

State of New Hampshire

2011 Drinking Water State Revolving Fund

Intended Use Plan  
(Revised August 2011 IUP)

September 2011

## TABLE OF CONTENTS

	Page
<b>1. Introduction</b>	<b>1</b>
<b>2. Goals for Infrastructure Project and Setaside Activities</b>	<b>2</b>
<b>2A. Short term goals</b>	<b>2</b>
<b>2B. Long-term goals</b>	<b>3</b>
<b>3. Description of Financial Status of the DWSRF</b>	<b>3</b>
<b>3A. Total amount of funds in the DWSRF</b>	<b>3</b>
<b>3B. 2010 Year end financial status and summary of accomplishments</b>	<b>4</b>
<b>3C. Leveraging</b>	<b>5</b>
<b>3D. Administrative fee</b>	<b>6</b>
<b>3E. Types of projects to be funded</b>	<b>6</b>
<b>3F. Financial terms of loans</b>	<b>7</b>
<b>3G. Amount dedicated to assisting disadvantaged community/systems</b>	<b>7</b>
<b>3H. Funds transferred between CWSRF and DWSRF</b>	<b>7</b>
<b>4. Intended Use of Non-infrastructure Project Activities (Setasides)</b>	<b>7</b>
<b>4A. Definition of Setasides</b>	<b>7</b>
<b>4B. Intended use of setasides</b>	<b>8</b>
<b>4B (1) Program administration</b>	<b>8</b>
<b>4B (2) Technical assistance for small systems</b>	<b>9</b>
<b>4B (3) State program management</b>	<b>9</b>
<b>4B (4) Source water protection/ capacity development</b>	<b>9</b>
<b>4C. Transferring funds from setasides into standard project account</b>	<b>10</b>
<b>5. Prioritization of Source Water Protection Grants and Loans</b>	<b>10</b>
<b>6. Criteria and Methods for Distribution of Infrastructure Project Funds</b>	<b>10</b>
<b>6A. Description of process for selection of eligible projects</b>	<b>10</b>
<b>6A (1) Green project selection</b>	<b>11</b>
<b>6A(2) Priority ranking formula</b>	<b>11</b>
<b>6A (3) Tie breaking procedure</b>	<b>14</b>
<b>6A (4) Bypass procedure</b>	<b>14</b>
<b>6A (5) Emergency projects</b>	<b>15</b>
<b>6A (6) Refinancing existing loans</b>	<b>15</b>
<b>6B. Impact of decisions on the long-term financial health of the DWSRF</b>	<b>15</b>
<b>6C. Relationship to state program goals and objectives</b>	<b>15</b>

<b>7. Assistance to Small Systems</b>	<b>16</b>
<b>8. Disadvantaged Community/System program</b>	<b>16</b>
<b>8A. Definition</b>	<b>16</b>
<b>8B. Limitations to disadvantaged program assistance</b>	<b>16</b>
<b>8C. Affordability criteria and terms of financial assistance</b>	<b>17</b>
<b>8D. Amount of funding for disadvantaged communities/systems</b>	<b>17</b>
<b>8E. Identification of systems to receive assistance</b>	<b>17</b>
<b>8F. Long-term effects of subsidies on the DWSRF</b>	<b>17</b>
<b>9. 2011 Infrastructure Projects</b>	<b>17</b>
<b>10. Public Participation</b>	<b>17</b>

**Attachments**

<b>Attachment A:</b>	<b>Financial Status</b>
<b>Attachment B:</b>	<b>10% Match Documentation</b>
<b>Attachment C:</b>	<b>Setaside Budget</b>
<b>Attachment D:</b>	<b>Agreements - Business Finance Authority and Department of Treasury</b>
<b>Attachment E:</b>	<b>2%, 10% and 15% Setaside Work Plans</b>
<b>Attachment F:</b>	<b>2009/2010 MHI Table</b>
<b>Attachment G:</b>	<b>Indirect Cost Agreement</b>
<b>Attachment H:</b>	<b>Infrastructure Projects: priority list and binding commitment status, and payment schedule for ACH</b>
<b>Attachment I:</b>	<b>Public Involvement: hearing description and summary of comments received</b>

## 1. Introduction

The 1996 Amendments to the Safe Drinking Water Act (“SDWA”) created a Drinking Water State Revolving Fund (“DWSRF”) primarily to provide assistance to public water systems to finance the cost of drinking water infrastructure. In accordance with the Environmental Protection Agency (“EPA”) guidance, up to 31% of each year’s DWSRF allotment to a State (referred to as the capitalization grant) can be used to promote proactive drinking water protection measures such as source water protection, capacity development, operator certification, small system technical assistance and program administration. The term setaside is used to describe funds for these non-infrastructure activities. There are four setasides which a state could take from the capitalization grant including a 2% small system technical assistance setaside, a 4% DWSRF Program administration setaside, a 10% Public Water Supply Program management setaside, and a 15% source water protection/capacity development setaside. The purpose of this document is to explain how New Hampshire intends to use the DWSRF 2011 capitalization grant funds (i.e. setasides and infrastructure project funds). This document will also explain how New Hampshire intends to comply with the 2011 requirement to utilize at least 30% of the capitalization grant to subsidize infrastructure projects, as well as requirements for at least 20% for “green” projects and requirements related to the Davis-Bacon Act that were first instituted under the American Recovery and Reinvestment Act of 2009.

This document revises the Intended use plan submitted in early August, 2012. It incorporates a recent \$150,000 increase in the capitalization grant for NH (\$9,418,000 vs. \$9,268,000). This increase provides \$46,500 in additional setaside funds with the remainder and corresponding additional match, available for infrastructure projects.

The State of New Hampshire's DWSRF capitalization grant that is available for FFY 11 is \$9,418,000. This grant must be matched with state funds that equal 20% of the capitalization grant (\$1,883,600). The matching funds are in the state’s capital budget which was signed into law in July, 2011.

The maximum amount of setasides the State can use from the 2011 capitalization grant is 31% of the award or \$2,919,580. Note: this does not include the 1:1 10% setaside match (see Attachment B). New Hampshire intends to utilize this entire amount, including \$188,360 from the 2% technical assistance setaside, \$376,720 from the 4% administration setaside, \$941,800 from the 10% program management setaside, and \$1,412,700 from the 15% source water/capacity setaside. The majority of these funds will be used to fund personnel performing eligible activities and associated expenses for the period beginning 7/1/2011 through 6/30/2012. This IUP also describes how unutilized prior year funds will be used during this period.

Based on the intended FFY 11 setaside usage, there is \$8,382,020 available from the FFY 11 capitalization grant (including 20% state match) for infrastructure projects. In addition to FFY 11 funds, approximately \$7,400,000 in repayment funds will also be used for projects. In order to maximize funding available for disadvantaged communities and water systems, as is described under Section 2: Goals, no short-term or interim funding will be available from the 2011

DWSRF capitalization grant funds.

There are a number of attachments that clarify and itemize how SRF funds will be utilized. Attachment A provides the financial status. Attachment C provides details on funding of setaside activities. Attachment H provides an updated listing of infrastructure projects ranked for funding.

This plan has been prepared to inform all stakeholders on the intended use of the entire 2011 capitalization grant. It is also a part of the documentation the New Hampshire Department of Environmental Services (“NHDES”) must provide to the United States Environmental Protection Agency in order to apply for a DWSRF capitalization grant. For further information on New Hampshire’s DWSRF, contact Dan Dudley at the DES Drinking Water and Groundwater Bureau at 271-2953.

## **2. Goals for Infrastructure Project and Setaside Activities**

The short-term and long-term goals listed below are the same as those listed in prior year IUPs. For 2011 there are some additional goals, some of which were first instituted under the American Recovery and Reinvestment Act of 2009. These include:

- A goal to use at least 30% of the capitalization grant received to subsidize infrastructure projects which New Hampshire will use to make projects affordable for disadvantaged (low MHI and high water rate) communities and public water systems.
- A goal of having 20% of DWSRF funds go to “green” projects that result in energy or water use efficiency or environmentally innovative projects.
- Continue to comply with Davis-Bacon Act Prevailing Wage requirements

### **2A. Short-term goals for the DWSRF**

1. Implement administrative rules and regulations for the DWSRF Program.
2. Provide effective program management to ensure the integrity of the DWSRF.
3. Utilize DWSRF monies to address acute health risks as a priority.
4. Fund staff to achieve and facilitate statewide compliance with the SDWA.
5. Coordinate DWSRF activities with enforcement activities of both NHDES and EPA.
6. Provide public and private water systems with low cost financial assistance to

complete projects eligible for funding.

7. Provide assistance in the form of subsidies to communities or eligible systems defined as "disadvantaged" to ensure affordable water.
8. Provide small systems (population served of less than 10,000) with financial assistance for eligible projects using at least 15 percent of the project fund.
9. Coordinate the DWSRF with existing source water protection activities at the state and local level.
10. Provide funding for preventative measures such as source water protection and the replacement of aging infrastructure.
11. Continue implementation of New Hampshire's Capacity Development Plan.
12. Provide funding for "Green" projects to increase water and energy use efficiency.

## 2B. Long-term goals for the DWSRF

1. Support Departmental goal of ensuring that all New Hampshire communities will have water that is safe to drink all of the time.
2. Develop and effectively manage a self-sustaining program to facilitate compliance by all public drinking water systems with the SDWA.
3. Protect public health and promote the completion of cost-effective projects.
4. Improve the capacity of small privately owned public water systems.
5. Maintain the DWSRF in perpetuity.
6. Have local source water protection programs implemented at 90% of all community sources.
7. Provide input in the expenditure of public funds for the purpose of directing investment toward improvements that maximize public benefits, maintain affordability, and promote sustainability.

## **3. Description of Financial Status of the DWSRF**

### 3A. Total amount of funds in the FFY 11 DWSRF fund

The total amount of funds allotted to New Hampshire for FFY 11 is \$9,418,000. The intended

use for this funding is summarized in Attachment A and C. The financial status, as it appears in Attachment A shows a 20% state match of \$1,883,600. The match was secured in the recently approved state capitalization budget. It is generated by a state issued bond that will be paid for with prior year DWSRF interest earned. The approval to provide the needed additional match in this manner was obtained from EPA in May, 2011 and further clarified in July, 2011 to ensure the State's ability to issue one-year term bonds.

**3B. End of the year financial status and summary of accomplishments**

Since FFY 97, New Hampshire has been receiving annual DWSRF capitalization grants. Prior to 2009 (American Recovery and Reinvestment Act and subsequent grants have been larger), these grants, on average, provide the state with about \$8,000,000 annually. To date, using these grants, state match dollars, ARRA funding, loan repayments and interest earned, more than \$100,000,000 has been provided to improve drinking water infrastructure in New Hampshire. Greater than 15% of capitalization grants received has funded projects at small systems (systems serving less than 10,000) and projects that qualified for subsidies due to their disadvantaged community status. Up to 31% of the annual grant can be taken by the state as setasides to fund specific drinking water program related activities. Below is a table that outlines the grant awards and setasides taken in each fiscal year. It should be noted that from FFY99 to FFY03 10% and, in some years, 4% setasides were reserved to be taken from project funds in the future. Utilization of these reserved funds has only occurred once, as described in the revised 2010 IUP and in the footnote below.

Fiscal Year	Capitalization Grant Amount	Setasides Taken
FY 1997	\$13,754,800	\$3,121,557
FY 1998	\$7,121,300	\$2,207,603
FY 1999	\$7,463,800	\$1,268,846
FY 2000	\$7,757,000	\$1,566,512
FY 2001	\$7,789,100	\$1,904,023
FY 2002	\$8,052,500	\$1,449,833
FY 2003	\$8,004,100	\$591,111
FY 2004	\$8,283,100	\$1,328,496
FY 2005	\$8,285,500	\$2,568,505
FY 2006	\$8,229,300	\$2,551,083
FY 2007	\$8,229,000	\$2,550,990
FY 2008	\$8,146,000	\$2,550,990
FY 2009	\$8,146,000	\$2,525,260
FY2010	\$13,573,000	\$4,712,120*
FY2011	\$9,418,000	\$2,919,580

Note: In 2009 DES received a capitalization grant under The American Recovery and Reinvestment Act in the amount of 19,500,000. DES took \$780,000 of these funds for setaside activities. Information about the use of ARRA funding is available at [www.des.nh.gov/recovery](http://www.des.nh.gov/recovery).

\* The setaside amount taken in FFY10 includes 31% of the capitalization grant (\$4,207,630) and prior year funds (\$504,490) reserved to be taken in future years. The additional setaside was received in May 2011 to ensure there was sufficient funds to cover unanticipated increases in benefit and personnel costs for the period 7/1/2010 – 6/30/2011 and to span the gap

between 7/1/2011 and receipt of the 2011 capitalization grant). It is the intent of DES to return the reserved portion taken for these purposes to project funds in the future.

The following bullets outline prior fiscal year accomplishments:

- Processed loan applications from water systems for a variety of infrastructure improvement projects
- Performed construction inspections and closeout of completed infrastructure projects
- Established agreements with the New Hampshire Department of Treasury and Business Finance Authority to facilitate loan processing
- Refined and implemented new rules resulting from 1996 SDWA Amendments
- Performed monitoring, enforcement, surveillance, lab certification and information management associated with SDWA compliance
- Implemented a capacity development program including restructuring and expanding the group that addresses small system issues and prioritizing infrastructure funds to assist small, struggling water systems
- Completed source water assessments for new sources of public drinking water
- Provided an average of \$200,000 each year for source water protection grants
- Protected 4200+ acres of critical water supply lands (note: state grant program unfunded this biennium)
- Continued development and implementation of New Hampshire's Source Water Protection Program including approval of new well sites, issuance of chemical monitoring waivers, incorporation of sustainability, and provision of technical assistance.
- Readopted expired rules and advanced primary packages
- Implemented the Groundwater Rule including investigatory monitoring of systems currently disinfecting
- Met Stage 2/DBP commitments for Primacy
- Advanced green infrastructure investment

### 3C. Leveraging

The State of New Hampshire does not intend to increase infrastructure project funds by leveraging any portion of the DWSRF. This is consistent with the State Treasurer's policy on leveraging revolving loan funds.

### 3D. Administration fee

An administration fee of 2% of the outstanding principal balance is charged and placed into a separate state account to be used for program administration. We estimate that \$1,000,000 will be deposited into this account annually. The 2% administration account funds will be utilized for activities associated with administering and achieving compliance with the Safe Drinking Water Act as well as achieving the DWSRF goals listed above.

### 3E. Types of projects to be funded

The types of projects intended to be funded from the Infrastructure Project fund include:

- Construction/upgrading of treatment facilities;
- Replacement of contaminated sources with new groundwater sources;
- Installation/upgrade of disinfection facilities;
- Consolidation/acquisition and interconnection of systems to address viability issues;
- Planning and engineering associated with eligible projects;
- Replacement of aging infrastructure;
- Transmission lines and storage;
- Distribution system replacement/rehabilitation;
- Installation of meters and backflow prevention devices;
- "green" projects;
- Land acquisition and associated costs that are integral to a DWSRF eligible project;
- Refinancing projects where debt was incurred after July 1, 1993 (note: privately owned systems are not eligible for refinancing); and
- Other projects necessary to address compliance/enforcement issues.

Note: In 2011, New Hampshire will achieve the goal of utilizing at least 30% of the award to subsidize infrastructure projects by subsidizing the types of projects listed above at disadvantaged communities. In addition, New Hampshire will separately rank and fund green projects until the 20% goal for green infrastructure is met (providing there are a sufficient number of projects to fund).

The types of activity intended to be funded by the Setaside Account include:

- Administration of the SRF program
- Technical assistance to small water systems
- Capacity Development Program implementation
- SDWA related program activities
- Emergency preparedness;
- Source water protection implementation.

**Note:** Setaside funding will be used for surface water protection implementation projects. This is an eligible activity because this activity is included in NH's Capacity Development Strategy.

### 3F. Financial terms of loans

All loans for the financing of standard projects will be for a term not to exceed 20 years. Rates will be established at the time of the execution of the loan agreement based on the established market rate and the loan repayment period selected by the loan recipient (see chart below). The market rate is the 11 G.O. Bond Index published the first week of October. In addition to interest charges, an administrative fee in the amount of 2% on the unpaid principal balance shall be charged on all outstanding loans during the loan repayment period (note – where the current rate is less than 2%, the interest rate charged will be dedicated to the administration fee). The chart below illustrates how the rates will be derived using as an example the current market rate:

Term	Interest	Current rate	Rate + 2% admin fee
5 years	25% of market minus 2%	0	0.895 (all taken as fee)
10 years	50% of market minus 2%	0	1.79 (all taken as fee)
15 years	75% of market minus 2%	0.685	2.685
20 years	80% of market minus 2%	0.864	2.864

**Note:** Terms of financial assistance for disadvantaged systems and communities are addressed in Section 9.

### 3G. Amount dedicated to subsidizing projects for disadvantaged communities/systems

New Hampshire intends to meet the goal of providing at least 30% of the capitalization grant in the form of loan subsidization by dedicating at least \$2,825,400 to subsidizing loans to disadvantaged communities and systems. Further discussion of the disadvantaged community program is found in Section 9. In summary, New Hampshire will provide subsidization up to 35% and has developed the priority ranking system so that priority for additional subsidies will be given to communities that could not otherwise afford such projects.

### 3H. Funds Transferred Between DWSRF and the Clean Water State Revolving Fund (CWSRF)

The SDWA amendments of 1996 allow states to transfer up to 33% of the DWSRF capitalization grant into the CWSRF or an equivalent dollar amount from the CWSRF into the DWSRF. New Hampshire reserves the right to transfer up to \$3,107,940 between these funds.

## **4. Intended Use of Non-Infrastructure Project Activities (Setasides)**

### 4A. Definition of setasides

Setasides are uses of DWSRF money allowed by the SDWA for activities that are not infrastructure related. The following chart explains the different setasides, the set aside amounts available in FFY 11, and the requirements and restrictions specified in the SDWA for their use.

Setasides Available to States under the DWSRF

Setaside Amount/ Name	Requirements for Use	FFY 11 \$ Available
4% / Administration of DWSRF	Funds can only be used for activities related to administering the drinking water state revolving fund	\$376,720
2% / Small System Technical Assistance	Funds can only be used to provide technical assistance to systems serving < 10,000	\$188,360
10% / Program Management	Funds can be used to assist the following drinking water programs: Public Water Supply System, Source Water Protection, Capacity Development, and Operator Certification	\$941,800
15% / Source Water Protection and Capacity Development	Funds can be used to support the State's Capacity Development Strategy and the Source Water Protection Program with the following restrictions: - SWP land acquisition is loan only. - Surface Water delineation and assessment activities must be performed under the 97 setaside dedicated for this purpose. - No more than 2/3rds of the total setaside can be used for any one of the following: land acquisition loans, surface water protection implementation projects, or wellhead protection expenditures.	\$1,412,700

4B. Intended use of setasides

The intended use of each of the setasides is described below. In addition, Attachments A, C and E provide additional information regarding the use of setasides.

4B (1). 4% DWSRF Program Administration

SRF Program administration will be funded in part by using the entire FFY11 setaside (\$376,720) and the estimated remaining 2010 setaside (\$182,466). The Drinking Water and Groundwater Bureau, with support from within and outside NHDES, will administer the DWSRF. The 4% setaside will be used to pay salaries and associated expenses of existing NHDES support personnel devoted to the administration of the fund. Personnel include an accountant and the SRF Program Manager as well as staff time associated with inspections, reporting and federal cross cutters such as environmental review. External support will be provided by the State Department of Treasury, and the Business Finance Authority (BFA) will

provide underwriting services. BFA will be funded to establish the credit worthiness of private systems and State Department of Treasury will be funded to process transfers in and out of the Automatic Clearing House Bank as well as managing accounts and investments related to the DWSRF. Attachment D contains the current agreements with BFA and the State Department of Treasury. Funds from this setaside is also to be used to procure all equipment and training necessary for the adequate performance of program administration staff, and travel costs for FTE's performing administrative functions. In addition, 4% funds may be used to hire contractor support for SRF related data management or to provide for costs associated with the shift in the IUP to a State enterprise fund (i.e. specifically audited fund). With each of the setasides, some funding is budgeted to accommodate any delay that occurs in receiving the next cap grant which will fund eligible activities beginning in 7/1/2012.

#### 4B (2). 2% Technical assistance for small systems

NHDES intends to use all of the FFY11% setaside (\$188,360) and the estimated remaining 2010 setaside (\$185,360). As in years past, NHDES will utilize this setaside to provide technical assistance to small water systems. NHDES will use a portion of this setaside to fund two FTEs. Both of these positions are dedicated to improving the financial, managerial and technical capability of systems serving less than 3300. New Hampshire continues to consider contractor support for small systems as needs are identified, providing that the benefit of contractor help can be successfully measured.

#### 4B (3). 10% State Program Management

Program Management activities will be funded using the entire FFY11 10% setaside (\$941,800) and the estimated remaining 2010 setaside (\$400,000). This setaside requires a 1:1 match. Credit towards this match is given for the state match and over-match provided by the state for the public water supply ("PWS") supervision grant in FFY 93 and also for the over-match in FFY11. Documentation of sufficient program match, which is comprised of state aid grants is provided as Attachment B. Attachment E contains a detailed work plan for the 10%, 2% and 15% setasides. In general, the 10% setaside supports monitoring, enforcement, laboratory certification, private well initiative, engineering and plan review, as well as information management activities. It also provides for contracting information management services if required. Attachment C contains the budget that details how this setaside is to be used.

#### 4B (4). 15% Source Water Protection and Capacity Development

A number of activities will be funded from the FFY11 15% setaside (\$1,412,700) and the estimated remaining 2011 (\$740,000), including capacity development and source water protection. Source water protection activities will include technical and financial (grants) assistance and performance of regulatory functions related to new well sitings. Other capacity development activities beyond source protection will also occur. These will include tracking the progress of NH's current Capacity Development Program and the ongoing provision of technical assistance to improve small system's managerial, financial and technical capabilities. Provision of a matching grant to very small systems to assist them in developing record drawings will also continue to be funded. A description of this program and the application was provided in the

2010 IUP. The state is also considering reestablishing the leak detection contract, which was highly successful in the past. A date has not been set for the next solicitation for Local Source Water Protection Grant Program. When a date is set and an application is available, it will be forwarded to EPA to document this grant funding. Similarly any solicitation related to a leak detection contract will be provided to EPA for prior approval. The budget that details setaside expenditures is continued in Attachment C.

#### 4C. Transferring funds from setasides into infrastructure project account

NHDES reserves the right to transfer monies from setaside accounts into the infrastructure project account should the need arise.

### **5. Prioritization of Source Water Protection Grants and Financial Assistance**

The criteria for prioritizing source water protection grant applications are contained in the request for grant proposals that will be forwarded when it is developed. The assistance to help small community water systems develop record drawings is done on a first-in, first out basis.

### **6. Criteria and Method for Distribution of Infrastructure Project Funds**

In FFY 2011 the state must use at least 30% of the capitalization grant to subsidize infrastructure projects and 20% for green projects. The green project goal will be reached by taking all the projects identified as green and ranking them using the formula described below. The top ranked projects will be funded until the requirement to utilize at least \$1,883,600 for green projects is met. The remaining projects will be incorporated into the overall ranked list and funded accordingly. To meet the 30% subsidization goal, New Hampshire will fund projects in disadvantaged communities on a priority basis using both cap grant and repayment funds and the subsidy may be as high as 35%.

#### 6A. Description of process for selection of eligible systems to receive assistance

The state of New Hampshire utilizes a ranking system to prioritize the order in which eligible projects will be financed. Projects are ranked based upon the relative impact of the project in achieving the objectives of the Safe Drinking Water Act and, in 2011, priority will be given to projects in disadvantaged communities. In general, highest priority will be given to projects in disadvantaged communities that facilitate compliance with national primary drinking water regulations applicable to the system under 1412 or otherwise significantly further the health protection objectives of this title (1452(a)(2)). Projects in need of improved capacity will also be given priority. For 2011, this priority ranking system will be done on both the list of regular projects as well as the list of green projects. Once the 20% goal is reached for green projects, the remainder of that list will be incorporated into the regular list.

Prior to funding any project, every effort is made to evaluate an applicant's financial, technical, and managerial capacity prior to issuing a loan. This is accomplished by reviewing plans, designs, documents and compliance records, as well as completion of a capacity self-assessment form as a condition of the loan application. Loans will not be issued to those applicants lacking

the necessary capacity to effectively own, operate, and maintain their system(s). The priority ranking system that was used to produce the list in Section 9 is explained in the following subsections.

#### 6A(1) Green Project Selection

The applicant for SRF funding will identify if they believe their project is “green” using the EPA guidance at the following link: <http://water.epa.gov/aboutow/eparecovery/index.cfm>. If DES concurs, this project will be ranked using the priority ranking formula below for inclusion on a separate green project list. Once the 20% goal has been reached (i.e. \$1,883,600 has been provided for green projects) the remaining projects will be merged back into the regular list for funding consideration for remaining available funding. Attachment H contains both the green list and the regular project list.

#### 6A (2). Priority ranking formula

Project priority points (P) will be derived using the following formula:

$$P = (A+B+C+D+E)$$

Where:

- A = Existing violations of drinking water standards
- B = Existing deficiencies in the supply or storage of drinking water
- C = Existing deficiencies in treatment or design
- D = The project addresses needs identified on the DES capacity development list
- E = Affordability (ratio of annual water rate vs. medium household income)

Eligible applicants for project funding include municipal or privately owned community/residential water systems and non-profit organizations that operate public water systems that are non-community but serve a non-transient population such as schools, hospitals and large work places. Seasonal or communities with less than 50% of households whose residents are permanent are not eligible for Category E and will not receive subsidization. In addition, interim or short-term financing will not be eligible for 2011 DWSRF capitalization grant funds so that assistance to disadvantaged communities can be maximized.

#### **Description of Factors**

Factors used in the formula are described and weighted below. Factors and points apply to the system applying for assistance. For projects where an interconnection is proposed, points can be awarded for the relief of problems in the satellite system(s).

##### **A = Violations of National Drinking Water Standards**

Maximum Contaminant Levels (“MCL”) are established by the federal or state Safe Drinking Water Act (SDWA) for those contaminants which may be detrimental to public health. Exceedances of these levels in the last year (the last three years for secondary

contaminants) at community public water systems, of contaminants that will be addressed by the project, carry the following weightings. Points are given for all of the following that apply to a system and will be addressed by the project:

<u>Condition</u>	<u>Priority Points</u>
a. Total and fecal coliforms	
1. No MCL violations	0
2. 1-2 MCL violations	30
3. Greater than 2 violations	40
4. Boil order	60
b. Nitrate	
1. No level above 1.0 mg/L	0
2. Levels >5.0<10mg/L	24
3. MCL violations	36
c. Filtration or Disinfection related Treatment Techniques	
1. No violations	0
2. 1-2 treatment technique violations	26
3. Greater than 2 violations	36
d. Chemical or Disinfection Byproducts MCL violations	
1. No MCL violations	0
2. 1-2 MCL violations	26
3. Greater than 2 violations	36
e. Lead and Copper (At the 90th percentile)	
1. Lead levels above .030 mg/l	28
2. Lead levels between .015 and .030 mg/l	22
3. Copper levels above 3.0 mg/l	24
4. Copper levels between 1.3 and 3.0 mg/l	18
f. Secondary Standards	
Any exceedance of a secondary MCL	14

**B = Quantity Deficiencies or Insufficient Storage**

Quantity deficiencies are shortages due to limited water supply sources or insufficient storage within the distribution system to meet public need. The public health and compliance risks associated with quantity deficiencies include domestic need of adequate potable water for drinking and hygiene, and maintaining adequate pressure in lines to prevent back siphonage and cross-connections. The following priority points may be assigned only for current or recent (within last 5 years) unaddressed shortages. Projects related to future growth or expansion is not eligible for funding.

<b><u>Condition</u></b>	<b><u>Priority Points</u></b>
Adequate quantity for the present (meets all current demand)	0
Continual shortage (daily)	22
Shortage of supply recognized by DES	20
Insufficient storage capacity	20
Shortage during peak demands	20
Shortage during seasonal high use in a system with an implemented conservation plan.	18
Shortage during seasonal high use in a system without an implemented conservation plan	14

### **C = Treatment/Design Deficiencies**

Design deficiencies are those, which could be corrected by enlargement, repair, installation, or replacement of all or a portion of the system. Any combination of the following deficiencies has the potential to adversely affect a system's ability to continually provide drinking water that meets all standards.

<b><u>Condition</u></b>	<b><u>Priority Points</u></b>
No surface water filtration or presence of groundwater under the influence of surface water	22
Confined space pumphouse	18
Non-optimized surface water filtration when compared with American Water Works Association composite correction criteria	18
Mandated chlorination of groundwater system	14
Distribution/plant capacity deficiencies (includes situations where current demand exceeds treatment capacity; pipe tuberculation; pressure issues; asbestos cement removal, high unaccounted for water)	18
Need to upgrade existing corrosion control treatment in order to meet action levels	17
Improper well construction	16
Inadequate water treatment wastewater disposal (backwash or sludge)	14
Other significant deficiencies (e.g. need for treatment of Arsenic, Iron, Manganese, Radon, Radionuclides; other deficiencies observed during a sanitary survey).	14
Backup power source	5

### **D = Capacity Development List / Consolidation**

Public water systems in need of significant technical, managerial or financial assistance through the capacity development program are identified through a variety of mechanisms including sanitary surveys, referrals from contract operators, direct requests from the water system, customer complaints, and repeat enforcement and significant non-complier

lists. Systems are notified of the recommended improvements in their sanitary survey report or technical assistance site visit reports and are entered into our capacity development tracking database and list. Systems on the capacity development list are typically very small systems serving less than 100 homes. Community public water systems thus identified and applying for financial assistance through the DWSRF will be awarded up to 20 points. They will be awarded an additional 10 points if the project involves interconnection to a more viable public water system.

**E = Affordability**

Affordability is an indicator of rate payer’s ability to afford rate increases that will result from a project. Affordability is determined by a ratio that compares the average water rate to the median household income of the community that is applying for funding. Below is a table which provides points based on this ratio. Only year round communities will be eligible for these points. The water rates are based on the most recent information compiled by DES as printed on Fact Sheet WD-DWGB 16-5 (2010) or from information provided directly by the applicant. The median household income (MHI) is the income data compiled by the 2005-2009 American Community Survey. The affordability ratio is calculated by dividing the water rate by the community median household income times 100%. This method of determining affordability is consistent with the method used by other funding entities such as Rural Development Authority.

<b><u>Affordability Ratio( User Rate/MHI)</u></b>	<b><u>Priority Points</u></b>
>2.00	15
1.75-2.00	11
1.50-1.74	7
1.00-1.49	3
<1.00	0

6A (3). Tie breaking procedure

When two or more projects score equally under the Project Priority System, tie breaking procedures will be utilized. The first tie-breaking procedure is related to long-term financing of the projects. A project that intends to use the DWSRF for long-term financing will receive the higher ranking. If both projects are to use the DWSRF for long-term financing, in order to direct financial resources where they will benefit the greatest number of people, and because the vast majority of New Hampshire's systems are either small or very small, (statewide, only 17 systems serve greater than 10,000 people) the project with the greater existing population served will receive the higher ranking.

6A (4). Bypass procedure

A project on the fundable portion of the main list or green project list may be bypassed if it is determined that the project will not be ready to proceed during the funding year or, if the cost of

the project will prevent the state from meeting the mandatory goal of 15% funding of small projects, or the State's goals of providing at least 30% to disadvantaged communities and 20% to green projects. The applicant whose project is to be bypassed will be given written notice by NHDES. It is the Department's intent to work with these systems to assist them in getting ready to proceed. Funds, which become available due to the utilization of the bypass procedure, will be treated in the same way as additional allotments.

#### 6A (5). Emergency projects

Projects necessary to alleviate emergency situations that result in an imminent threat to public health, such as: the total loss of water supply or loss of a major component due to a natural or unforeseen disaster which could not have been prevented by the applicant (e.g. tornado, flood, severe weather, fire, collapse, etc.), or other water emergencies which could not have been prevented by exercise of reasonable care by the applicant, can be immediately elevated to the top of the priority list at the discretion of the Department.

#### 6A (6). Refinancing existing loans

The DWSRF may be used to buy or refinance debt obligations for DWSRF eligible projects. Debt obligations for private systems are not eligible for refinancing under the DWSRF. The long-term debt must have been incurred after July 1, 1993, to be eligible for refinancing. DWSRF monies cannot be used to refinance loans for the purchase of land. Priority for refinancing will go to systems having the highest user rate. Consideration for these applications will be entertained only after projects addressing public health protection and compliance have been funded. If funded, the refinanced project must have complied with all federal and state requirements for the DWSRF program including applicable Davis Bacon Act requirements.

#### 6B. Impact of Funding Decisions on the Long Term Financial Health of the DWSRF

The rate structure for loans will encourage short-term loans thereby freeing up funds for more loans. Past financial modeling (including modeling done in the last year related to the change in the provision of match) indicates that the integrity of the fund will be maintained and growth will occur at a level that is dependent upon the amounts loaned for various terms, the amount of subsidization, and the amount of interest earned utilized for the provision of match.

#### 6C. Relationship to state program goals and objectives

NHDES places priority on categories of projects that meet departmental goals as stated in the long and short term goals of the IUP (Section 2). In general, the resolution of imminent threat to public health by addressing acute contaminants at disadvantaged communities is paramount, followed by the resolution of such issues elsewhere. Other compliance issues, improved capacity, and promotion of green projects are also goals supported by New Hampshire's prioritization approach. Through the Disadvantaged Community/System Program, NHDES strives to provide environmental equity by ensuring affordable water to those communities and systems that fall below the statewide MHI.

## **7. Assistance to Small Systems**

A minimum of 15% of the DWSRF project fund must be used to provide infrastructure loan assistance to systems serving fewer than 10,000 people. New Hampshire intends to dedicate at least 15% of the capitalization grant (\$1,412,700) for loans to eligible small systems for eligible infrastructure projects.

## **8. Disadvantaged Community System Program**

New Hampshire will provide at least 30% of available funding in the form of loan subsidies to disadvantaged communities. This goal should be met by providing up to 35% forgiveness based on need and by providing substantial points for disadvantaged communities in the priority ranking formula. If necessary, by-pass provisions will be utilized to ensure that the goal is met.

### 8A. Definition

A disadvantaged community or system is defined as a community public water system or community that serves residents whose median household income (“MHI”) is less than the statewide MHI (Attachment F) based on the most recent census data and/or income survey. If an applicant for DWSRF assistance meets the definition of “disadvantaged” and if the resulting project user rate (which is the total of the existing rate in addition to the rate that results from the new project) exceeds the statewide affordability criteria (see 8C), it may be eligible for subsidies from the Disadvantaged System Program. Subsidies will be available in the form of principal forgiveness. This program only applies to infrastructure projects.

### 8B. Limitations to Disadvantaged Program Assistance

To qualify for disadvantaged program assistance, at least 50% of the residential units served by the water system must be occupied at least six months of the year by a population meeting the disadvantaged income criterion (i.e. Project MHI < Statewide MHI).

### 8C. Affordability Criteria and Terms of Financial Assistance

Affordability of a proposed project considers both the resulting user rate (based on usage of 275 gallons per household per day) and the MHI of the community system or community in which the system exists. An affordable project is one that results in user rates that do not exceed 0.70 percent of the system or town MHI. For the purpose of determining the level of subsidy given the applicant through the Disadvantaged Community/System Program, the following process is followed:

Communities or community systems requesting a loan that have an MHI less than the statewide MHI (based on the most recent census data and/or income survey), which for New Hampshire is \$63,033 using the 2009 American Community Survey data, and that are disadvantaged, are identified. Provided they score enough points to be funded using the previously described prioritization ranking methodology, they will be given a subsidy in the form of principal forgiveness to bring the resulting user rate closer to being considered “affordable”. The level of

subsidy is determined by using an Affordability Index, which serves to measure the impact of a project on a disadvantaged community. The index is calculated by dividing the post-project user rate by the community or community system's MHI. Loans, rates, and terms for this program will be the same as those for standard project loans.

**Disadvantaged System Assistance**

Affordability Index* (post-project user rate / community or community system's MHI)	Ratio of Principal Forgiveness/ Loan
0.70 - 0.99	15% principal forgiveness / 85% loan
1.00 - 1.49	20% / 80%
1.50 – 1.74	25% / 75%
1.75 – 2.00	30% / 70%
>2.00	35% / 65%

\*See Attachments F for community MHI figures used in the calculations.

**8D. Amount of Funding to be Given to Disadvantaged Communities/Systems**

NHDES intends to reserve at least 30% of the DWSRF infrastructure project fund (\$2,825,400) to make available to disadvantaged communities and community systems in the form of principal forgiveness for eligible projects. It is anticipated, given the prioritization system, that the majority of loans will be subsidized and that the amount of the award used for subsidy will exceed 30%.

**8E. Identification of Systems to Receive Assistance**

Projects have been prioritized using the system described in 6A and identified on the project lists (regular projects and green projects) as eligible for assistance from the Disadvantaged Community/System Program.

**8F. Long Term Effect of Subsidies on the DWSRF**

The anticipated net long-term effect of the allocation of funds for financial assistance to Disadvantaged Communities/Systems as proposed will be to reduce the amount of funds available to the standard project fund by no less than \$2,825,400 plus lost interest.

**9. 2011 Infrastructure Projects**

The New Hampshire Department of Environmental Services received 41 new applications during the summer of 2011. For a complete description of each of these projects and the current priority-ranking list see Attachment H.

**10. Public Participation**

A public hearing was held on July 27, 2011, related to this IUP. Notice of this hearing was

posted in the Manchester Union Leader, a newspaper with state-wide circulation, in July, 2011. E-mail notification to all applicants occurred on July 13, 2011. Attachment I contains the description of the public hearing, and a summary of all the comments received.

## ATTACHMENT A

### FFY 11 NHDWSRF FINANCIAL STATUS

<b>Projected Uses of DWSRF</b>	<b><u>\$s available</u></b>
Federal Cap Grant (portion of 13.5 available)	\$ 9,418,000
State Match (20% of federal cap grant)	<u>\$ 1,883,600</u>
<b>Total \$s available for projects and setasides</b>	<b>\$11,301,600</b>
<b><u>Projected \$ for projects:</u></b>	
FFY 10 Set asides to be used 7/1/11-6/30/12	<u>(\$2,919,580)</u>
<b>Total \$s available for projects</b>	<b>\$8,382,020</b>
<b><u>Projected uses of FFY 11 infrastructure project fund:</u></b>	
Minimum Subsidies to Disadvantaged Communities/Systems (30% of cap grant)	\$2,825,400
Green Project dedication (20% of Cap Grant)	\$1,883,600
Small System Dedication (15% of Cap Grant)	\$1,412,700
Maximum Standard project loans (may also include small system projects)	\$2,260,300
<b>Total uses of FFY 10 project funds:</b>	<b>\$8,382,000</b>
<b><u>Loan repayment available for projects:</u></b>	<b>\$7,400,000</b>
<b><u>Total project funds available:</u></b>	<b>\$15,782,520</b>



**ATTACHMENT B**

**FFY 11 Match Documentation for 10% Setaside**

**ATTACHMENT C**

**FFY 11 SRF Setaside Budget**

**ATTACHMENT D**

**Agreements: Business Finance Authority, Department of Treasury**

**ATTACHMENT E**

**10% Program Management Work Plan**

**15% Source Water Protection and Capacity Development Work Plan**

**2% Small System Technical Assistance Work Plan**

## Work Plans: 2%, 10% and 15% Setasides

### 2011 NHDES Work Plan For 2%, 10% and 15% Setasides from the Drinking Water SRF

These setasides will primarily be used to fund eligible staff and program related operating expenses for the period from 7/1/2011 through 6/30/2012. In addition, a source water protection grant program, a leak detection grant program and a matching grant program to assist very small systems develop record drawings will be funded from the 15% setaside. Funding has also been provided from the 10% setaside to address the potential need for data management contract(s).

**Use of 2011 15% Source Water Protection and Capacity Development Setaside:** This setaside will be used to fund a variety of eligible activities. A portion of the Source Water Protection Program will be funded, including program staff and the grant programs identified earlier. The 15% setaside funds (in addition to the 2% setaside) will also be used to fund staff and expenses associated with tracking and implementation of New Hampshire's Capacity Development Program. Finally, a small amount of this setaside will be used to span the gap between 7/1/12 and receipt of the next capitalization grant. The stipulation that no more than 2/3rds of the setaside, taken in any year, shall be spent on any of the eligible activities shall be adhered to.

**Use of 2011 10% Program Management Setaside:** This setaside will be used to fund staff with a variety of responsibilities for implementation of the State's Public Drinking Water Supply (PWS) Program. Staff responsible for rule development and implementation, monitoring and enforcement, compliance investigations, private well initiative implementation, laboratory certification, and information management, as well as their associated costs, will be funded from this setaside. A small amount of this setaside is also necessary to fund the gap between 7/1/11 and receipt of the next capitalization grant. The state reserves the right to take the unused FFY 99, FFY 00, FFY 01, FFY 02 and FFY 03 10% setaside from capitalization grants in future years.

**Use of 2011 2% Small System Technical Assistance Setaside:** This setaside will be used to fund two positions that have primary responsibility for small system technical assistance under the broader umbrella of the State's Capacity Development Program.

The following is a more detailed explanation of what programs/activities these setasides will support. The attached chart provides the specific details on each activity including the responsible party, deliverables, staffing levels, grant programs, measures of success, and schedule for completion. Attachments A and C of the IUP contain budgets which provide further information on setaside fund usage.

#### **Activities to be performed:**

##### **- Promote Source Water Protection, Emergency Planning and Sustainability**

Source water protection implementation includes providing technical and financial assistance to local entities such as water suppliers, municipalities and agricultural interests as well as developing and implementing policies and laws that promote protection of the sources of drinking water. It also includes implementing the chemical monitoring waiver program which provides needed incentive to do

source water protection as well as promoting preparedness and sustainability. This will be achieved utilizing a portion of the 2011 15% setaside.

- Public Water System Supervision

Staff in the monitoring, enforcement, and engineering programs will be supported with the 10% setaside. This includes a temporary FTE transferred into the Public Drinking Water Program to assist with enforcement. Key functions will be rule implementation and compliance tracking to maintain primacy and otherwise administer the Safe Drinking Water Act.

- Public Water System Information Management

Funding from the 10% setaside will be used to fund data management support. This includes funding programs in the office of information of technology as well as program data management staff and potentially contractual support. Key activities include reporting and database maintenance and improvement.

- Capacity Development/ Small System and Private Well Assistance

Staff will be dedicated to improve capacity at PWSs. This includes improving financial, technical, and managerial capacity. In particular, focus will be put on small systems via targeted outreach. Tracking will occur to ensure that the state is able to make progress and measure that progress. Key to the small system assistance will be the funding staff dedicated to small system issues. Ongoing implementation of the private well initiative will also occur and a water conservation position will be funded. Funding for these activities comes from the 2% and 15% setaside.

- Implement Well Siting Program

Prior to siting a new source for public water supply the applicant must invite local participation in the process, demonstrate that the yield is sustainable and demonstrate that water quality is not threatened by land usage within the contributing area. Source water assessment activity including delineation and inventory are also completed for new wells. In addition, large groundwater withdrawals are regulated to identify and mitigate impact on surrounding water resources. This will be accomplished, in part, by utilizing a portion of the 2011 15% setaside.

**SRF 2%, 10% and 15% Set-Aside Work Plan 7/11**  
 (Note: Includes four-year work plan for 15% setaside)

ACTIVITY	SET-ASIDES USED	RESPONSIBLE PARTY	DELIVERABLES	FTES AND CONTRACTS	MEASURES OF SUCCESS	SCHEDULE
Promote Source Water Protection/ Emergency Planning and Sustainability	15% setaside	NHDES	-Provide grants for 10+ SWP projects/year -Assist 20 PWS/ year -Publish newsletter and maintain website -400 Chemical monitoring waivers -Meet current EPA measure	4 FTEs Local SWP Grants (\$200,000).	The number of local SWPPs implemented.  Meeting EPA's SWP Measures	Ongoing
Public Water System Supervision	10% setaside	NHDES	- Increase enforcement activity - Develop and implement new rules - All NH annual lab certifications completed	8 FTEs	Implementation of new regulations in accordance with EPA's schedule.  The number of enforcement actions/year  The number of labs certified/ year. Meeting EPA's compliance measures	Ongoing

ACTIVITY	SET-ASIDES USED	RESPONSIBLE PARTY	DELIVERABLES	FTES AND CONTRACTS	MEASURES OF SUCCESS	SCHEDULE
Information Management/GIS	10% setaside	NHDES	-Improved information management - Continue to develop new database	1 FTEs Funding provided to Office of Information Technology (\$80,000) Contract for Data Management (\$175,000)	Timely reporting	Ongoing.
Capacity Development/ Small System Oversight/ Private Well Initiative	15%, and 2% setasides	NHDES	- Meet Small System Survey commitments (1/3 years C and N systems, 1/5 years transient systems) - Target capacity development outreach and assistance on small systems and assist private well owners	6 FTES (15%) 2 FTES (2%) 15%: Record Drawing Assistance (matching grants) \$25,000 Leak Detection Grants \$70,000	Improved compliance.	Ongoing.
Implement Well Siting Program	15% setaside	NHDES	20 new well sitings/ large withdrawals annually	3 FTES	The number of well sitings	Ongoing

FTE Summary:

10 % FTES      9  
15 % FTES      13  
2 % FTES        2

**ATTACHMENT F**

**2009/2010 MHI Table**

**ATTACHMENT G**  
**Indirect Cost Agreement**

**ATTACHMENT H**

**Infrastructure Projects: Priority List, Binding Commitment Status,  
and Payment Schedule for ACH**

**ATTACHMENT I**

**Public Involvement: Hearing Description and Summary of Comments Received**