in Appendix C.

B. Disadvantaged Community Program

We have allocated more than \$5 million to provide loans for projects that qualify for the disadvantaged community program. The state anticipates that this allocation should fully cover all eligible projects during this IUP period based on a state-wide financial needs evaluation. We are committed to operating the DWRLF at funding levels that ensure all communities with high priority projects will receive assistance. The goal of the disadvantaged community program is to provide communities that otherwise could not afford essential projects with the financial resources to undertake these projects.

Disadvantaged Community Loan Eligibility

NWDHE considers four local indicators to determine a community’s eligibility for the disadvantaged loan program. Indicators used and the benchmark levels for disadvantaged communities are as follows:

Indicator	Benchmark
Unemployment Rate	<i>Higher of:</i> 1) 125 Percent of State Median Rate or 2) 6 Percent
Poverty Level	<i>Higher of:</i> 1) 125 Percent of State Median Level or 2) 8.5 Percent
Local Debt Burden (total local debt per capita)	\$1,750 Per Capita
Median Household Income	40 percent of State-Wide Median Household Income

The benchmarks for these indicators are reviewed annually and, if appropriate, updated to reflect changes in socioeconomic conditions in the state. Communities with indicator levels that are weaker than the state benchmark for three of the four indicators will qualify for a disadvantaged community loan.

C. Capacity Assessment 1452(a)(3)(A)

The SDWA requires that a public water system applying for a DWRLF loan must show that it has the technical, financial, and managerial capacity to ensure compliance. If a system does not have adequate capacity, assistance may only be provided if it will help the system to achieve capacity. The goal of this requirement is to ensure that DWRLF assistance is not used to create or support non-viable systems. New Water’s Capacity Self-Assessment Worksheets (Appendix E) are filled out as part of the DWRLF loan application process.

Technical Capacity

To demonstrate technical capacity, DWRLF loan applicants must show that drinking water sources are adequate, that the system’s source, treatment, distribution and storage infrastructure are adequate and that personnel have the technical knowledge to efficiently operate and maintain the system. As part of reviewing a loan applicant’s Self-Assessment Worksheets, NWDHE will review the system’s records to assure that the system is being properly operated and maintained. The water system must not have outstanding water compliance problems unless the DWRLF project is intended to correct those problems. The engineering reports, plans, and specifications for the proposed DWRLF-funded project and the system’s Self-Assessment Worksheets will all be evaluated during the loan application process.

Financial Capacity

To demonstrate financial capacity, the applicant must show that the system has sufficient revenues to cover necessary costs and demonstrate credit worthiness and adequate fiscal controls. NWDHE will review the applicant's Self-Assessment Worksheets, the project budget, annual financial reports, and other financial information to ensure adequate financial capacity of the applicant.

Managerial Capacity

To demonstrate managerial capacity, the water system must have personnel with expertise to manage the entire water system operation. NWDHE will review the applicant's managerial capacity through Self-Assessment Worksheets and supporting documentation to assure that management is involved in the day to day supervision of the water system, is responsive to all required regulations, is available to respond to emergencies, and is capable of identifying and addressing all necessary capital improvements and assuring financial viability. The water system must have a qualified water operator in accordance with the state's operator certification program.

Long-Term Capacity

NWDHE will assess whether each water system has a long-term plan to undertake feasible and appropriate changes in operations necessary to develop adequate capacity. In making these assessments, the NWDHE will consult with local health departments and review Water Resource Management Strategies, Comprehensive Studies, the Drinking Water Needs Survey and other available engineering reports in an effort to improve the overall capacity of systems requesting assistance. NWDHE will encourage consolidation efforts when two or more systems can benefit and also encourage other options, such as contract management or partnerships with other communities in their area. The priority ranking criterion provides additional points to encourage this objective.

D. Establishing Project Priority

Both federal and state law require that we develop a project priority ranking system to determine the priority order of projects to be funded through the DWRLF. As called for by section 1452(b) of the SDWA, our priority ranking system is designed so that the greatest priority is given to projects that:

- # Address the most serious risks to human health
- # Ensure compliance with federal and state drinking water regulations
- # Assist systems most in need on a per household basis

Before we developed our priority system, we conducted a study of the major compliance issues affecting drinking water systems in our state. The assessment showed that an important

compliance issue for water systems in the state was related to violations of drinking water quality health standards for microbiological contaminants, some of which can have an adverse impact on human health. We also looked at an assessment of needs that we conducted to support an EPA survey three years ago. The survey indicated that many of the infrastructure problems in the state could result in an increased risk of microbiological contamination. These problems include degraded distribution systems and inadequate filtration of sources of drinking water.

The priority system we have developed in partnership with our stakeholder group places a focus on projects to address these important public health and compliance problems. We developed seven categories to use in the ranking of projects. The complete priority system can be found in Appendix D and is summarized below:

- # *Violation of national drinking water standards.* The greatest number of points is given to systems with violations that indicate the presence of microbiological contaminants.
- # *Quantity deficiencies.* A greater number of points are given to systems with inadequate pressure in their lines since this can lead to microbiological contamination.
- # *Treatment deficiencies.* A greater number of points are given to systems that have no filtration of source water.
- # *Affordability.* A greater number of points are given to systems with households that have a high average annual water bill relative to their median household income.
- # *Customer connections served.* A greater number of points are given to systems serving fewer connections.
- # *Consolidation.* The greatest number is given to systems that undergo a total consolidation. This is often the best solution for small systems with significant technical, financial, and managerial problems.
- # *Bonus Points.* We give bonus points to systems that have implemented source water protection or water conservation programs.

Projects are identified through a solicitation of all eligible water systems. Those systems that submit pre-applications are placed on a comprehensive list of projects. Project engineers in the NWDHE assign points to projects based on their knowledge of the system and information provided in the pre-application. Those systems which rank high on the comprehensive list are notified and asked to submit a complete application. After evaluation of all application materials, we develop the fundable list of projects, included in Appendix D. The fundable list includes the highest priority projects that have indicated they will be ready to proceed within the time period covered by this IUP.

E. Small System Funding

Following completion of the ranking process, the fundable list of projects will be reviewed to determine if at least 15 percent of the projected funding amount will be for public water systems

that regularly serve fewer than 10,000 people, as required by the SDWA. If this is not the case, the fundable list is adjusted by exchanging the lowest ranking projects above the funding line that serve 10,000 or more with the highest ranking projects below the funding line that serve fewer than 10,000, until the 15 percent requirement is satisfied. Based on the fundable list developed, more than 30 percent of SFY 1999 loan funds will be used by small water systems.

F. Tie Breaking Procedure

When two or more projects score equally under the project priority system a tie breaking procedure will be used. The project with the smallest number of existing customers served will receive the higher ranking.

G. Bypass Procedure/Readiness to Proceed

A project on the fundable portion of the list may be bypassed and the next eligible project funded if it is determined that the project will not be ready to proceed during the funding year. Typical reasons for bypassing a project include the following:

- # Binding Commitment Resolution not approved by system
- # DWRLF application incomplete
- # Capacity self-assessment incomplete, or shows insufficient technical, managerial, or financial capacity
- # Dedicated repayment source or revenue not in place
- # System in significant noncompliance and project not designed to bring system into compliance
- # System not ready to proceed in a timely manner
- # Funding from other sources required for the project not in place

The loan applicant whose project is to be bypassed will be given written notice by NWDHE. During the public notice and comment period, an applicant with a bypassed project may submit written or verbal comments to NWDHE. Projects bypassed may be funded at a later date when the project is ready to proceed. Should a system on the fundable list decline the loan, the next ranked project will be offered access to all or a portion of these funds.

If an imminent serious public health threat is identified after the development of the fundable list of projects, we may bypass lower priority projects to fund a project that addresses a serious health threat.

H. Refinancing Existing Loans

The DWRLF may be used to buy or refinance debt obligations for DWRLF projects. The long-term debt must have been incurred after July 1, 1993 to be eligible for refinancing. We will not refinance loans that were solely for the purchase of land. Consideration for these applications will be entertained only after projects addressing public health protection and compliance have

been funded.

VII. CWRLF-DWRLF FUND TRANSFERS

We are reserving the right to transfer up to 33 percent of the DWRLF capitalization grant to the CWRLF, or an equivalent amount from the CWRLF to the DWRLF, starting a year after the DWRLF program is established, but no later than federal FY 2002.

**APPENDIX A
PUBLIC OUTREACH
PUBLIC MEETING ANNOUNCEMENTS
MEETING MINUTES AND SUMMARY OF OUTSTANDING ISSUES
STATE RESPONSES TO OUTSTANDING ISSUES**

**APPENDIX B
DWRLF STATE MATCH
BUDGET DOCUMENTATION**

APPENDIX C
DISTRIBUTION OF FUNDS ANALYSIS
SET-ASIDE IMPACT ASSESSMENT
DISADVANTAGED COMMUNITY IMPACT ASSESSMENT

APPENDIX D
PRIORITY SYSTEM
PROJECT PRIORITY LIST

DWRLF Priority System

Process for Determining Project to be Funded

All eligible projects will be rated with respect to seven categories to determine their ranking and selection for funding under the DWRLF. The categories are as follows:

- # Violation of national drinking water standards
- # Quantity deficiencies
- # Treatment/design deficiencies
- # Affordability
- # Customers served
- # Consolidation
- # Source water protection actions

The total project score is the sum of the scores for each category.

1. Violation of National Drinking Water Standards

Maximum Contaminant Levels (MCLs) are established in federal drinking water regulations for those contaminants that may be detrimental to public health. Exceedences of these levels during the 30-month period prior to pre-application submittal (3 years for secondary contaminants) are given priority points as follows:

Condition	Priority Points
a. <u>Bacteriological</u>	
# No MCL violations	0 points
# 1-2 MCL violations	30 points
# 3 or more violations	40 points
b. <u>Nitrate</u>	
# Less than 1.0 mg/L	0 points
# 1.0 - 5.0mg/L	5 points
# 5.0 - 10.0mg/L	10 points
# MCL violations	20 points
c. <u>Turbidity in the Last 30 Months</u>	
# No MCL violations	0 points
# 1-2 MCL violations	30 points
# Greater than 2 MCL violations	40 points

d.	<u>Primary Organic, Inorganic, and Radionuclide Standards</u>	
	# No MCL violations during last two monitoring periods	0 points
	# 1-2 MCL violations	15 points
	# Greater than 2 MCL violations	30 points
e.	<u>Total Trihalomethanes (TTHM)</u>	
	# No MCL violations during last two monitoring periods	0 points
	# 1-2 MCL violations	30 points
	# Greater than 2 MCL violations	40 points
f.	Secondary Standards - MCL exceedences	20 points
g.	Boil Water Status in Last 3 Years	30 points
h.	Lead or Copper Exceedence (90 th percentile)	30 points

2. Quantity Deficiencies

Quantity deficiencies are shortages due to limited water supply sources or insufficient storage within the distribution area to meet public need. The associated public health concerns associated with quantity deficiencies include domestic need for potable water and to maintain pressure in lines to prevent back siphonage and cross-connections. Projects related to anticipation of future growth are not eligible for funding under the DWRLF, therefore, projected shortages due to anticipated expansion are not eligible and should not be ranked under this category.

Condition	Priority Points
a.	<u>Inadequate Source</u>
	# Continual shortage 30 points
	# Shortage during peak demand (daily) 20 points
	# Shortage during seasonal high use <i>with an implemented</i> conservation program 15 points
	# Shortage during seasonal high use <i>without an implemented</i> conservation program 10 points
b.	<u>Inadequate Storage Average</u>
	# Inadequate storage <i>with an implemented</i> conservation program 20 points
	# Inadequate storage <i>without an implemented</i> conservation program 5 points

- c. Inadequate Pressure
 - # Consistently below 20 psi 30 points
 - # Occasionally below 20 psi 15 points

3. Treatment/Design Deficiencies

Treatment/design deficiencies are those which could be corrected by enlargement, repair, installation or replacement of all or a portion of the system. The following deficiencies have the potential to adversely affect a system’s ability to continually provide drinking water that meets all standards.

Condition	Priority Points
a. No filtration of surface water or groundwater under the influence of surface water	30 points
b. No filtration of groundwater with the following raw water quality:	
# Turbidity greater than 5.0 NTU	25 points
# Total coliform greater than 100 PPB per 100 ml sample	20 points
# Fecal coliform greater than 20 PPB per 100 ml sample	25 points
# Iron greater than 0.6 mg/L	15 points
# Iron greater than 0.3 and less than 0.6 mg/L	10 points
# Manganese greater than 0.1 mg/L	15 points
# Manganese greater than 0.05 and less than .1 mg/L	10 points
c. Other	
# Inadequate treatment or process facilities	12 points
# Distribution or plant capacity deficiencies	12 points
# Improper well construction	12 points
# Other contaminants of concern such as cryptosporidium or giardia with monitoring or studies to demonstrate existence or high potential for occurrence	25 points

4. Affordability

An affordability factor will be assigned to each project to reflect the relative needs of applicants on a per household basis. The affordability factor is defined as the ratio of the average annual household water bill to the 1999 median household income for the project area.

Formula:
$$\frac{\text{Average Annual Household Water Bill}}{\text{Median Household Income of Project Area}} \times 100$$

Condition	Priority Points
a. Factor Greater than 2.0%	24 points
b. 1.76 - 2.00%	21 points
c. 1.51 - 1.75%	18 points
d. 1.26 - 1.50%	15 points
e. 1.01 - 1.25%	11 points
f. Less than or equal to 1.0	0 points

5. Customer Connections Served

Condition	Priority Points
a. Less than 20 connections	26 points
b. 21-50	24 points
c. 51-100	22 points
d. 101-150	20 points
e. 151-200	18 points
f. 201-300	16 points
g. 301-400	14 points
h. 401-600	12 points
i. Greater than 600	10 points

6. Consolidation

Projects which result in the consolidation, interconnection, or improvement of services for two or more drinking water systems will have the following weighted factor:

Condition	Priority Points
a. No consolidation	0 points
b. Total system consolidation	50 points
c. Physical interconnection	30 points
d. Management consolidation	20 points
e. Improvement of services (managerial, operational, and financial)	10 points

7. Bonus Points - Source Water Protection Action

Condition	Priority Points
a. System has implemented or committed (by letter) to implementing a source water protection program	15 points
b. System has completed or is in the process (by letter) of implementing a water conservation program	10 points

PROJECT PRIORITY LIST: COMPREHENSIVE/FUNDABLE LIST

PRIORITY RANKING	PRIORITY POINTS	NAME	PWS ID #	AMOUNT	PROJECT TYPE	POPULATION SERVED	DISAD. COMMUNITY	START DATE
1	240	Stanford Water Department	NW1200737	\$ 1,024,955	This project is for installation of a pipeline from a new, proven well to the rest of its water system.	9,852	YES	8/1/98
2	224	Chandler Heights Water District	NW1200123	\$ 668,223	The project consists of construction of a tank and booster pump station allowing the water system to avoid filtration requirements in accordance with its Administrative Consent Order and Agreement.	25,267		11/1/98
3	218	Town of Charlestown	NW1200616	\$ 412,073	This project is the installation of a new well and pumping system.	911	YES	9/1/98
4	214	Shaw Creek Water Department	NW1200415	\$ 149,818	This project is the installation of a new disinfection system to comply with the Surface Water Treatment Rule.	587		5/1/99
5	200	Clarendon Water Department	NW1200301	\$ 257,000	This project is the installation of a new disinfection system to comply with the Surface Water Treatment Rule.	3,265		10/1/98
6	197	Artesian Water Department	NW1200717	\$ 2,638,944	This project is for construction of a water filtration system for treatment of the town's surface water supply. The project will bring the system into compliance with the Surface Water Treatment Rule.	651,223		9/1/99
7	196	Pinecrest Water District	NW1200159	\$ 1,538,844	This project is the installation of new filtration and pump system to comply with the Surface Water Treatment Rule.	5,925	YES	8/1/99
8	191	Summerville Water Department	NW1200346	\$ 702,576	This project is the replacement of a storage tank and distribution system.	9,152	YES	4/1/99

PRIORITY RANKING	PRIORITY POINTS	NAME	PWS ID #	AMOUNT	PROJECT TYPE	POPULATION SERVED	DISAD. COMMUNITY	START DATE
9	187	Milltown Water Department	NW1200845	\$3,525,509	This project is the installation of transmission lines and pump system to a new water source.	90,015		10/1/98
10	185	Dawson Water Department	NW1200912	\$ 373,515	This project is the installation of a new well and pumping system.	1,212	YES	5/1/99
11	184	Town of Beverton	NW1200201	\$ 43,524	This project is the installation of wells and associated facilities to replace an existing surface water source that is subject to bacteriological contamination.	65	YES	8/1/99
12	183	Bevin Water Company	NW1200058	\$ 332,000	This project is the development of a ground water source to replace an existing surface water source. The system is currently in violation of the Surface Water Treatment Rule.	3,221		9/1/98
13	175	Haskins Water Department	NW1200648	\$3,587,260	This project is the construction of a new water treatment facility. Construction of the facility is an action to comply with the Surface Water Treatment Rule.	350,000		10/1/98
14	171	Fish Hook Mobile Home Park	NW1200441	\$ 341,500	This project is the installation of wells and associated facilities to replace an existing surface water source.	85		10/1/98
15	170	Patterstown Water Department	NW1200929	\$ 650,637	This project is the installation of wells and associated facilities to replace an existing surface water source.	6,907	YES	8/1/98
16	168	Town of Clarkesburg	NW1200535	\$1,069,692	This project is the construction of a new storage tank and the replacement of transmission mains.	1,967		8/1/98
17	167	Town of Edgewood	NW1200808	\$2,642,387	This project is the replacement of existing transmission mains and distribution system.	268,641		8/1/99

PRIORITY RANKING	PRIORITY POINTS	NAME	PWS ID #	AMOUNT	PROJECT TYPE	POPULATION SERVED	DISAD. COMMUNITY	START DATE
18	160	Puryear Water Department	NW1200357	\$ 323,866	This project is the installation of a new disinfection system.	989	YES	9/1/98
19	159	Columbus Water Department	NW1200492	\$1,492,677	This project is the replacement of existing transmission mains and distribution system.	197,149		8/1/99
20	155	Homestead Water Department	NW1200816	\$1,825,000	This project is the installation of a new filtration and disinfection system. Construction of the facility is an action to comply with the Surface Water Treatment Rule.	62,487		11/1/98

----Funding line ----

21	142	Willow Wood Water Department	NW1200477	\$ 514,000	This project is the replacement of water mains and a new storage tank.	8,564		8/1/98
22	140	Spring Valley Water Department	NW1200585	\$ 576,174	This project is the installation of a new transmission and distribution system and storage tank.	9,256	YES	9/1/98
23	136	Langley Water Department	NW1200369	\$ 412,000	This project is the construction of a new storage tank.	1,524		10/1/98
24	135	Davidson Water Department	NW1200861	\$ 705,500	This project will replace a deteriorated transmission main.	7,512		5/1/99
25	133	Moon Township	NW1200148	\$4,135,064	This project is the replacement of existing transmission mains and distribution system.	490,000		9/1/99
26	129	Dresden Water Department	NW1200010	\$ 630,000	This project is the construction of a new treatment facility complete with aeration for removal of CO ₂ for corrosion control to address a violation of the Lead and Copper Rule. Radon gas will also be removed as a result of this project.	69,000		8/1/99

PRIORITY RANKING	PRIORITY POINTS	NAME	PWS ID #	AMOUNT	PROJECT TYPE	POPULATION SERVED	DISAD. COMMUNITY	START DATE
27	127	Middletown Water Improvement District	NW1200007	\$ 198,660	This project is the rehabilitation of an existing storage tank.	47,287		11/1/98
28	125	Fairfield Water Department	NW1200054	\$ 656,243	This project is the installation of wells and associated facilities to replace an existing surface water source.	96,875		11/1/98
29	124	Town of Hillsboro	NW1200669	\$ 415,143	This project is the installation of wells and associated facilities to replace an existing surface water source.	1,782	YES	11/1/98
30	121	Hope Water Department	NW1200323	\$ 146,878	This project is the installation of a new disinfection system.	25,369	YES	11/1/98
31	120	Town of Cedarvale	NW1200219	\$ 268,480	This project is the construction of a new storage tank.	3,251		11/1/98
32	118	Alto Water Department	NW1200102	\$2,325,484	This project is the installation of transmission lines and pump system to a new water source.	405,589		11/1/98
33	116	Town of Hancock	NW1200827	\$ 364,250	This project is the installation of wells and associated facilities to replace an existing surface water source.	1,875		11/1/98
34	111	Farmington Water Department	NW1200163	\$ 601,547	This project will replace a deteriorated transmission main.	6,857	YES	11/1/98
35	108	Glenwood Water Department	NW1200689	\$1,210,392	This project is the construction of a new storage tank and the replacement of transmission mains.	5,425		11/1/98
36	107	Town of Waterbury	NW1200974	\$ 369,456	This project is the construction of a new storage tank.	741,859		11/1/98
37	105	New Haven Water Department	NW1200380	\$ 171,980	This project is the rehabilitation of an existing storage tank.	11,548	YES	11/1/98

PRIORITY RANKING	PRIORITY POINTS	NAME	PWS ID #	AMOUNT	PROJECT TYPE	POPULATION SERVED	DISAD. COMMUNITY	START DATE
38	104	Jacksonville Water Department	NW1200020	\$ 313,125	This project is the installation of wells and associated facilities to replace an existing surface water source.	8,874	YES	11/1/98
39	102	Buckhorn Water Department	NW1200413	\$ 79,854	This project is the installation of wells and associated facilities to replace an existing surface water source.	1,875	YES	11/1/98
40	100	Town of Coventry	NW1200524	\$ 568,620	This project is the installation of a new transmission and distribution system and storage tank.	982		11/1/98
41	94	Grafton Water Department	NW1200222	\$ 519,584	This project is the replacement of water mains and a new storage tank.	3,587		11/1/98
42	88	Town of Villanueva	NW1200879	\$ 400,870	This project is the installation of a new well and pumping system.	458,002		11/1/98

Priority Ranking System

Land Acquisition for Source Water Protection (1452(k) Set-Aside)

All eligible projects will be rated with respect to five categories to determine their ranking and selection for funding under the DWRLF. These categories are:

- # Type of source
- # System compliance enforcement status
- # Affordability
- # Customers served
- # Source water protection actions

The total project score is the sum of the scores for each category.

1. Type of Source

Condition	Priority Points
a. Unfiltered surface water with filtration waiver	50 points
b. Filtered surface water source	40 points
c. Groundwater under the direct influence of surface water	30 points
d. Groundwater	20 points

2. System Compliance Enforcement Status

Condition	Priority Points
a. Court action or civil penalty assessment	30 points
b. Assessed administrative penalty	25 points
c. Active administrative compliance/consent order	20 points
d. Loss of filtration avoidance/exemption	18 points
e. On long-term boil water order notice (>1 year)	16 points
f. In significant noncompliance	14 points
g. Outstanding notice of noncompliance	12 points
h. Outstanding treatment technique violation	10 points
i. Active bi-lateral compliance agreement	8 points

These priority points are only added if proposed project addresses the compliance/enforcement issue in question.

3. Affordability

An affordability factor will be assigned to each project to reflect the relative needs of applicants on a per household basis. The affordability factor is defined as the ratio of the average annual household water bill to the 1999 median household income for the project area.

$$\text{Formula: } \frac{\text{Average Annual Household Water Bill}}{\text{Median Household Income of Project Area}} \times 100$$

Condition**Priority Points**

a.	Factor Greater than 2.0%	24 points
b.	1.76 - 2.00%	21 points
c.	1.51 - 1.75%	18 points
d.	1.26 - 1.50%	15 points
e.	1.01 - 1.25%	11 points
f.	Less than or equal to 1.0	0 points

4. Customer Connections Served**Condition****Priority Points**

a.	Less than 20 connections	26 points
b.	21-50	24 points
c.	51-100	22 points
d.	101-150	20 points
e.	151-200	18 points
f.	201-300	16 points
g.	301-400	14 points
h.	401-600	12 points
i.	Greater than 600	10 points

5. Source Water Protection Actions**Condition****Priority Points**

a.	System has implemented or committed (by letter) to implementing a source water protection program	15 points
b.	System has completed or is in the process (by letter) of delineating source water and assessing contaminants	10 points

Total Priority Ranking Score = 1+2+3+4+5

APPENDIX E
CAPACITY ASSESSMENT WORKSHEETS