

State of New Hampshire

2015 Drinking Water State Revolving Fund

Intended Use Plan

9-2-2015

## 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 for the DWSRF</b>	<b>3</b>
<b>2B. Long-term goals for the DWSRF</b>	<b>4</b>
<b>3. Description of Financial Status and Federal Requirements of the DWSRF</b>	<b>4</b>
<b>3A. Total Amount of Funds in the FFY 15DWSRF Fund</b>	<b>4</b>
<b>3B. End of the Year Financial Status and Summary of Accomplishments</b>	<b>4</b>
<b>3C. Leveraging</b>	<b>6</b>
<b>3D. Administration Fee</b>	<b>6</b>
<b>3E. Types of Projects to be Funded</b>	<b>7</b>
<b>3F. Financial Terms of Loans</b>	<b>8</b>
<b>3G. Davis-Bacon Wage Rates Requirements</b>	<b>8</b>
<b>3H. American Iron and Steel Requirements</b>	<b>8</b>
<b>3I. Amount Dedicated to Subsidizing Projects for Disadvantaged         Communities/Systems</b>	<b>8</b>
<b>3J. Funds Transferred Between DWSRF and CWSRF</b>	<b>9</b>
<b>3K. Anticipated Cash Draw Ratio</b>	<b>9</b>
<b>3L. Federal Requirements</b>	<b>9</b>
<b>3M. Federal Reporting</b>	<b>9</b>
<b>4. Intended Use of Non-infrastructure Project Activities (Setasides)</b>	<b>10</b>
<b>4A. Definition of Setasides</b>	<b>10</b>
<b>4B. Intended Use of Setasides</b>	<b>11</b>
<b>4B (1). 4 % DWSRF Program Administration</b>	<b>11</b>
<b>4B (2). 2% Technical Assistance for Small Systems</b>	<b>12</b>
<b>4B (3). 10% State Program Management</b>	<b>12</b>
<b>4B (4). 15% Source Water Protection and Capacity Development</b>	<b>12</b>
<b>4C. Transferring Funds from Setasides into Infrastructure Project Account</b>	<b>13</b>
<b>5. Prioritization of Grants and Financial Assistance</b>	<b>13</b>
<b>6. Criteria and Method for Distribution of Infrastructure Project Funds</b>	<b>13</b>
<b>6A. Description of Process for Selection of Eligible Systems to Receive         Assistance</b>	<b>13</b>
<b>6A (1). Priority Ranking Formula</b>	<b>13</b>
<b>6A (2). Tie Breaking Procedure</b>	<b>17</b>
<b>6A (3). Bypass Procedure</b>	<b>17</b>
<b>6A (4). Emergency Projects</b>	<b>18</b>
<b>6A (5). Refinancing Existing Loans</b>	<b>18</b>

<b>6B. Impact of Funding Decisions on the Long Term Financial Health of the DWSRF</b>	<b>18</b>
<b>6C. Relationship to State Program Goals and Objectives &amp; 2015 System-wide Metering Initiative</b>	<b>18</b>
<b>7. Assistance to Small Systems</b>	<b>19</b>
<b>8. Disadvantaged Community/System program</b>	<b>19</b>
<b>8A. Definition</b>	<b>19</b>
<b>8B. Limitations to Disadvantaged Program Assistance</b>	<b>19</b>
<b>8C. Affordability Criteria and Terms of Financial Assistance</b>	<b>19</b>
<b>8D. Amount of Funding to be Given to Disadvantaged Communities/Systems</b>	<b>20</b>
<b>8E. Identification of Systems to Receive Assistance</b>	<b>20</b>
<b>8F. Long Term Effect of Subsidies on the DWSRF</b>	<b>21</b>
<b>9. 2015 Infrastructure Projects</b>	<b>21</b>
<b>10. Unanticipated Changes in the Intended Use of Funds</b>	<b>21</b>
<b>11. Public Participation</b>	<b>21</b>

**Attachments**

<b>Attachment A:</b>	<b>Financial Status</b>
<b>Attachment B:</b>	<b>FFY15 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>2009-2013 American Community Survey 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 Participation</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 may 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 2015 capitalization grant funds (i.e. setasides and infrastructure project funds). This document will also explain how New Hampshire intends to comply with the 2015 federal requirement to utilize at least 20%, but not more than 30%, of the capitalization grant to subsidize infrastructure projects, as well as requirements related to the Davis-Bacon Related Acts and the American Iron and Steel provision. Although, there are no specific “green” requirements for 2015, the IUP will describe how certain “green” project types will continue to be eligible for project funds.

The amount of the State of New Hampshire's DWSRF capitalization grant that is available for FFY 15 is \$8,787,000. This grant must be matched with state funds that equal 20% of the capitalization grant (\$1,757,400). The matching funds are in the state’s capital budget which was signed into law in July of 2015.

The maximum amount of setasides the State can use from the 2015 capitalization grant is 31% of the award or \$2,723,970. Note: this does not include the 1:1 10% setaside match (see Attachment B). After careful analysis of the benefits and costs of taking the full amount of the setasides, the state has determined that doing so is necessary to support staff and grant funding needed to fully implement to Safe Drinking Water Act in NH. Accordingly, New Hampshire intends to utilize \$175,740 from the 2% technical assistance setaside, \$351,480 from the 4% administration setaside, \$878,700 from the 10% program management setaside, and \$1,318,050 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 on 7/1/2015 through 9/30/2016 (when we anticipate receiving our next capitalization grant). Other significant uses of these funds include data management contracts and grants and contracts to accomplish goals related to source water protection, security, asset management, water use efficiency and compliance with loan requirements. The uses of the remaining prior year setasides that are projected to be available as of 7/1/2015 are also described.

Based on the intended FFY 15 setaside usage, there is \$7,820,430 available from the FFY 15 capitalization grant (including 20% state match) for infrastructure projects. In addition to these funds the state intends to use up to \$19,194,345 in repayment funds and projected repayment funds through June 30, 2016. The repayment funds will be used primarily for projects

that require state matching funds or were by-passed due to lack of authority to borrow. Attachment A includes a table which summarizes the available project funds. Overall, a total of \$27,014,775 of project funds will be available for new loans.

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 and Attachment H provides an updated listing and description of infrastructure projects ranked for funding.

This plan has been prepared to inform all the stakeholders on the intended use of the entire 2015 capitalization grant and available repayment and prior year capitalization grant funds. 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 Johnna McKenna at the DES Drinking Water and Groundwater Bureau at 271-7017.

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

The short-term and long-term goals are listed below. For 2015, there are some additional goals related to conditions associated with this year’s capitalization grant. This year’s plan also includes goals related to New Hampshire’s desire to increase the spending rate of available funding and improving compliance with loan requirements as well as a goal related to improving water use efficiency. These additional goals include:

- A goal to reduce the un-liquidated loan obligations (“ULOs”) which are the capitalization grant funds that have been approved for New Hampshire, which may be under contract, but have not actually been spent. Although significant progress has been made, ULOs are currently high for a number of reasons and New Hampshire is implementing a variety of measures to achieve this goal. These measures include by-passing projects on the priority list for shovel ready projects lower on the list (e.g. the priority project by-passed will be funded via repayment vs. capitalization grant dollars) and breaking large projects into phases so as not to commit existing capitalization grant dollars to later phases of the project. Combined, we believe these steps will continue to significantly reduce ULOs to acceptable limits.
- Maximize loan forgiveness for disadvantaged communities. The capitalization grant requirement to use not less than 20% but not more than 30% of the capitalization grant to subsidize projects will be met as indicated in Attachment H. The DWSRF program goal will be to provide loan forgiveness to as many eligible water systems as feasible.
- Assist loan recipients with complying with federal requirements including Davis-Bacon and American Iron and Steel provisions by providing guidance, document templates and technical support for loan recipients.

- Create incentive, in the form of loan subsidy, to upgrade system-wide metering at water systems to ultimately improve water use and overall operational efficiency.

## 2A. Ongoing Short-term Goals for the DWSRF

1. Provide effective program management to ensure the integrity of the DWSRF.
2. Utilize DWSRF monies to address acute health risks as a priority.
3. Fund staff to achieve and facilitate statewide compliance with the SDWA.
4. Coordinate DWSRF activities with enforcement activities of both the NHDES and the EPA.

(Note: The DWSRF program staff works closely with the Drinking Water and Groundwater Bureau enforcement program in establishing project priority. It is important to note that all of the DWSRF program staff have roles in the PWSS program, and the two programs are essentially intertwined. DWSRF works closely with monitoring and enforcement and stays up-to-date on systems that are not in compliance. The DWSRF program reaches out to noncompliant water systems with infrastructure needs and encourages them to apply for DWSRF financing. Our priority ranking system awards the highest ranking points to projects that address the most serious health risks (MCL violations), and other projects that address noncompliance with drinking water regulations. The DWSRF program also works closely with the enforcement program to ensure that loans are made to water systems with enforcement targeting tool (“ETT”) scores of 11 or greater only if the project will resolve the noncompliance.)

5. Provide public and private water systems with low cost financial assistance to complete projects eligible for funding.
6. Provide assistance in the form of subsidies to communities or eligible systems defined as "disadvantaged" to ensure affordable water.
7. 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.
8. Coordinate the DWSRF program with existing source water protection activities at the state and local level.
9. Provide funding for preventative measures such as source water protection and the replacement of aging infrastructure.
10. Continue implementation of New Hampshire’s Capacity Development Plan.
11. Promote “Green” projects and, in particular, the use of effective system-wide

metering at systems to promote water and energy efficiency projects.

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

1. Support the 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. Advance water infrastructure sustainability through the promotion of asset management and financial planning.
6. Maintain the DWSRF in perpetuity.
7. Have local source water protection programs implemented at 90% of all community sources.
8. Provide input in the expenditure of public funds for the purpose of directing investment toward improvements that maximize public benefits, maintain affordability, promote sustainability and increase public water system's technical, managerial and financial capacity.

## 3. **Description of Financial Status and Federal Requirements of the DWSRF**

### 3A. Total Amount of Funds in the FFY15 DWSRF Fund

The total amount of funds allotted to New Hampshire for FFY15 is \$8,787,000. The intended use for this funding is summarized in Attachments A and C. The financial status, as it appears in Attachment A, shows a 20% state match of \$1,757,400. The match was secured in the state capital budget in July of 2015.

### 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) and currently, 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 \$240,000,000 has been provided to improve drinking water infrastructure in New Hampshire. Greater than 15% of the capitalization grants received have 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.

<b>Fiscal Year</b>	<b>Capitalization Grant Amount</b>	<b>Setasides Taken</b>
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
FY2012	\$8,975,000	\$2,782,250
FY2013	\$8,421,000	\$2,610,510
FY2014	\$8,845,000	\$2,741,950
FY2015	\$8,787,000	\$2,723,970

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 (received in May 2011) included 31% of the cap grant (\$4,207,630) and prior year funds (\$504,490) previously reserved for future use.

The following bullets outline accomplishments from prior years:

- Processed loan applications from water systems for a variety of infrastructure improvement projects;
- Performed construction inspections and closeout of completed infrastructure projects;
- Performed all EPA required reporting and participated in necessary audits;
- 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 that includes continuing to identify small system capacity needs and using SRF loans and grants to address them;
- Completed source water assessments for new sources of public drinking water;
- Provided an average of \$150,000 each year (except in 2011) for source water protection grants;
- Conducted 3 rounds of leak detection contracts that resulted in 2,175 miles of pipe surveyed at 75 water systems, which identified 263 leaks resulting in the recovery of 5 MGD.
- Protected 4200+ acres of critical water supply lands (note: state grant program is unfunded this biennium except for projects in 1-93 expansion corridor towns);
- Implemented 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;
- Adopted Revised Total Coliform Rule, readopted expired rules, and advanced primacy packages;
- Met Stage 2/DBP commitments for Primacy;
- Advanced "green" infrastructure investment.
- Advanced water infrastructure sustainability through the provision of two rounds of asset management grants to 29 water systems totaling \$475,518 and small system record drawing grants to 17 water systems totaling \$20,905.

### 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 \$1,500,000 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 inadequate or contaminated 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 (note incentive for system-wide meter upgrades described in section 6(C.));
- Projects that advance “green” approaches to water supply; including innovative environmental projects, energy generation, and other work identified in energy or water use efficiency plans;
- Asset management plans for eligible water systems
- Land acquisition and associated costs that are integral to a DWSRF eligible project;
- Refinancing non-SRF funded projects where the debt was incurred after July 1, 1993 (note: privately owned systems are not eligible for refinancing);
- Interim financing for projects to be funded from other sources (note: no forgiveness will be available for these projects); and
- Other projects necessary to address compliance/enforcement issues.

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

- Administration of the SRF program;
- Technical assistance to small water systems;
- Capacity Development Program implementation;
  - Asset management and financial planning grants;
  - Record drawings grants;
  - Leak detection contractor;
  - Emergency assistance contract for small systems;
  - Contractor assistance for improved compliance with loan requirements.
- SDWA related program activities;
- Emergency preparedness;
- Source water protection implementation, including grants or contracts to implement program elements;
- Ongoing support for operator training and certification;
- Information management and reporting; and
- Activities related to water system sustainability.

**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 financing standard projects will be for a term not to exceed 20 years except for loans to disadvantaged systems which may be for a term of up to 30 years, provided that the loan term does not exceed the useful life of the financed improvements. Loan rates are established at the time of the execution of the loan agreement based on a percentage of the established market rate associated with a loan repayment period (selected by the loan recipient). Rates are derived using the 11 G.O. Bond Index in accordance with the DWSRF rules (Env-Dw1100). In addition to interest charges, an administrative fee in the amount of 2% on the unpaid principal balance is charged on all outstanding loans during the loan repayment period (note – if a current rate is less than 2%, the interest rate charged is dedicated to the administration fee). The chart below provides an example of how loan rates will be derived using information from last year's bond index:

<b>Term</b>	<b>Interest</b>	<b>Current rate</b>	<b>Rate + 2% admin fee</b>
5 years	25% of market minus 2%	0%	0.99% (all taken as fee)
10 years	50% of market minus 2%	0%	1.98% (all taken as fee)
15 years	75% of market minus 2%	0.97%	2.97%
20 years	80% of market minus 2%	1.168%	3.168%
30 yrs (disadvantaged systems only)	80% of market minus 2%	1.168%	3.168%

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

### 3G. Davis - Bacon Related Acts Wage Rates Requirements

The SDWA requires the application of Davis-Bacon prevailing wage rates on all construction projects funded in whole or in part by the DWSRF. Davis-Bacon applies to construction contracts over \$2,000 and their subcontractors (regardless of the subcontract amount).

To ensure compliance with these requirements, NHDES(or their contractor) will confirm that the correct wage determinations are being included in the bid specifications and/or construction contracts. NHDES will also provide assistance to recipients with the specific EPA Davis-Bacon contract language that is to be included in bid specifications and/or contracts. In addition, NHDES will collect certifications of Davis-Bacon compliance from assistance recipients with disbursement requests. A full-time position, split between Clean Water SRF and DWSRF programs, is being funded to assist both programs to comply with the Davis-Bacon requirements and a contract to provide further needed assistance with Davis-Bacon and the American Iron and Steel requirements is also in the setaside budget.

### 3H. American Iron and Steel Requirements

EPA's FY2015 appropriations bill requires that American made iron and steel (AIS) be used in

construction projects funded by the DWSRF. Consequently, DES intends to implement this provision in accordance with EPA's guidance and has added language to a variety of documents and guidance including loan document language to ensure the implementation of this provision.

### 3I. Amount Dedicated to Subsidizing Projects for Disadvantaged Communities/Systems

New Hampshire intends to meet the grant condition that requires funding equal to at least 20%, but not to exceed 30%, of the capitalization grant in the form of loan subsidization. The majority of this subsidy will be provided as loan forgiveness to disadvantaged communities and systems (with a small amount to be used to promote system-wide metering projects). Further, discussion of the disadvantaged community program is found in Section 8. In summary, New Hampshire will provide subsidization of at least 20% and not to exceed 30% 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. Interim financing for projects will not be eligible for the subsidies.

### 3J. 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 \$2,899,710 between these funds.

### 3K. Anticipated Cash Draw Ratio

All DWSRF projects funded by capitalization grant funds are supported by the appropriate level of State matching funds. For the FFY15 capitalization grant, NHDES will be using a cash draw ratio of 78.5 percent federal funds and 21.5 percent state match funds. Within twenty four hours of each disbursement to SRF loan recipients by the New Hampshire State Treasury, NHDES transacts a federal drawdown request for 78.5 percent of the disbursed amount. Concurrently, the State Treasurer deposits the 21.5 percent match portion into the SRF account.

### 3L. Federal Requirements

The following federal requirements apply to the DWSRF capitalization grant: Single Audit Act (OMB A-133); Disadvantaged Business Enterprise compliance ("DBE"); Federal environmental crosscutters; and Federal Funding Accountability and Transparency Act ("FFATA") reporting. These requirements will apply to all DWSRF loan projects. By doing this, NHDES will ensure that the federal requirements are applied to funds in an amount at least equal to the capitalization grant. In addition, continued demonstration of compliance with the operator certification program will be done to avoid withholding a portion of the capitalization grant.

### 3M. Federal Reporting

NHDES will continue the commitment to enter project and benefits data into the EPA Drinking Water National Information Management System ("NIMS") and Project and Benefits Reporting

(“PBR”) System. Among other parameters, the reporting systems will evaluate the number of New Hampshire DWSRF projects that provide the following public health benefits:

- i. Achieve compliance with SDWA;
- ii. Maintain compliance with SDWA; and
- iii. Meet future requirements of SDWA.

NHDES will enter project benefits information into the PBR by the end of the month in which the assistance agreement is signed. In addition to this reporting, NH will continue to produce the biennial report which has been required by USEPA since the beginning of the DWSRF.

FFATA reporting requirements will be met by reporting to fsrc.gov on 2015 loans that individually exceed \$25,000 in a total amount equivalent to \$7,820,430, which is the amount of the capitalization grant going towards projects. Recipients of loans that will be reported to fsrc.gov will be required to obtain a DUNS number and provide any information on highly compensated individuals prior to receiving the loan to enable NHDES to fulfill the FFATA requirements. NHDES will report loans in the order they are made until the reporting requirement is met. Any contracts, loans, or grants funded from setasides that individually exceed \$25,000 will be reported to fsrc.gov as required.

**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 other than infrastructure funding. The following chart explains the different setasides, the setaside amounts available in FFY15, and the requirements and restrictions specified in the SDWA for their use.

**Setasides Available to States under the DWSRF**

<b>Setaside Amount/ Name</b>	<b>Requirements for Use</b>	<b>FFY15 \$ Available</b>
4% / Administration of DWSRF	Funds can only be used for activities related to administering the drinking water state revolving fund	\$351,480
2% / Small System Technical Assistance	Funds can only be used to provide technical assistance to systems serving < 10,000	\$175,740
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	\$878,700

Setaside Amount/ Name	Requirements for Use	FFY15 \$ Available
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.	\$1,318,050

4B. Intended Use of Setasides

The intended use of each of the setasides is described below. 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 FFY15 setaside (\$351,480) and the estimated remaining prior years’ setaside (\$607,759). 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”). 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 the BFA and the State Department of Treasury. Funds from this setaside are 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, up to \$230,000 of the 4% funds may be used to hire contractor support for SRF related data management. These contracts will assist the state in compliance with federal requirements, its reporting to EPA and analysis of future fund related scenarios. Also, \$10,000 is being budgeted to provide for costs associated with the shift in the DWSRF Program to a State enterprise fund (i.e. specifically audited fund). In addition, up to \$100,000 of the 4% funds may be used for contracting assistance for loan recipients needing to comply with Davis-Bacon and

American Iron and Steel requirements.

4B (2). 2% Technical Assistance for Small Systems

NHDES intends to use all of the FFY15 setaside (\$175,740) and the estimated remaining prior year setaside (\$104,369). 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 1.5 FTEs and associated expenses. These positions are located in the small system subsection and are dedicated to improving the financial, managerial and technical capability of systems serving less than 3,300. Also, \$8,000 is being budgeted for emergency contracts to assist small systems such as the leak detection contract that was put in place in 2013 due to extreme cold causing leaks. 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 FFY15 10% setaside (\$878,700) and the estimated prior years setaside (\$1,214,773). 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 FFY93 and also for the over-match in FFY15. 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. Significant funding (\$280,000 coming from the 10% with additional funding from other setasides) will be necessary in the coming year for contractor support to convert Oracle forms to an environment that can be supported by our Office of Information and Technology. Conversion of some core functions to SDWIS Next Gen will also occur as may upgrades to loan tracking software. Attachment C contains the budget that details how this and the 2% and 15% setasides will be used.

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

A number of activities will be funded from the FFY15 15% setaside (\$1,326,750 1,318,050?) and the estimated prior year funds (\$600,000 \$1,291,717), including capacity development and source water protection. Source water protection activities will include technical and financial (grants and contracts) assistance and performance of regulatory functions related to new well sitings. Other capacity development activities beyond source protection will also occur. This will include continued support for operator training and certification. It will also include tracking the progress of NH's current Capacity Development Program and the ongoing provision of technical assistance to improve small systems managerial, financial and technical capabilities. The state plans to again offer a 50% matching grant program that will provide up to \$170,000 to fund asset management and financial plans (as established in the 2013 IUP). The state also plans to continue funding a highly successful leak detection contractor (\$180,000) to work with systems committed to finding and fixing leaks. In the fall, the next solicitation for Local Source Water Protection Grant Program (\$200,000) will occur. Also, this setaside will be used (up to

\$17,000) to provide small incentive grants of up to \$1,500 each for the production of record drawings at small systems (as established in the 2010 IUP). Finally, support for data management contracts that will be necessary to have the information needed to support capacity development and source water protection will be funded ( \$100,000) from this setaside.

**Note:** Grant applications for all grants funded by the DWSRF are available on the DES website. Hard copies of these and contractual agreements funded by the setasides will be provided to EPA.

#### 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 Grants and Financial Assistance**

The criteria for prioritizing source water protection and asset management grant applications are contained in the request for grant proposals to be provided to EPA. The assistance to help small community water systems develop record drawings will continue to be done on a first-in, first out basis. Use of a leak detection contractor will occur on a first come, first served, readiness basis as was done for the last four years.

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

In FFY2015 the state must use at least 20%, but not more than 30%, of the capitalization grant to subsidize infrastructure projects. To meet this goal, New Hampshire will fund projects in disadvantaged communities on a priority basis.

#### 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 2015, priority will continue to 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 title 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. Although, there is not a requirement to fund “green” projects. DES intends to award significant priority points for certain types of green projects identified in a systems’ energy or water use efficiency or sustainability plan.

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). Priority Ranking Formula

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

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

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 = DES capacity development list identified need or system interconnection
- E = Affordability (ratio of annual water rate vs. median household income)
- F = Implements “green” recommendations from energy or water use efficiency or sustainability plan.
- G = Addresses critical infrastructure needs

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.

**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:

<b><u>Condition</u></b>	<b><u>Priority Points</u></b>
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	26
3. MCL violations	52
c. Filtration or Disinfection related Treatment Techniques	
1. No violations	0
2. 1-2 treatment technique violations	26
3. Greater than 2 violations	52
d. Chemical or Disinfection Byproducts MCL violations	
1. No MCL violations	0
2. 1-2 MCL violations	26
3. Greater than 2 violations	52
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 expansions are 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/ storage tank	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.

<u>Condition</u>	<u>Priority Points</u>
Incomplete surface water filtration or presence of groundwater under the influence of surface water	22
Confined space pumphouse/other safety issues	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 and/or 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. Public water systems on the list 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 in its 2015 water rate survey report or from information provided directly by the applicant. The median household income (“MHI”) is the income data compiled by the U.S. Census Bureau 2009-2013 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.

<u>Affordability Ratio( User Rate/MHI)</u>	<u>Priority Points</u>
>2.50	15
2.00-2.50	11
1.50-1.99	7
0.8-1.49	3
<0.8	0

**F = “Green “**

If the project has been identified in a plan to enhance long-term energy or water use efficiency or sustainability, the project will be assigned 30 priority points. System-wide metering projects will be assigned 40 points and must be completed within three years. In general, green projects include, but are not limited to, energy generation, leak repair, meter installations or upgrades, pump efficiency, water infiltration/storage projects, or any of those or other activities identified in a conservation plan. Other projects that include energy and/or water efficiency improvements will be assigned 15 points. Such projects include high efficiency pumps and motors, variable frequency drives, and water efficiency projects not identified in a water conservation plan.

**G = Critical Infrastructure**

If the project upgrades, replaces or supplements critical infrastructure components such as sole sources of supply, transmission mains, river crossings, or other such infrastructure the failure of which could interrupt water service to the entire water system, or a significant portion thereof, then the project will be assigned 15 ranking points.

6A (2). 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 18 systems serve greater than 10,000 people) the project with the greater existing population served will receive the higher ranking.

#### 6A (3). Bypass Procedure

Because of the need to apply quickly for available federal dollars and the unpredictability of when funds become available, projects that score high but cannot obtain authority to borrow before June 2015, may be temporarily by-passed. Repayment funds (up to \$19,194,345) will be used if and when projects are approved. Also, a project on the fundable portion of the main list may be bypassed if it is determined that the project will not be ready to proceed for other reasons during the funding year or, if the cost of the project will prevent the state from meeting the grant conditions requiring that 15% of the grant be used to fund projects in small systems, and that at least 20%, but not more than 30%, be used to subsidize loans to disadvantaged communities. Any 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 (4). 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 (5). Refinancing Existing Loans

The DWSRF may be used to buy or refinance debt obligations for DWSRF eligible projects not currently financed through the DWSRF. 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 and the American Iron and Steel provision 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. Financial modeling indicates that even with the measures being put into place to address disadvantaged communities; reduce ULOs, the integrity of the fund will be maintained and growth will occur.

#### 6C. Relationship to State Program Goals and Objectives & 2015 System-wide Metering Initiative

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. For this year, the latter includes providing incentive to more quickly achieve effective system-wide metering in order to promote water and energy conservation. Although many water systems in New Hampshire recognize the need to install or upgrade meters, doing so system-wide in a timely manner is daunting for many systems. In order to create an incentive for systems in 2015, there will be the opportunity to apply for a 5 or 10 year loan to fund system-wide meter installation or replacement and receive 5% principal forgiveness through the DWSRF. These projects must result in system-wide metering capability and be completed within 3 years or less. This forgiveness will be in addition to any other forgiveness the water system is eligible for as a disadvantaged system. We anticipate this and the disadvantaged subsidy to be less than 30% of the capitalization grant.

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

A minimum of 15% of the total amount available for assistance from the fund must be made available to provide infrastructure loan assistance to systems serving fewer than 10,000 people. Accordingly, New Hampshire intends to dedicate at least \$1,318,050 for loans to eligible small systems for eligible infrastructure projects.

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

New Hampshire will provide at least 20%, but not more than 30%, of available funding in the form of loan subsidies to disadvantaged communities (in addition to supporting the system-wide metering initiative described in 6C). The percentage of principal forgiveness will be adjusted as needed, as provided in 8D below, to ensure that this goal is met and, if necessary, by-pass provisions will be utilized.

### **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). A project requesting interim financing will also not be eligible for disadvantaged system assistance.

Additionally, systems with a population served of less than 500 that receive principal forgiveness must develop a system improvement and financing plan that ensures future funding for anticipated needs.

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

Affordability of a proposed project considers both the resulting user rate (based on usage of 71,996 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 0.8 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 \$64,916 using the 2009 - 2013 American Community Survey data, are identified and considered disadvantaged. 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)	Minimum Principal Forgiveness
0.8 to < 1.50	10%
1.50 to < 2.00	15%
≥ 2.00	20%

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

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

NHDES intends to reserve at least 20%, but no greater than 30% (less a small amount needed to promote the system-wide meter initiative), of the DWSRF capitalization grant to subsidize eligible projects at community water systems in disadvantaged communities. Subsidy will be

provided in the form of principal forgiveness.

The New Hampshire DWSRF program reserves the right to increase the principal forgiveness percentages in the Disadvantaged System Assistance table in section 8C, above, if the minimum additional subsidization grant condition is not being met. If necessary, each category of principal forgiveness in the table will be increased by an equal percentage amount to ensure that the total amount of loan forgiveness under the 2015 PPL is within the range required by the federal grant (i.e., between 20 percent and 30 percent of the capitalization grant amount).

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

Projects have been prioritized using the system described in 6A and identified on the project list 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 in the range of \$1,757,400 to \$2,636,100 plus lost interest.

### **9. 2015 Infrastructure Projects**

The New Hampshire Department of Environmental Services received 42 new applications for eligible infrastructure projects. For a complete description of each of these 2015 projects and the current priority-ranking list see Attachment H.

### **10. Unanticipated Changes in the Intended Use of Funds**

This IUP provides a description of how New Hampshire intends to utilize both project funds and set-asides. It provides for the funding of emergency projects and describes a procedure to by-pass projects. In the rare event that a significant change in this plan is deemed necessary, New Hampshire commits to the public notice and hearing requirements as described in the next section.

### **11. Public Participation**

A public hearing was held on August 5, 2015, related to this IUP. Notice of this hearing was posted in the Manchester Union Leader, a newspaper with state-wide circulation, on July 9, 2015, and July 29, 2015. E-mail notification to all applicants occurred on July 29, 2015. Attachment I contains the description of the public hearing and a summary of all the comments received.

**ATTACHMENT A**

**FFY15 NHDWSRF FINANCIAL STATUS**

<b>Projected Uses of DWSRF</b>	<b><u>\$s available</u></b>	
Federal Cap Grant	\$ 8,787,000	
State Match (20% of federal cap grant)	<u>\$ 1,757,400</u>	
<b>Total \$s available for projects and setasides</b>	<b>\$10,544,400</b>	
<b><u>Projected \$ for projects:</u></b>		
FFY15 Set asides to be used 10/1/15-9/30/16	( <u>\$2,723,970</u> )	
<b>Total \$s available for projects</b>	<b>\$7,820,430</b>	
<b><u>Projected uses of FFY15 infrastructure project fund:</u></b>		
Minimum Subsidies to Disadvantaged Communities/Systems (20% of cap grant)	\$1,757,400	
Small System Dedication (15% of Cap Grant)	\$1,318,050	
Maximum Standard project loans (may also include small system projects)	<u>\$4,744,980</u>	
<b>Total uses of FFY15 project funds:</b>	<b>\$7,820,430</b>	
<b><u>Loan repayment available for projects(projected through 6/30/2016)</u></b>	<b>\$11,533,482</b>	<b>\$</b>
<b><u>Scheduled repayments 7/1/2015 to 6/30/2016:</u></b>	<b><u>\$ 7,660,863</u></b>	
<b><u>Total project funds available:</u></b>	<b>\$27014,775</b>	

**ATTACHMENT B**

**FFY15 Match Documentation**

**ATTACHMENT C**

**FFY15 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

2015 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 7/1/2015 through 9/30/2016. In addition, a source water protection grant/contract program, an asset management plan grant program, a leak detection grant/contract program and a matching grant program to assist very small systems in developing record drawings will be funded from the 15% setaside. Also, a small contract for emergency assistance for small systems may be funded with the 2% setaside should a need arise. Funding has also been provided from the 15% and 10% setaside to address the potential need for data management contract(s). As in past years, funding is provided (approximately 20% of annual costs) to fund the gap between 7/1/16 and receipt of the next capitalization grant in the Fall of 2016.

#### **Use of 2015 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 expenses. 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. Funding grants and contracts associated with both source protection and capacity development are also anticipated (i.e. source water protection grants/contracts, asset management and financial planning matching grants, record drawing grants and leak detection contractor assistance). As in past years, further explanation of these grants and contracts (e.g. applications, contract language, etc.) will be forwarded, when available, to EPA. NH and USEPA are facing unique challenges in developing new data management capabilities that are the foundation of effective capacity development; which for NH will require significant contractor support. \$100,000 is budgeted for this purpose. 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 2015 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. NH and USEPA are facing unique challenges in developing new data management capabilities; which for NH will require significant contractor support. \$280,000 is budgeted for this purpose. This year this setaside will also fund the ongoing incentive grant program for record drawings of small water systems. The state reserves the right to take the unused FFY99, FFY00, FFY01, FFY02, FFY03 and FFY15 10% setasides from

capitalization grants in future years.

**Use of 2015 2% Small System Technical Assistance Setaside:**

This setaside will be used to fund 1.5 FTEs that have responsibility for small system technical assistance under the broader umbrella of the State's Capacity Development Program. In addition, \$8,000 is budgeted for under this setaside should an emergency contract for small systems be required.

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, contracts, 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 continuing to assess the quality and threats to source water and implementing the chemical monitoring waiver program. This program provides needed incentive to do source water protection as well as promoting preparedness and sustainability. This will be achieved utilizing a portion of the 2015 15% setaside. The source water protection grant/contract program will again be offered this year with approximately \$200,000 dedicated for this purpose.

- Public Water System Supervision

Staff in the monitoring, enforcement, and engineering programs will be supported with the 10% setaside. 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% and 15% setaside will be used to fund data management and system documentation support. This includes funding programs in the office of information of technology as well as program data management staff and the contractual work described previously which is needed to both convert Oracle forms that will no longer be supported and to build a hybrid database utilizing EPA's NextGen and our legacy system. In addition, accurate and current documentation of the status of all of the PWSs in New Hampshire will be achieved via the continuation of a small grant incentive program to document small water system layout. Accurate data and timely reporting are the corner stones of the Safe Drinking Water Act.

- 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 of staff dedicated to small system issues. Ongoing implementation of the private well initiative will also occur and a water conservation position will be funded. Four

capacity development related assistance programs are envisioned. The first is the use of \$17,000 to continue the small system record drawing grant program. The second is using \$170,000 to continue a successful matching grant program that will provide 50% of the cost (up to \$15,000) to develop asset management/financial plans for systems. The third is budgeting \$8,000 should the need for an emergency contract to assist small systems arise (as an example in 2014 a small short-term contract with granite state Rural Water was put in place to address pipes rupturing because of unusual frost penetration). Finally, DES will again fund a leak detection contractor in the amount of \$180,000. Funding for all Capacity Development, Small System, and Private Well Assistance activities comes from the 2% and 15% setaside.

- Implement Well Siting Program

Prior to siting a new source for a 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 2015 15% setaside.

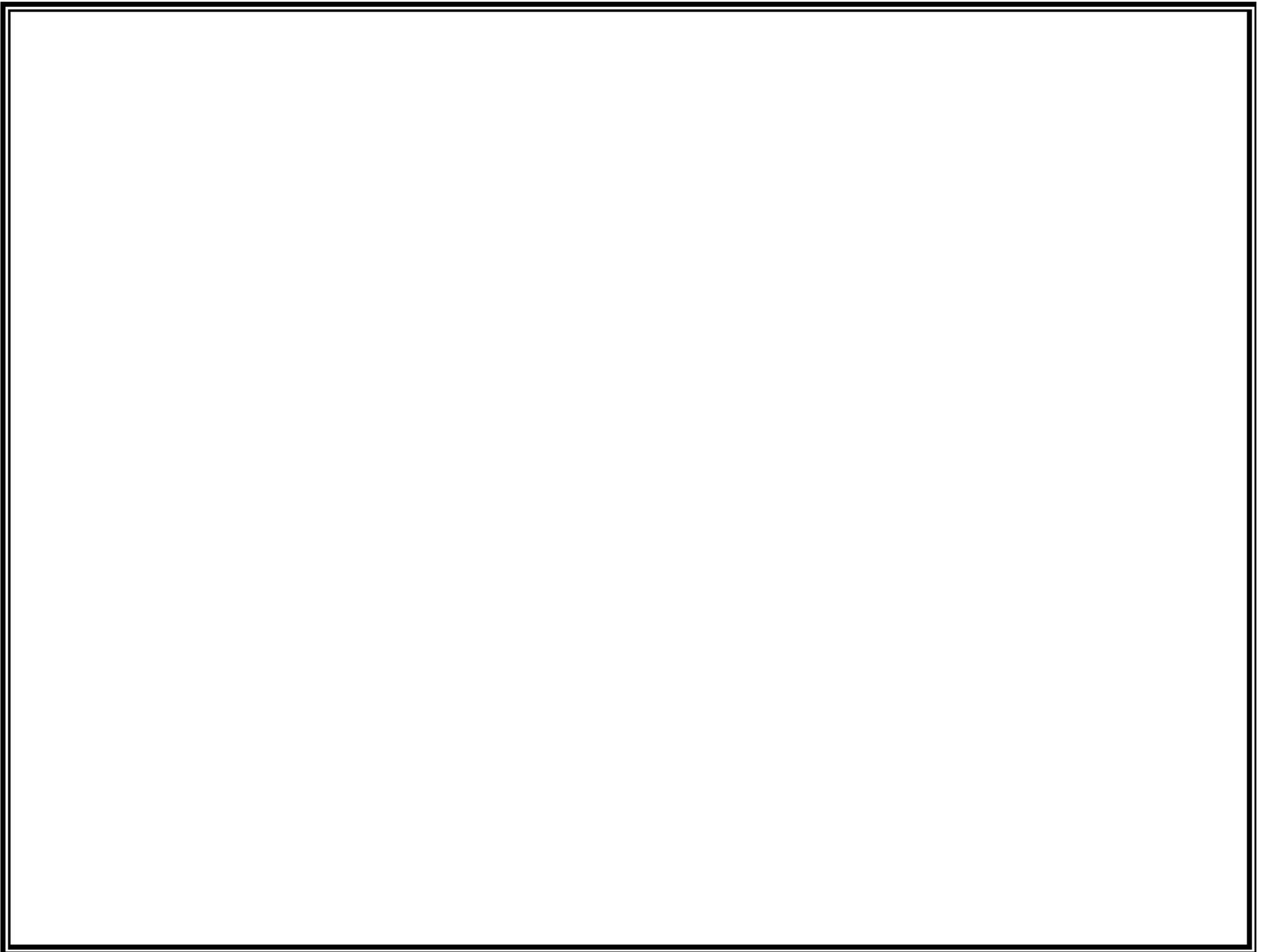
**SRF 2%, 10% and 15% Set-Aside Work Plan 2015**

(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% and 2% setaside	NHDES	<ul style="list-style-type: none"> <li>-Provide grants for 10+ SWP projects/year</li> <li>-Assist 20 PWS/ year</li> <li>-Publish newsletter and maintain website</li> <li>-400 Chemical monitoring waivers</li> <li>-Meet current EPA measure</li> <li>-Water characterized in high use areas</li> </ul>	3.5 FTEs SWP Grants and/or contracts (\$200,000).  Small system emergency contract (\$8,000)	The number of local SWPPs implemented.  Meeting EPA's SWP Measures  Knowledge and treatment of contaminated water	Ongoing
Public Water System Supervision	10% setaside	NHDES	<ul style="list-style-type: none"> <li>- Increase compliance via effective enforcement activity</li> <li>- Develop and implement new rules and complete primacy packages</li> <li>- All NH annual lab certifications completed</li> </ul>	9 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	2%, 10% and 15% setasides	NHDES	<ul style="list-style-type: none"> <li>-Improved information management</li> <li>- Continue to develop new database</li> <li>- Document current status of all PWSs</li> </ul>	2 FTEs (10%) 1 FTE (15%) Funding provided to Office of Information Technology (based on positions and computer replacement needs) 15% - Record Drawing Assistance (matching grants) \$17,000 10% and 15% - Contractor Support (\$380,000)	Timely reporting  Functional database  Plans for all small systems	Ongoing
Capacity Development/ Small System Oversight/ Private Well Initiative	15%, and 2% setasides	NHDES	<ul style="list-style-type: none"> <li>- Meet Small System Survey commitments (1/3 years C and N systems, 1/5 years transient systems)</li> <li>- Target capacity development outreach and assistance on small systems and assist private well owners</li> </ul>	3.5 FTES (15%) 1.5 FTES (2%) 15%: Leak Detection Grants \$180,000 Asset Management/Financial Planning Grants \$170,000	Improved compliance	Ongoing
Implement Well Siting Program	15% setaside	NHDES	20 new well sitings/ large withdrawals annually Evaluate source capacity issues as reported	3 FTEs	The number of well sitings	Ongoing

FTE Summary: 15% FTES = 11, 10 % FTES = 11, 2%FTES =1.5



**ATTACHMENT F**

**2009-2013 American Community Survey MHI Table**

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

**ATTACHMENT H**

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

**ATTACHMENT I**

**Public Participation**

**Call for Pre-applications and Informational Meeting Announcement (May 14, 2015  
email/U.S. Mail notification, May 18, 2015 press release)**

**Public Hearing Newspaper Notices (July 9 and July 29, 2015)**

**Public Hearing (August 5, 2015)**

**Hearing Description and Summary of Comments Received**