

NJ Environmental Infrastructure Financing Program

2018

New Jersey Department of Environmental Protection

January 2018



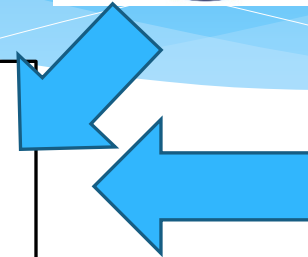
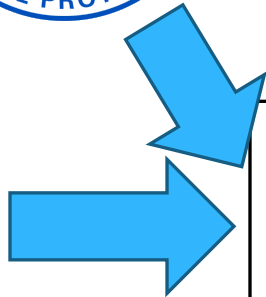
Objective

- * Provide low-cost financing for the design, construction, and implementation of projects that help to protect, maintain, and improve NJ's water quality
- * Significant planning and investment is required to sustain and improve NJ's aging infrastructure systems. That cost often exceeds the capabilities of local water utilities

Funding

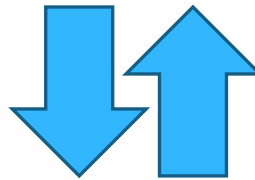


Administers



New Jersey
Environmental
Infrastructure
Financing Program

Below
Market Rate
Financing



Repayments

Water Quality Projects





Fun Facts

TOTAL LOANS :
More than
\$7,200,000,000
since 1987

TOTAL SAVINGS :
Ratepayers have saved
\$2,372,000,000
since 1987

SYSTEMS SERVED :
317
Water systems

CURRENT DEMAND :
372
Applicants in SFY 2018
requesting
\$3,430,000,000

Clean Water-Eligible Projects

Water Quality Improvement

- * Wastewater Infrastructure
- * Stormwater Management
- * Site Remediation
- * Equipment Purchases
- * Planning



Califon Storm Water
Improvements



Hoboken City Green
Infrastructure



Passaic Valley Sewerage
Commission Electrical Substation



North Wildwood Sewer, Storm
and Street Restoration



Camden County Phoenix Park



Clean Water Funding Packages

	Principal Forgiveness	Zero-Interest	Trust Market Rate	Estimated Savings
Asset Management	100%	0%	0%	100%
Costal Community Water Quality Restoration	50%	25%	25%	61%
CSO-Green, CSO-Gray, Barnegat Bay	50%	25%	25%	61%
Planning and Design	0%	100%	0%	33%
Base Funding	0%	75%	25%	24%
Conduit Redevelopment	0%	50%	50%	15%



Wastewater Infrastructure

Eligible projects

- Secondary and advanced wastewater treatment
- Well Sealing
- Flood resiliency
- Sludge handling facilities
- Infiltration and inflow (I/I) correction
- Interceptors, pumping stations and force mains
- Sewer system rehabilitation
- New collection systems
- Etc.

South Monmouth Reg. Sewerage Auth. Lake Como Pump Station

The pump station was located adjacent to Lake Como within the 100-year flood plain. During Superstorm Sandy, flood waters from Lake Como inundated the pump station, rendering it inaccessible and inoperable.

The work included:

- Relocation of the pump station outside of the flood plain
- Replacement electrical equipment and controls
- Backup generator
- Visual screening

Funded Amount = \$2,950,391

Before →



After →



Stormwater Management

Eligible projects

- Stormwater runoff controls
 - Landfill cells and landfill closures
- Treatment systems
- Stormwater detention and conveyance
- Green Infrastructure
 - Porous pavement, raingarden, bioswales, etc.





Phoenix Park, Camden

- 5.3-acre former American Minerals site
- \$8 M Loan from NJEIFP
- Radioactive soils removed to reduce contaminated runoff
- Creation of public park, including gravel walking paths, wetlands area, native trees and meadows, pervious pavers, includes shoreline stabilization
- Reduces stormwater runoff and chronic flooding



Before



After

Site Remediation

Eligible Projects

- Removal of contaminated soil
- Capping systems
- Liners
- Leachate collection systems
- Tank removal
- Well sealing activities
 - Ground water, drinking water



Carteret Landfill Remediation and Closure

- Public Private Partnership - \$38.5 M Conduit Loan
- Remediation encompassed 73-acres:
 - Landfill capping system
 - Construction of a leachate collection system (semi-volatile organics, heavy metals)
 - Installation of a gas collection system
 - Conveyance systems
 - Post closure monitoring system
- Removed contaminated runoff
- Now an active, centrally located distribution center, many jobs for NJ!





Drinking Water- Eligible Projects

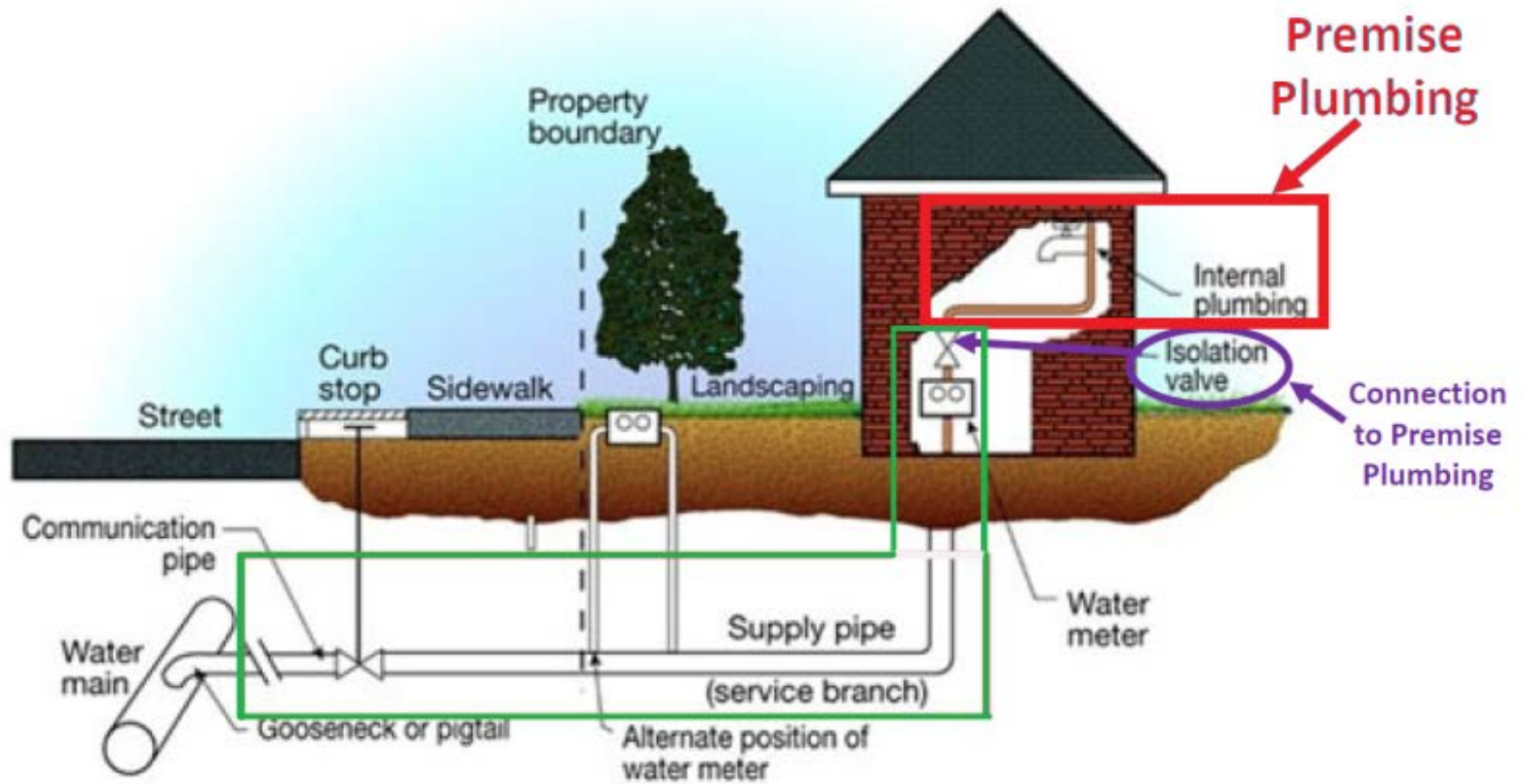
Eligible Projects

- Construction, replacement, or rehabilitation of lines
- Rehabilitate contaminated sources
- Lead Lines
 - Locating and replacement
- Treatment facilities
- Purchase or consolidation (i.e., restructuring) of a water system that is unable to maintain compliance for technical, financial, or managerial reasons



Drinking Water Funding Packages

	Principal Forgiveness	Zero-Interest	Trust Market Rate	Estimated Savings
Asset Management	100%	0%	0%	100%
Lead Service Line Replacement	90%	10%	0%	93%
Nano	50%	25%	25%	61%
Planning and Design	0%	100%	0%	33%
Base Funding	0%	75%	25%	24%



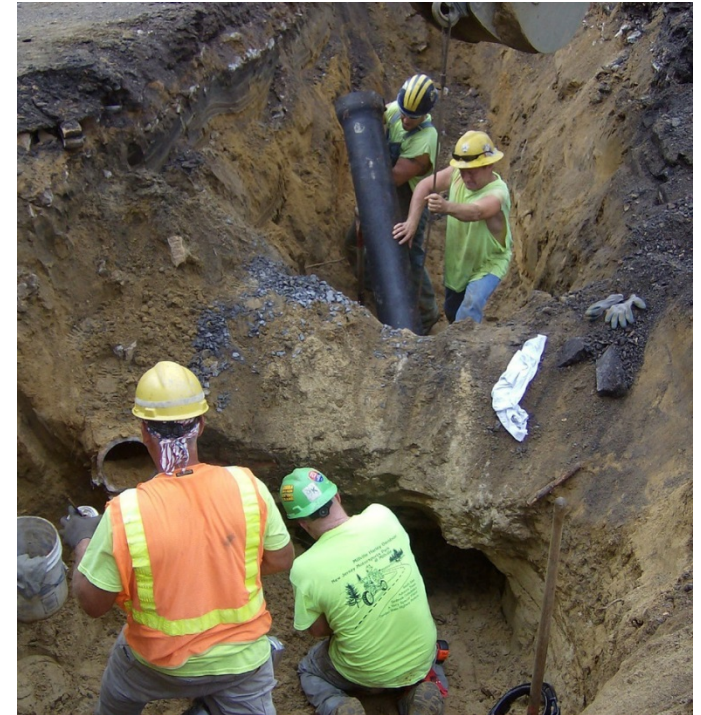
Clayton Borough Water Tower

- 750,000 gallon elevated water storage tank and repairs to two existing water tanks
- Nano project (<10,000 population)
- \$2.8 Million loan
- \$1.1 Million in estimated savings to rate payers
- Additional storage volume allows the Borough's wells to function more efficiently, relying less on the aquifer, reduces the need for an additional well in emergencies, and increases the growth capacity of the Borough



Gloucester City Water Main and Water Meter System Replacement

- Removal and replacement of over 3,700 linear feet of water mains
- \$1.2 Million loan
- \$270 K in estimated savings to ratepayers



Program Improvements

- Incentive Funding
- Savings Calculator
- Loan Structure
- H2Loans
- New IUP





Incentive Funding

- Green and Grey Infrastructure in CSO Sewershed
 - 50% principal forgiveness (25% zero-interest, 25% market)
- Small System Asset Management Plan
 - 100% Principal Forgiveness
- Lead Service Line Replacement
 - 90% Principal Forgiveness (10% zero-interest)



Saving Calculator

Project Information

Building Construction Cost:

\$

Administrative Expenses:

Estimated at 3% of Building Construction Cost

\$

Engineering:

Estimated at 12% of Building Construction Cost

\$

Environmental, Planning and Design:

Estimated at 5% of Building Construction Cost

\$

Other Cost (Optional):

Limited to 5% of the total Construction Cost.

\$

Total Project Cost:

Including building construction cost, administrative expenses, engineering, planning and design, soft costs, etc.

Rating Agency	NJEIFP Credit Rating	na Credit Rating Provided by na
Fitch	AAA	AA+
Moody's	Aaa	Aa1
S&P	AAA	AA+

Cost of Financing	NJEIFP	Independent Financing
Short Term Financing / BAN	1 Years	1 Years
Long Term Financing	30 Years	30 Years
Project Cost	\$1,200,000	\$1,200,000
Additional Costs (AIS, Engineering) ^{1a}	\$68,400	\$0
Total Requested Amount	\$1,268,400	\$1,200,000

Total Payments		
5% Upfront Cash Funding (LFB Requirement) ^{3d}	\$0	\$63,420
Interest Paid on Short-Term Loan	\$0	\$6,145
Bond Par Amount (includes Underwriter Fees for NJEIT Admin Fee, DEP Fee financed for the Program, and any capitalized short-term loan interest)	\$335,000	\$1,220,000
Bond Loan Interest	\$180,545	\$672,156
Fund Loan	\$851,300	\$0
DEP Fee (Non-financed portion)	\$12,684	\$0
Total NJEIT Admin Fee (Annual Fee = \$1,005)	\$29,648	\$0
Total Cost of Financing	\$1,609,177	\$1,961,721

Assumptions		
Total DEP Fee ^{2a}	\$25,368	\$0
Annual NJEIT Admin Fee ^{2b}	\$1,005	\$0
Underwriters' Discount ^{3a}	\$1,675	\$12,200
Cost of Issuance ^{3b}	\$335	\$0
Effective Interest Rate (Estimated)	0.926%	3.194%

TOTAL ESTIMATED SAVINGS THROUGH NJEIFP FINANCING:

\$429,156

(35.76% of Requested Amount)



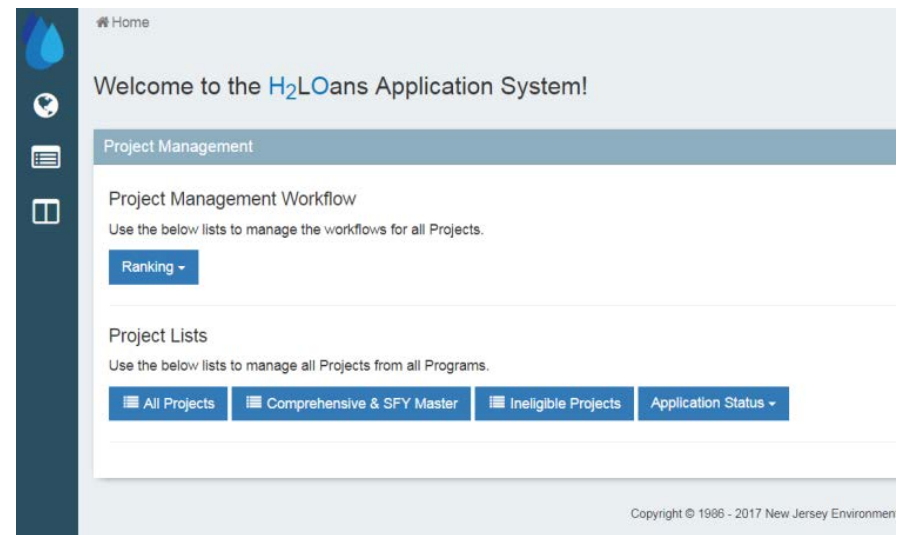
Loan Structure

- Up to 30 Year loans terms
- Rolling Application
 - No Deadlines
- Construction “Bridge” Loans
 - No out of pocket costs



H2Loans

- Online submittal of forms
- Status bar of project with milestones
- Documents uploaded for mobile access
- Contact information



Changes to the IUP

- EPA Requirement
- Drinking Water and Clean Water Combined
- Increased Readability
- Condensed Information
- Interactive Links
- Clear Sections
- Pictures, charts, and graphics

Proposed Priority System, Intended Use Plan, and Project Priority List for Federal Fiscal Year 2016 (FFY2016) (including information on Superstorm Sandy CWSRF Financing)

- Clean Water Financing -

PROGRAM OVERVIEW

The Water Quality Act of 1987, which amended the federal Clean Water Act (CWA), required states to establish a Clean Water State Revolving Fund (CWSRF) program to qualify for federal assistance. The CWSRF provides financial assistance for the construction and improvement of projects that help to protect, maintain and improve water quality. It is a self-perpetuating program, in that loan repayments are used to finance future projects. On June 10, 2014, President Obama signed into law the Water Executive Order and Development Act of 2014 (WEODA) that introduced new requirements and changes to the Clean Water State Revolving Fund (CWSRF) program.

Established in 1981, New Jersey's CWSRF program is included in the Financing Program (FFP). The FFP is a partnership between the Department of Environmental Protection (NJDEP) and the New Jersey State Treasury (NJST) providing low-interest loans to the environmental infrastructure for the State and its local government. The FFP is authorized under the Clean Water Act, the provisions and policies for which are established in the FFP. Since 1981 the clean water and drinking water program has loaned over \$1.1 billion in loans to local government. As of August 2014, the program has loaned more than \$1.1 billion in construction and related operations, and has been administratively closed out, with \$1.1 billion in loans to active construction or under construction.

The Twenty-Seventh Intended Use Plan document must be approved by the Department of Environmental Protection (NJDEP) and the New Jersey State Treasury (NJST) prior to the Department's submission to the Department of the Interior, Office of Water, for review and approval. The FFP is authorized under the Clean Water Act, the provisions and policies for which are established in the FFP. Since 1981 the clean water and drinking water program has loaned over \$1.1 billion in loans to local government. As of August 2014, the program has loaned more than \$1.1 billion in construction and related operations, and has been administratively closed out, with \$1.1 billion in loans to active construction or under construction.

For assistance include a wide variety of wastewater treatment, combined sewer and stormwater management projects, as well as municipal water pollution control projects that include water supply, distribution, and conservation, water supply and distribution, wastewater treatment and distribution, and water supply and distribution. Financing is generally in the form of a low-interest loan to be repaid by the local government, with limited opportunities for 100% interest-free, Department-aided financing and project financing loans.

The Department is proposing several significant changes to the FFP16-2017. Projects that include the following:

- Offering 100% DEP interest-free financing (with an NJST loan component) to construction in a CWSRF-relevant operating construction projects that include or otherwise maintain infrastructure in wastewater areas (with loan terms up to 10 years).
- Allowing borrowers to convert their short-term construction loans into long-term loans from the DEP and the NJST every 60 months provided the project is listed in the approved, State Legislature authorized financing and is also in the State's Twenty-Seventh Financing Criteria established by the NJST requiring a certain percentage of construction completion.
- Offering 100% interest-free financing through the NJST's Planning and Design Loan Program to help CWSRF projects develop long-term capital plans for the CWSRF-relevant (with loan terms up to 10 years) with the expectation that such plans will result in a capital improvement project. The Department is proposing to increase \$10 million in 2017 loan repayments for this program.
- Adjust the existing cap of \$500,000 of emergency loans and \$500,000 of the supplemental loan line in currently in place.
- Set a listing of active projects the program managers and other interested parties to view which will include any schedule dates with target dates or actual completion dates for all active clean water and drinking water projects in the CWSRF-relevant and the NJST-relevant categories; and
- Highlight the program's ability to finance detailed preservation activities, including land acquisition or preservation and the implementation of best management practices such as fencing, buffer and riparian forested systems and other approved practices that help protect water quality.

INTENDED USE PLAN

WEODA requires the Department to develop Intended Use Plans (IUPs) to qualify for CWSRF assistance grants to support the program and the project loans. This IUP provides information on funds available through the IUP to provide financial assistance for clean water projects and identifies those projects generating loan assets.

FFY16-2017 DEP-Treasury Financing Program (including the State CWSRF)

The CWSRF can finance a wide variety of wastewater, stormwater and drinking water management projects under the traditional Priority System ranking methodology, including operations, maintenance, replacement or other improvements to these wastewater or stormwater collection or treatment facilities. Financing is generally in the form of a low-interest loan as low as one-quarter the market rate, with limited opportunities for principal forgiveness. Eligible applicants include local government units, including municipalities, counties, sewerage authorities, municipal utilities authorities, county government authorities and other subdivisions of government.

The FFP2016-2017 State Financing Program will offer four loan packages as follows:

1. For projects eligible for the **principal forgiveness package** from the Raritan Bay and CSD abatement projects, 100% of the allowable project costs (up to \$100,000 CSD-Clean Project) will be financed with principal forgiveness loans. 25% of the allowable project costs through an interest-free loan from the State Treasury.

If the total allowable costs (including the leveraged loan) are less than \$1 million, then the remainder of the project's CSD Financing Package (described below).

Financing Package includes an interest-free loan from the project costs and a market rate loan from the State Treasury for the remaining allowable project costs through a market rate loan from the State Treasury.

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WHAT'S NEW IN 2017!

Rolling Applications

Applications will be accepted anytime of the year. There are no submission deadlines!

30 Year Loans

Loan terms have been extended from 20 years to up to 30 years; loan cannot exceed project's useful life.

Supplemental Funds

Natural Resource Damages (NRD) recovered by the State and Corporate Business Tax are proposed to be used, as monies are available, to help offset costs for projects that are for the following projects:

Green Infrastructure (GI) in Combined Sewer Outfall (CSO) Sewerage

Recovered the \$1 million per project and continue to provide 100% principal forgiveness, 100% DEP interest-free financing, and 100% NJST Market Rate financing for the \$1 million for the remaining allowable project costs through a market rate loan from the State Treasury.

CSO Flood Abatement

100% principal forgiveness, 100% DEP interest-free financing, and 100% NJST Market Rate financing for the \$1 million for the remaining allowable project costs through a market rate loan from the State Treasury.

Lead Service Line Replacement Program

100% principal forgiveness program for drinking water systems to replace lead service lines in one-to-one serving customers whose median household income is less than the county median household income.

Coastal Community Water Restoration

100% principal forgiveness for a replacement, prevent, or reduce or abate fish and shellfish and beach closing presence of pathogens, 100% DEP interest-free financing, and 100% NJST Market Rate financing for the \$1 million for the remaining allowable project costs through a market rate loan from the State Treasury.

Small System Asset Mgmt.

100% principal forgiveness for water and clean water systems implement asset management.

Continued SEF Source Opportunities

100% principal forgiveness for water systems.

Raritan Bay

100% principal forgiveness, 100% DEP interest-free financing, and 100% NJST Market Rate financing for the \$1 million for the remaining allowable project costs through a market rate loan from the State Treasury.

FUNDING PACKAGES (LONG-TERM LOANS)

Table 1: Long-Term Funding Package Breakdown - Clean Water

Clean Water	Principal Forgiveness	DEP %**	Trust Market Rate***	Interest Savings as % of Total Loan***
Asset Management Plan Implementation	100%	0%	0%	100%
Coastal Community Water Quality Protection	100%	10%	10%	80%
CSO Abatement	100%	10%	10%	80%
Superstorm Sandy Relief	10%	10%	10%	20%
Planning and Design	0%	100%	0%	100%
State CWSRF	0%	10%	10%	20%
Reverend Roderick	0%	10%	10%	20%

** DEP portion of funding is at 0% interest
*** Trust portion of funding is at AAA market rate
*** Trust portion of funding is at AAA market rate

Table 2: Long-Term Funding Package Breakdown - Drinking Water

Drinking Water	Principal Forgiveness	DEP %**	Trust Market Rate***	Interest Savings as % of Total Loan***
Asset Management Plan Implementation	100%	0%	0%	100%
Lead Service Line Replacement	100%	10%	0%	90%
State	0%	10%	10%	20%
Superstorm Sandy Relief	10%	10%	10%	20%
Planning and Design	0%	100%	0%	100%
State CWSRF	0%	10%	10%	20%

** DEP portion of funding is at 0% interest
*** Trust portion of funding is at AAA market rate
*** Trust portion of funding is at AAA market rate

PROJECT ELIGIBILITY

WASTEWATER

Most projects associated with sewage collection, treatment, or disposal are eligible for financing, including construction of infrastructure, pollution, sludge management and combined sewer overflow. Eligible projects include:

- Secondary and advanced wastewater treatment
- Wastewater
- Floodwater
- Sludge handling facilities
- Infiltration and inflow (I/I) correction
- Interceptors, pumping stations and flow meters
- Sewer system rehabilitation
- Sewer collection systems
- Conversion of Combined Sewer Overflows (CSOs)
- Solutions for managing stormwater systems

New Jersey SEF Intended Use Plan 2017



Drilling of a Drinking Water Well at the Berkeley Prep, NJ.



Conversion of sewage tanks at the Jackson Prep, NJ.



Drinking water service line upgrading at the Jackson Prep, NJ.

Before

After



Look For In The Future

- Rebranding
- Reworked Website
- Surveys and feedback

Questions?

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<http://www.nj.gov/dep/dwq/mface.htm>