STATE OF NEW HAMPSHIRE

2018 DRINKING WATER STATE REVOLVING FUND

INTENDED USE PLAN

September 7, 2018

New Hampshire Department of Environmental Services
Water Division
Drinking Water and Groundwater Bureau

Robert R. Scott, Commissioner
Clark B. Freise, Assistant Commissioner
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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 U.S. Environmental Protection Agency (EPA) guidance, up to approximately 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 that 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 2018 capitalization grant funds (i.e. setasides and infrastructure project funds). This document will also explain how New Hampshire intends to comply with the 2018 federal requirement to provide a minimum of 20%, but no more than 30%, of the capitalization grant to subsidize infrastructure projects for disadvantaged communities, 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 2018, 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 FFY18 is $11,107,000. This grant must be matched with state funds that equal 20% of the capitalization grant ($2,221,400). The match was secured in the biennial state capital budget that became effective July of 2017.

The maximum amount of setasides the state can use from the 2018 capitalization grant is 31% of the award or $3,443,170. 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 contract funding needed to fully implement the Safe Drinking Water Act in New Hampshire. Accordingly, New Hampshire intends to utilize $222,140 from the 2% technical assistance setaside, $444,280 from the 4% administration setaside, $1,110,700 from the 10% program management setaside, and $1,666,050 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 July 1, 2018 through September 30, 2019 (when we anticipate receiving our next capitalization grant). Other significant uses of these funds include data management contracts for conversion to SDWIS Prime and grants and contracts to accomplish goals related to source water protection, improved capacity, security, asset management, and tracking compliance with loan and grant requirements. The uses of the remaining prior year setasides that are projected to be available as of July 1, 2018 are also described.

Based on the intended FFY18 setaside usage, there is $9,885,230 available from the FFY18 DWSRF capitalization grant (including 20% state match) for infrastructure projects. It is
important to note that New Hampshire also has a Drinking Water and Groundwater Trust Fund that will be issuing grants and loans for infrastructure projects in tandem with the DWSRF (i.e. joint application and consideration of trust fund grant dollars for SRF funded projects). This Trust Fund is managed by a commission with NHDES’ role being the processing of loan and grant funds as determined by the commission. Project eligibility is expanded for projects funded by the commission. For more information about the Trust Fund, see https://www4.des.state.nh.us/nh-dwg-trust.

There are a number of attachments that clarify and itemize how SRF funds will be utilized. Attachment A provides the financial status. Attachment B provides details on funding of setaside activities. The department solicited projects from community and non-transient/non-profit water systems between April 18, 2018 and June 15, 2018. The department received funding requests for 88 projects for over $136 million (this includes solicitations that may be funded by the new Drinking Water Groundwater Trust Fund program). Attachment G provides a listing and description of infrastructure projects that were ranked for DWSRF funding.

This plan has been prepared to inform all the stakeholders on the intended use of the entire 2018 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 EPA in order to apply for a DWSRF capitalization grant. For further information on New Hampshire’s DWSRF, contact Johnna McKenna in the NHDES Drinking Water and Groundwater Bureau at (603) 271-7017 or johnna.mckenna@des.nh.gov.

2. GOALS FOR INFRASTRUCTURE PROJECT AND SETASIDE ACTIVITIES

The ongoing short-term and long-term goals are listed below. For 2018, as was the case in 2017, there are some particular goals of high importance that continue to be so. In addition, there is a new goal related to coordination of the DWSRF with New Hampshire’s new Drinking Water and Groundwater Trust Fund (DWGTF). These goals include:

- **Keep un-liquidated loan obligations (ULOs) low.** ULOs are the capitalization grant funds that have been approved for New Hampshire, which may be under contract, but have not actually been spent. In 2016, New Hampshire met the federal deadline to reduce our ULO for loan funds (2-year unspent balance limit) and setasides (3-year limit). New Hampshire will continue implementing practices that were implemented including bypassing projects on the priority list for shovel-ready projects lower on the list and breaking large projects into phases so as not to commit existing capitalization grant dollars to later phases of a project.

- **Maximize loan forgiveness for disadvantaged communities.** The capitalization grant requirement to use a minimum of 20%, but no more than 30%, of the capitalization grant to subsidize projects will be met as indicated in Attachment G. The DWSRF program goal will be to provide loan forgiveness to as many eligible disadvantaged water systems as feasible.
• **Assist loan recipients with federal requirements**, including Davis-Bacon and American Iron and Steel provisions, by providing guidance, document templates and technical support for loan recipients. Increased utilization of Davis-Bacon tracking applications will also be encouraged and evaluated.

• **Promote asset management** with the ultimate goal of having all municipal systems applying for funding related to implementation of such plans. This is to be achieved through grants for asset management plans and priority points if the system has an asset management plan. In addition, a new database is being utilized to track water system’s progress towards asset management and what has become an annual conference will continue the emphasis on asset management.

• **Ensure compliance with the lead and copper rule (LCR)** by giving additional priority points for projects that will replace lead system components (i.e. goosenecks, valves, full service lines) and continuing work on improved implementation of the rule.

• **Coordinate** the provision of funding from the DWSRF and DWGTF to ensure the longevity of the DWSRF by coordinating funding timing and project selection.

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

• Provide effective program management to ensure the integrity of the DWSRF.

• Utilize DWSRF monies to address acute health risks as a priority.

• Fund staff to achieve and facilitate statewide compliance with the SDWA.

• Coordinate DWSRF activities with enforcement activities of both 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 members 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.)

• Provide public and private water systems with low-cost financial assistance to complete projects eligible for funding.
• Provide assistance in the form of subsidies to communities or eligible systems defined as “disadvantaged” to ensure affordable water.

• Provide small systems (population served of less than 10,000) with financial assistance for eligible projects using at least 15% of the project fund.

• Coordinate the DWSRF program with existing source water protection activities at the state and local level.

• Provide funding for preventative measures such as source water protection and the replacement of aging infrastructure.

• Continue implementation of New Hampshire’s Capacity Development Plan.

• 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

• Support the departmental goal of ensuring that all New Hampshire communities will have water that is safe to drink all of the time.

• Develop and effectively manage a self-sustaining program to facilitate compliance by all public drinking water systems with the SDWA.

• Protect public health and promote the completion of cost-effective projects.

• Improve the capacity of small privately owned public water systems.

• Advance water infrastructure sustainability through the promotion of asset management and financial planning.

• Maintain the DWSRF in perpetuity.

• Have local source water protection programs implemented at 90% of all community sources.

• 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 FFY18 DWSRF Fund

The total amount of funds allotted to New Hampshire for FFY18 is $11,107,000. The intended use for this funding is summarized in Attachments A and B. The financial status, as it appears in Attachment A, shows a 20% state match of $2,221,400. The match was secured in the biennial state capital budget that was effective July 1, 2017.

3B. End of the Year Financial Status and Summary of Accomplishments

Since FFY97, 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 $284 million 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. Approximately 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.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Capitalization Grant Amount</th>
<th>Setasides Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 1997</td>
<td>$13,754,800</td>
<td>$3,121,557</td>
</tr>
<tr>
<td>FY 1998</td>
<td>$7,121,300</td>
<td>$2,207,603</td>
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<tr>
<td>FY 1999</td>
<td>$7,463,800</td>
<td>$1,268,846</td>
</tr>
<tr>
<td>FY 2000</td>
<td>$7,757,000</td>
<td>$1,566,512</td>
</tr>
<tr>
<td>FY 2001</td>
<td>$7,789,100</td>
<td>$1,904,023</td>
</tr>
<tr>
<td>FY 2002</td>
<td>$8,052,500</td>
<td>$1,449,833</td>
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<td>FY 2003</td>
<td>$8,004,100</td>
<td>$591,111</td>
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<td>FY 2004</td>
<td>$8,283,100</td>
<td>$1,328,496</td>
</tr>
<tr>
<td>FY 2005</td>
<td>$8,285,500</td>
<td>$2,568,505</td>
</tr>
<tr>
<td>FY 2006</td>
<td>$8,229,300</td>
<td>$2,551,083</td>
</tr>
<tr>
<td>FY 2007</td>
<td>$8,229,000</td>
<td>$2,550,990</td>
</tr>
<tr>
<td>FY 2008</td>
<td>$8,146,000</td>
<td>$2,550,990</td>
</tr>
<tr>
<td>FY 2009</td>
<td>$8,146,000</td>
<td>$2,525,260</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$13,573,000</td>
<td>$4,712,120*</td>
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<tr>
<td>FY 2011</td>
<td>$9,418,000</td>
<td>$2,919,580</td>
</tr>
<tr>
<td>FY 2012</td>
<td>$8,975,000</td>
<td>$2,782,250</td>
</tr>
<tr>
<td>FY 2013</td>
<td>$8,421,000</td>
<td>$2,610,510</td>
</tr>
<tr>
<td>FY 2014</td>
<td>$8,845,000</td>
<td>$2,741,950</td>
</tr>
<tr>
<td>Fiscal Year</td>
<td>Capitalization Grant Amount</td>
<td>Setasides Taken</td>
</tr>
<tr>
<td>-------------</td>
<td>----------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>FY2015</td>
<td>$8,787,000</td>
<td>$2,723,970</td>
</tr>
<tr>
<td>FY2016</td>
<td>$8,312,000</td>
<td>$2,576,720</td>
</tr>
<tr>
<td>FY2017</td>
<td>$8,241,000</td>
<td>$2,625,070</td>
</tr>
<tr>
<td>FY2018</td>
<td>$11,107,000</td>
<td>$3,443,170</td>
</tr>
</tbody>
</table>

Note: In 2009, NHDES received a capitalization grant under the American Recovery and Reinvestment Act in the amount of $19,500,000. NHDES took $780,000 of these funds for setaside activities.

* 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.
- Maintained agreements with the New Hampshire State Treasury and New Hampshire Business Finance Authority to facilitate loan processing.
- Refined and implemented new rules and requirements resulting from 1996 SDWA Amendments and the 2016 WIIN Act.
- 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.
- Implemented source water protection programs for new sources of public drinking water.
- Provided an average of $200,000 each year (except in 2011) for source water protection and security grants.
- Conducted six rounds of leak detection contracts that resulted in 4,392 miles of pipe surveyed at 112 water systems, which identified 478 leaks resulting in the recovery of 7.6 MGD.
- Protected 6,591 acres of critical water supply lands.
• 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 (including seasonal start-up provisions), communicated all national messaging around implementation of the lead and copper rule, readopted expired rules, and advanced primacy packages.

• Met Stage 2/DBP commitments for Primacy.

• Advanced water infrastructure sustainability through the provision of six rounds of asset management grants to 56 water systems totaling $1,089,000 and small system record drawing grants to 21 water systems totaling $26,631.

• Implemented improvements to lead and copper rule, participated in and supported the passage of Senate Bill 247, which requires lead testing at all schools and licensed day cares.

• Coordinated with funding partners (e.g. USDA Rural Development, Community Development Finance Authority, etc.) to discuss current initiatives, issues and funding opportunities.

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 $2,375,670 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 or treatment 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.
• Replacement of lead components (i.e. goosenecks and full service lines).
• Installation of meters and backflow prevention devices.
• 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.
• 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).
• Other projects necessary to address compliance/enforcement issues.

The types of activities intended to be funded by the Setaside Account include:
• Administration of the DWSRF program.
• Technical assistance to small water systems.
• Technical assistance on lead removal and treatment at schools and day cares.
• Capacity Development Program implementation.
• Asset management and financial planning grants.
• Leak detection contractor.
• SDWA related program activities.
• Sustainability.
• 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.
• 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 New Hampshire’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 that 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 the loan agreement is transmitted to the loan recipient 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 the current loan rates:
<table>
<thead>
<tr>
<th>Term</th>
<th>Interest</th>
<th>Current rate (as of 8/2/18)</th>
<th>Rate + 2% admin fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 years</td>
<td>25% of market minus 2%</td>
<td>0%</td>
<td>0.845% (all taken as fee)</td>
</tr>
<tr>
<td>10 years</td>
<td>50% of market minus 2%</td>
<td>0%</td>
<td>1.69% (all taken as fee)</td>
</tr>
<tr>
<td>15 years</td>
<td>75% of market minus 2%</td>
<td>0%</td>
<td>2.535% (all taken as fee)</td>
</tr>
<tr>
<td>20 years</td>
<td>80% of market minus 2%</td>
<td>0%</td>
<td>2.7040% (all taken as fee)</td>
</tr>
<tr>
<td>30 years (disadvantaged systems only)</td>
<td>80% of market minus 2%</td>
<td>0%</td>
<td>2.7040% (all taken as fee)</td>
</tr>
</tbody>
</table>

**Note:** Terms of financial assistance for disadvantaged systems and communities are addressed in Section 8.

3G. **Davis-Bacon 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 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 oversees and provides assistance with Davis-Bacon requirements.

3H. **American Iron and Steel Requirements**

EPA’s FY2018 appropriations bill requires that American made iron and steel (AIS) be used in construction projects funded by the DWSRF. Consequently, NHDES intends to implement this provision in accordance with EPA’s guidance and has added language to the loan documents, developed project checklists and guidance documents to ensure the implementation and compliance 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%, not to exceed 30%, of the capitalization grant to be provided to disadvantaged systems in the form of loan subsidization. This subsidy will be provided as loan forgiveness. Interim financing for projects will not be eligible for subsidies. Further, discussion of the disadvantaged community program is found in Section 8. Attachment I provides a list of 2013-2017 projects and the subsidy amounts. According to the charts, the subsidy requirement is being met for each year. If necessary, adjustments will be made to ensure that the minimum subsidy requirement is met. Provisions for this are outlined in previous IUPs and will be implemented as needed.
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 $3,665,310 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 FFY18 capitalization grant, NHDES will be using a cash draw ratio of 77.52% federal funds and 22.48% state match funds. Within 24 hours of each disbursement to SRF loan recipients by the New Hampshire State Treasury, NHDES transacts a federal drawdown request for the federal portion of the disbursed amount.

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.
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, New Hampshire will continue to produce an annual report, which has been required by EPA since the beginning of the DWSRF Program.

FFATA reporting requirements will be met by reporting to fsrs.gov on 2018 loans that individually exceed $25,000 in a total amount equivalent to $9,885,230 which is the amount of the capitalization grant going toward projects. Recipients of loans that will be reported to fsrs.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 fsrs.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 FFY18, and the requirements and restrictions specified in the SDWA for their use.

<table>
<thead>
<tr>
<th>Setaside Amount/ Name</th>
<th>Requirements for Use</th>
<th>FFY18 $ Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>4% or $400K/ Administration of DWSRF</td>
<td>Funds can only be used for activities related to administering the drinking water state revolving fund</td>
<td>$444,280</td>
</tr>
<tr>
<td>2% / Small System Technical Assistance</td>
<td>Funds can only be used to provide technical assistance to systems serving &lt; 10,000</td>
<td>$222,140</td>
</tr>
<tr>
<td>10% / Program Management</td>
<td>Funds can be used to assist the following drinking water programs: Public Water Supply System, Source Water Protection, Capacity Development, and Operator Certification</td>
<td>$1,110,700</td>
</tr>
</tbody>
</table>
| 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 two-thirds 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. | $1,666,050        |
4B. Intended Use of Setasides

The intended use of each of the setasides is described below. Attachments A, B and D 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 FFY18 setaside ($444,280) and the estimated remaining prior years’ setaside ($699,841). 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, the SRF Program Manager, the majority of time spent by the Environmentalist IV that is dedicated to infrastructure funding and portions of two positions with SRF administration duties assigned to them; as well as staff time associated with inspections, reporting and federal cross cutters; such as environmental review. External support will be provided by the New Hampshire State Treasury, and the Business Finance Authority (BFA). BFA will be funded to establish the credit worthiness and provide legal services for private systems. The New Hampshire State 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 C contains the current agreements with the BFA and the New Hampshire State Treasury. Funds from this setaside are also used to procure all equipment and training necessary for the adequate performance of program administration staff, and travel costs for FTE’s performing fund administrative functions. In addition, up to $340,000 of the 4% funds may be used to hire contractor support for SRF and SDWA related data management. These contracts will assist the state in conversion and upgrade of the legacy SDWA database, compliance with federal requirements, reporting to EPA and analysis of future fund related scenarios.

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

NHDES intends to use all of the FFY18 setaside ($222,140) and the estimated remaining prior year setaside ($295,034). 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 FTE and associated expenses. This position is located in the small system subsection and is dedicated to improving the financial, managerial and technical capability of systems serving less than 3,300. In addition, $50,000 of this setaside will be used to provide leak detection at small systems. New Hampshire continues to consider contractor support for small systems, providing that the benefit of contractor’s help can be successfully measured. For 2018, we have budgeted $150,000 for a technical assistance contractor to help small systems plan for and obtain funding from the DWSRF and NH’s new DWGTF.

4B (3). 10% State Program Management

Program Management activities will be funded using the entire FFY18 10% setaside ($1,110,700) and the estimated prior years setaside ($432,020). Attachment D 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, operator certification, engineering and plan review, as well as information management activities. Funding from this setaside ($140,000), along with the 15% setaside, will be used to promote asset management to improve compliance at NH’s public water systems. Attachment B 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 FFY18 15% setaside ($1,666,050) and the estimated prior year funds ($926,451), 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. It will also include tracking the progress of New Hampshire’s current Capacity Development Program and the ongoing provision of technical assistance to improve small systems managerial, financial and technical capabilities. The state also plans to continue funding a highly successful leak detection contractor ($70,000 provided by this setaside and $50,000 provided by the 2% setaside) to work with systems committed to finding and fixing leaks as well as grants for asset management plans ($160,000 with an additional $140,000 provided through the 10% setaside). Solicitation for Local Source Water Protection Grant Program ($200,000) is open until November 1, 2017. Grant applications for all grants funded by the DWSRF are available on the NHDES 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 continue to occur on a first come, first served, readiness basis.

6. CRITERIA AND METHOD FOR DISTRIBUTION OF INFRASTRUCTURE PROJECT FUNDS
In FFY2018 the state must provide a minimum of 20% of the capitalization grant to subsidize infrastructure projects for disadvantaged systems but may provide up to 30%. 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 2018, 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. NHDES intends to award priority points for certain types of green projects identified in a system’s 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:

\[ P = (A + B + C + D + E + F + G + H + I + J) \]

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
- \( D \) = NHDES capacity development need
- \( E \) = System interconnection
- \( F \) = Affordability (ratio of annual water rate vs. median household income)
- \( G \) = Implements “green” recommendations from energy or water use efficiency or sustainability plan.
- \( H \) = Addresses critical infrastructure needs
- \( I \) = Asset Management (AM) program in place and project identified in an AM plan
- \( J \) = Lead component/service line replacement project

Eligible applicants for project funding include municipal or privately owned community 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 F 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).

<table>
<thead>
<tr>
<th>A = Violations of National Drinking Water Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>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:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Condition</th>
<th>Priority Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Total and fecal coliforms</td>
<td></td>
</tr>
<tr>
<td>1. No detections</td>
<td>0</td>
</tr>
<tr>
<td>2. 1-2 TCR assessments</td>
<td>30</td>
</tr>
<tr>
<td>3. Greater than 2 assessments</td>
<td>40</td>
</tr>
<tr>
<td>4. Boil order</td>
<td>60</td>
</tr>
<tr>
<td>b. Nitrate or emerging contaminant with do-not-drink health advisory/AGQS</td>
<td></td>
</tr>
<tr>
<td>1. No level above 1.0 mg/L (N) or HA/AGQS</td>
<td>0</td>
</tr>
<tr>
<td>2. Levels &gt;5.0&lt;10mg/L (N)</td>
<td>26</td>
</tr>
<tr>
<td>3. MCL violations (N) or HA exceedence/AGQS</td>
<td>60</td>
</tr>
<tr>
<td>c. Filtration or Disinfection related Treatment Techniques</td>
<td></td>
</tr>
<tr>
<td>1. No violations</td>
<td>0</td>
</tr>
<tr>
<td>2. 1-2 treatment technique violations</td>
<td>26</td>
</tr>
<tr>
<td>3. Greater than 2 violations</td>
<td>52</td>
</tr>
<tr>
<td>d. Chemical or Disinfection Byproducts MCL violations</td>
<td></td>
</tr>
<tr>
<td>1. No MCL violations</td>
<td>0</td>
</tr>
<tr>
<td>2. 1-2 MCL violations</td>
<td>26</td>
</tr>
<tr>
<td>3. Greater than 2 violations</td>
<td>52</td>
</tr>
<tr>
<td>e. Lead and Copper (At the 90th percentile)</td>
<td></td>
</tr>
<tr>
<td>1. Lead levels above .015 mg/l</td>
<td>52</td>
</tr>
<tr>
<td>2. Copper levels above 3.0 mg/l</td>
<td>24</td>
</tr>
<tr>
<td>3. Copper levels between 1.3 and 3.0 mg/l</td>
<td>18</td>
</tr>
<tr>
<td>f. Secondary Standards</td>
<td></td>
</tr>
<tr>
<td>Any exceedance of a secondary MCL</td>
<td>14</td>
</tr>
</tbody>
</table>
**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 five years) unaddressed shortages. Projects related to future growth or expansions are not eligible for funding.

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

**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.

<table>
<thead>
<tr>
<th>Condition</th>
<th>Priority Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incomplete surface water filtration or presence of groundwater under the influence of surface water</td>
<td>22</td>
</tr>
<tr>
<td>Confined space pumphouse/other safety issues</td>
<td>18</td>
</tr>
<tr>
<td>Non-optimized surface water filtration when compared with American Water Works Association composite correction criteria</td>
<td>18</td>
</tr>
<tr>
<td>Mandated chlorination of groundwater system</td>
<td>14</td>
</tr>
<tr>
<td>Distribution/plant capacity deficiencies (includes situations where current demand exceeds treatment capacity; pipe tuberculation; pressure issues; asbestos cement removal, high unaccounted for water)</td>
<td>18</td>
</tr>
<tr>
<td>Need to upgrade existing corrosion control treatment in order to meet action levels</td>
<td>17</td>
</tr>
<tr>
<td>Improper well construction</td>
<td>16</td>
</tr>
<tr>
<td>Inadequate water treatment wastewater disposal (backwash or sludge)</td>
<td>14</td>
</tr>
<tr>
<td>Other significant deficiencies (e.g. need for treatment of Arsenic, Iron, Manganese, Radon, Radionuclides; other deficiencies observed during a sanitary survey)</td>
<td>14</td>
</tr>
<tr>
<td>Backup power source</td>
<td>5</td>
</tr>
</tbody>
</table>
D = Capacity Development
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. Systems on the capacity development list are typically very small systems serving less than 100 homes.

Public water systems with capacity needs serving 1,000 people or less

E = Consolidation
The project involves interconnection to a more viable public water system.

F = Affordability
Affordability is an indicator of a 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 that are considered disadvantaged will be eligible for these points. The water rates are based on the most recent information compiled by NHDES in its 2018 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 2012-2016 American Community Survey. The affordability ratio is calculated by dividing the water rate by the community median household income times 100%.

<table>
<thead>
<tr>
<th>Affordability Ratio (Water Rate/MHI)</th>
<th>Priority Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.00 or more</td>
<td>15</td>
</tr>
<tr>
<td>1.6 to 1.99</td>
<td>11</td>
</tr>
<tr>
<td>0.8 to 1.5</td>
<td>7</td>
</tr>
</tbody>
</table>

G = “Green”
Projects that include energy or water efficiency improvements will be assigned points. In general, green projects include, but are not limited to, energy generation, leak repair, meter installations or upgrades, pump efficiency, water infiltration/storage projects, high efficiency pumps and motors, variable frequency drives, water main replacement or any other activities identified in a conservation plan.

H = Critical Infrastructure
If the project upgrades, replaces or supplements critical infrastructure components such as sole sources of supply, storage tanks, 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 ranking points.
If the system has completed activities related to an active asset management program then the project will be assigned ranking points.

<table>
<thead>
<tr>
<th>Condition</th>
<th>Priority Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project is directly from the system’s asset management plan</td>
<td>10</td>
</tr>
<tr>
<td>The system has implemented a complete asset management plan</td>
<td>5</td>
</tr>
<tr>
<td>The system has implemented some components of an asset management plan</td>
<td>2</td>
</tr>
<tr>
<td>The system has not completed any asset management implementation</td>
<td>0</td>
</tr>
</tbody>
</table>

**J = Lead**

Any lead component or lead service line (all the way to the meter) replacement project: 50

### 6A (2). Tie-Breaking Procedure

When two or more projects score equally under the Project Ranking Formula, 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 2019, may be temporarily by-passed. 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 20% 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, emerging contaminant that is acute in nature for some
population, 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

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.

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 $1,666,050 for loans to eligible small systems for eligible infrastructure projects.

8.  DISADVANTAGED COMMUNITY/SYSTEM PROGRAM

New Hampshire will provide at least 20%, not to exceed 30%, of available funding in the form of loan subsidies to disadvantaged communities. 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, bypass 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 E) 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 Community/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.

**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 year) 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% 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 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 $68,485 using the 2012 - 2016 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 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.
<table>
<thead>
<tr>
<th>Disadvantaged System Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affordability Index</strong>&lt;sup&gt;*&lt;/sup&gt; (project user rate / community or water system’s MHI)</td>
</tr>
<tr>
<td>0.8 to &lt; 1.50</td>
</tr>
<tr>
<td>1.50 to &lt; 2.00</td>
</tr>
<tr>
<td>≥ 2.00</td>
</tr>
</tbody>
</table>

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

Community systems that are county owned are eligible for forgiveness as long as the county MHI is below the statewide MHI. The level of subsidy will be determined based on the chart below.

### County Owned Community Systems

#### Disadvantaged System Assistance

<table>
<thead>
<tr>
<th>Median Household Income (MHI)</th>
<th>Amount of Principal Forgiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>$68,485-$50,000</td>
<td>10%</td>
</tr>
<tr>
<td>Below $50,000</td>
<td>15%</td>
</tr>
</tbody>
</table>

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

NHDES intends to reserve 20% 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. To meet this goal, the amount of subsidy for a project will be determined at the time of the loan agreement in accordance with the table above. The New Hampshire DWSRF program reserves the right to increase the principal forgiveness percentages in the Disadvantaged System Assistance table in section 8C, above, in order to meet the 20% disadvantaged subsidy goal. If necessary, each category of principal forgiveness in the tables above will be increased by an equal amount to ensure that the total amount of loan forgiveness under the 2018 PPL meets the amount required by the federal grant (i.e., 20% of the capitalization grant amount).

8E. Identification of Systems to Receive Assistance

Projects have been prioritized using the system described in section 6A and identified on the project priority 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 amount of $2,221,400.
9. 2018 INFRASTRUCTURE PROJECTS

The New Hampshire Department of Environmental Services received 72 new applications for eligible infrastructure projects. For a complete description of each of these 2018 projects and the current priority-ranking list see Attachment G.

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 setasides. It provides for the funding of emergency projects and describes a procedure to bypass 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 2, 2018, related to this IUP. Notice of this hearing was posted in the New Hampshire Union Leader, a newspaper with statewide circulation. Email notification to all applicants occurred one week prior to the public hearing. Attachment I contains the description of the public hearing and a summary of all the comments received.
ATTACHMENT A

FFY18 NHDWSRF FINANCIAL STATUS

Projected Uses of DWSRF $s available
Federal Cap Grant $11,107,000
State Match (20% of federal cap grant) $ 2,221,400

Total $s available for projects and setasides $13,328,400

Projected $ for projects:
FFY18 Set asides to be used 7/1/18-9/30/19 ($3,443,170)
Total $s available for projects $9,885,230

Projected uses of FFY18 infrastructure project funds:
Subsidies to Disadvantaged Communities/Systems
(20% of cap grant) $2,221,400
Small System Dedication
(15% of Cap Grant) $1,666,050
Maximum Standard project loans (may also include small system projects) $5,997,780

Total uses of FFY18 project funds: $9,885,230
ATTACHMENT B

Setaside Budget
ATTACHMENT C

Agreements – Business Finance Authority and Department of Treasury
ATTACHMENT D
2018 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 July 1, 2018 through June 30, 2019. In addition, a source water protection grant program, an asset management plan grant program, a leak detection grant/contract program and a contract for small system technical assistance will be funded from the various setasides (see below). As in past years, funding is provided to fund the gap between July 1, 2019 and receipt of the next capitalization grant in the Fall of 2019.

Use of 2018 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 and partial funding of leak detection contractor assistance). Asset management grants will also be partially funded by this setaside. As in past years, further explanation of these grants and contracts (e.g. applications, contract language, etc.) will be forwarded, when available, to EPA. The stipulation that no more than two-thirds of the setaside, taken in any year, shall be spent on any of the eligible activities shall be adhered to.

Use of 2018 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, operator certification, laboratory certification and information management, as well as their associated costs, will be funded from this setaside. This setaside will also partially fund asset management grants. The state reserves the right to take the unused FFY99, FFY00, FFY01, FFY02 and FFY03 10% setasides from capitalization grants in future years.

Use of 2018 2% Small System Technical Assistance Setaside:
This setaside will be used to fund 1 FTE that will have responsibility for small system technical assistance under the broader umbrella of the state’s Capacity Development Program. In addition, this setaside will provide partial funding for leak detection at small systems and may also be used for contractor support for small systems such as for planning necessary to apply for the DWSRF or NH’s new Drinking Water and Groundwater Trust Fund.

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 B 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 quantity and quality threats to source water. Program activity funded provides needed incentive to do source water protection, including land conservation, as well as promoting preparedness and sustainability. This will be achieved utilizing a portion of the 2018 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, lab certification, 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 programmers in the office of information of technology as well as program data management and GIS staff.

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. One important function towards this goal is funding operator certification, to the extent needed to complement NH’s fee program (1FTE). In addition, 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. Two capacity development-related assistance programs are envisioned. First, the continuation of a successful matching grant program that will provide 50% of the cost to develop asset management/financial plans funded by both the 15% and 10% setasides. Finally, NHDES will again fund a leak detection contractor in the amount of $120,000 (funded by the 15% and 2% setasides). Funding for all Capacity Development, Small System and Private Well Assistance activities comes from the 2%, 10% 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 2018 15% setaside.
### SRF 2%, 10% and 15% Set-Aside Work Plan 2018
(Note: Includes four-year work plan for 15% setaside)

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>SET-ASIDES USED</th>
<th>RESPONSIBLE PARTY</th>
<th>DELIVERABLES</th>
<th>FTES AND CONTRACTS</th>
<th>MEASURES OF SUCCESS</th>
<th>SCHEDULE</th>
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</table>
| 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  
- Water characterized in high use or at risk areas | 5 FTEs  
SWP Grants and/or contracts ($200K). | The number of local SWPPs implemented.  
Meeting EPA’s SWP Measures  
Knowledge and treatment of contaminated drinking water | Ongoing |
| Public Water System Supervision | 10% setaside | NHDES | - Increase compliance via effective enforcement activity  
- Develop and implement new rules and complete primacy packages  
- All New Hampshire 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 |
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</table>
| Information Management/GIS                   | 10% and 15% setasides | NHDES             | - Improved information management   
- Continue to develop new database   
- Document current status of all PWSs | 2 FTEs (10%)   
1 FTE (15%)   
Funding provided to Office of Information Technology (based on positions and computer replacement needs) | Timely reporting   
Functional database   
Partial conversion to SDWIS Prime | Ongoing |
| Capacity Development/ Small System Oversight/ Private Well Initiative | 2%, 10% and 15% setasides | NHDES             | - Target capacity development   
- Outreach and assistance to small systems   
- Assist private well owners   
- Operator certification | 2 FTES (15%)   
2 FTES (10%)   
1 FTEs (2%)   
15% and 2%: Leak Detection Grants ($70K and 50K, respectively)   
10% and 15%: Asset Management Grants ($140K and $160K, respectively)   
2% Planning grant contract to access DWSRF and NH’s new DWGTF ($150K) | Improved compliance | Ongoing |
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<tbody>
<tr>
<td>Implement Well Siting Program</td>
<td>15% setaside</td>
<td>NHDES</td>
<td>20 new well sitings/large withdrawals annually Evaluate source capacity as needed.</td>
<td>3 FTEs</td>
<td>The number of well sitings</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

FTE Summary: 15% FTEs = 11, 10% FTEs = 12, 2% FTEs = 1
ATTACHMENT E

2012-2016 American Community Survey MHI Table
ATTACHMENT F

Indirect Cost Agreement
ATTACHMENT G

Infrastructure Projects: Priority List, and Payment Schedule for ACH
ATTACHMENT H

Public Participation

Call for Pre-applications

Public Hearing Newspaper Notice

Public Hearing Description and Summary of Comments Received
ATTACHMENT I

Subsidy Requirement Charts