



DEPARTMENT OF ENVIRONMENTAL PROTECTION
MAIL CODE 401-02B
WATER RESOURCES MANAGEMENT 401 EAST STATE STREET
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PHIL MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

CATHERINE R. McCABE
Commissioner

October 22, 2020

Notice of Open Public Comment Period
Clean Water State Revolving Fund
Drinking Water State Revolving Fund
Intended Use Plans

Dear Interested Party:

The Department of Environmental Protection ("Department") has prepared the following document for the administration of the Clean Water State Revolving Fund ("CWSRF") and the Drinking Water State Revolving Fund ("DWSRF").

Amendments to the Final
Clean Water and Drinking Water
Intended Use Plans
Federal Fiscal Years 2017, 2018, 2019, 2020
State Fiscal Years 2018, 2019, 2020, 2021

Use of Water Infrastructure Finance and Innovation Act Funds

Background

The Intended Use Plan ("IUP") provides information on how funds, available through the New Jersey Water Bank (the "Water Bank" as described below), will be used to provide financial assistance for infrastructure projects and identifies State policies governing loan awards. IUPs must be developed annually, undergo a public participation process, and be approved by the U.S. Environmental Protection Agency ("USEPA") for the Department to be awarded its capitalization grants, which are deposited into the Department's CWSRF Fund and DWSRF Fund (collectively the "State Revolving Fund" or "SRF") to support the Water Bank.

The Water Bank is a partnership between the Department and the New Jersey Infrastructure Bank ("I-Bank") to provide low-cost financing for water infrastructure projects. An interest-free loan from the Department provides a portion of the individual project's allowable cost, and in most cases a market rate loan from the I-Bank, sourced from issuance of its AAA market rate bonds, covers the remaining allowable cost. The Water Bank is a revolving, or self-perpetuating, loan program where SRF loan repayments are committed to finance future projects in perpetuity.

As demand has increased, the Water Bank has taken measures to source additional funding sources, such as: supplemental sources of revenue from private lines of credit; transferring the maximum amount of CWSRF funds permissible under federal law to replenish depleted DWSRF funds; and leveraging anticipated additional state appropriations. These additional sources of funds have expanded the capacity of the Water Bank to meet more project needs while continuing to offer competitive long-term loan rates.

To further the Water Bank's goal of increasing available funds, expanding the number of funded projects, and ensuring the long-term viability of the program, the I-Bank submitted a letter of interest ("LOI") in July 2019 to the USEPA and was selected to apply for loan funds from the USEPA's Water Infrastructure Finance and Innovation Act of 2014 ("WIFIA") Program, a federal credit program that provides low-cost, long-term federal loans for eligible drinking water and wastewater infrastructure projects.

IUP Amendment for Use of WIFIA Funds

Capitalized terms used in this notice and amendment shall be consistent with those defined in applicable IUPs and regulations at N.J.A.C. 7:22 *et seq.*

This proposed amendment changes all instances in which the applicable IUP, as detailed below, refers to a certain share of interest-free funding from the Department (e.g. 25 %, 50%, 75%) combined with a certain share of the market-rate interest funding from the I-Bank (e.g. 25%, 50%, 75%). The proposed amendment would allow the Department and I-Bank to deviate from the established funding shares where WIFIA funding will be used for eligible projects. For these projects, the combined long-term financing from the Department and the I-Bank, inclusive of WIFIA funds, would be at an effective interest rate no greater than would have resulted from financing with the I-Bank's AAA bond funds at market interest rates and the Department's interest-free loan funds at the applicable IUP referenced shares (25%, 50%, or 75%).

As part of the LOI submission, I-Bank included a pool of Water Bank projects eligible for long-term financing starting in State Fiscal Year ("SFY") 2021. Borrowers were selected in conformance with the eligibility requirements of the WIFIA program and Water Bank regulations. It is expected that WIFIA loan funds will be applied to projects with Water Bank long-term financing terms established by the applicable Final Federal Fiscal Year ("FFY") 2017, 2018, 2019, 2020/SFY 2018, 2019, 2020, 2021 CWSRF & DWSRF IUPs.

Purpose of Using WIFIA

The I-Bank intends to use WIFIA loan funds in lieu of a portion of the funds the I-Bank would otherwise secure through the issuance of tax-exempt bonds. Use of WIFIA loan funds offers several potential advantages over tax-exempt bonds, including lower interest rates, call options, and structuring flexibility. All borrowers in the pool of projects financed with WIFIA loan funds would still receive a long-term loan package with a blended interest rate no greater than if the I-Bank used its AAA market rate bonds for its portion of project financing as described in the applicable IUP.

The result of blending WIFIA loan funds into a loan package is that less of the Department's SRF would be needed to achieve the same interest rate as if WIFIA loan funds were not used. The Water Bank intends to use these saved SRF monies to fund additional projects that would otherwise be outside the fundable range of the Water Bank. To learn more about the potential savings offered by using WIFIA loan funds, a detailed case study developed by I-Bank and entitled "NJ Water Bank – Base Case v. WIFIA Case for IUP" is posted on the Department's website at <http://www.nj.gov/dep/dwq/cwpl.htm>.

The use of WIFIA loan funds will not affect when long-term financing terms are established. As previously established under prior IUPs, and unchanged as part of this notice, for construction loans issued upon certification of engineering contracts, long-term financing terms are established consistent with the IUP operative at the time of certification of the construction contract. For construction loans issued at the time of certification of construction contracts, long-term financing terms are established consistent with the IUP operative at the time of construction loan closing. For applicants financing the cost of construction through non-Water Bank sources or self-funding, long-term financing terms are established consistent with the IUP operative at the time of the long-term loan closing.

If WIFIA loan funds are ultimately awarded by the USEPA to the I-Bank, the Water Bank will identify potential pools of certified SRF projects to be financed with some combination of Department SRF funds, I-Bank bond proceeds, and WIFIA loan funds. WIFIA loan funds will supplant a maximum of forty-nine percent of the financing for the entire pool of underlying projects subject to IUPs covering State Fiscal Years ("SFY") 2018, 2019, 2020 and 2021. This will result in the use of a larger portion of I-Bank funds

established in these IUPs, along with the WIFIA loan funds, as described in this amendment, and a lesser share of the SRF interest-free funds from the Department established in these IUPs. However, this will still achieve a blended interest rate for borrowers that is no greater than if WIFIA funds were not used by the I-Bank as a supplement to a portion of its bond proceeds.

Because the use of WIFIA loan funds would likely increase the total allocation of loan amounts from I-Bank, the fees assessed by I-Bank would potentially change. To counter this, I-Bank will only assess its fees as if it were not using WIFIA loan funds as part of the total financing package. As a result, there will be no increased fees for projects financed with WIFIA loan funds.

Additional IUP Amendment for Recently Appropriated State Funds

In addition to the WIFIA funds discussed herein, this public comment opportunity also provides notice that the I-Bank will also leverage a portion of funds recently appropriated to the Department to create additional SRF savings for the Department by blending the newly appropriated funds into loan packages for I-Bank's portion of project financing. All borrowers receiving these appropriated funds in their loan packages would still receive a long-term loan package with a blended interest rate no greater than if the I-Bank used its AAA market rate bonds for its portion of project financing as described in the applicable IUP.

Submission of Comments

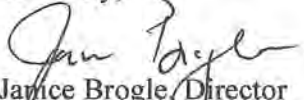
Written comments on these proposed amendments to IUPs for Final FFY 2017, 2018, 2019, 2020/SFY 2018, 2019, 2020, 2021 CWSRF & DWSRF IUPs, must be submitted by close of business on November 20, 2020. All comments submitted prior to the close of the comment period will be considered in the applicable final DWSRF and CWSRF IUPs.

Written comments on the CWSRF & DWSRF IUPs should be sent to the following address:

Mail Code 401-03D
Eugene Chebra, P.E., Assistant Director
Municipal Finance and Construction Element
Division of Water Quality
PO Box 420
401 East State Street, 3rd Floor, West Wing
Trenton, New Jersey 08625-0420
or
Eugene.Chebra@dep.nj.gov

If you have any questions regarding these Amendments to the IUPs, please contact Eugene Chebra, Assistant Director, Municipal Finance and Construction Element, Division of Water Quality at Eugene.Chebra@dep.nj.gov

Sincerely,

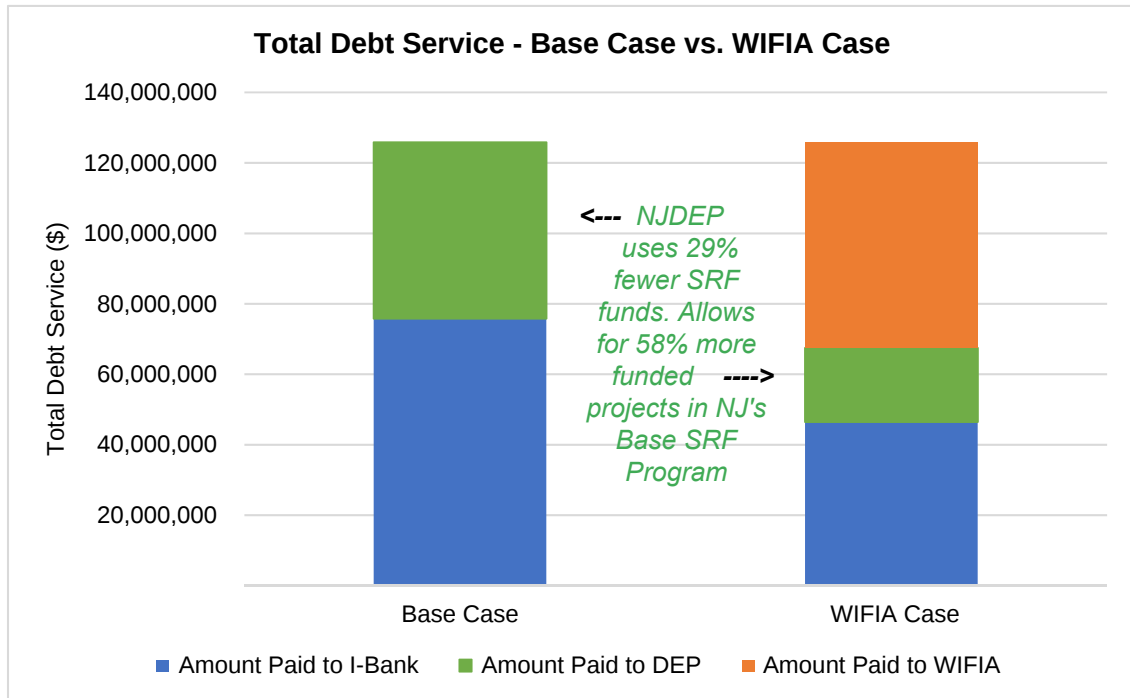

Janice Brogle, Director
Division of Water Quality

Sincerely,

Patricia Gardner, Assistant Commissioner
Division of Water Supply and Geoscience

EXHIBIT I

WIFIA Funds Produce Excess SRF Funds at Zero Cost to SRF Borrowers



Under the Base Case and WIFIA Loan scenarios presented in the following pages (assuming current rates/spreads), NJDEP utilizes 29% less SRF equity in the WIFIA Loan case, enabling New Jersey to Leverage those saved funds 2:1 under the State's Base Program and finance 58% more SRF projects.

New Jersey Infrastructure Bank Base Case

Net Bond and SRF Proceeds Statistics

First Coupon	9/1/2021
Last Maturity	9/1/2050
All-In True Interest Cost	1.577%
Average Life (years)	16.4
Total Bond and SRF Proceeds	\$101,278,356
Total Net Interest	\$19,681,594
Program Fees	\$5,098,435
<u>Less Underwriter's Discount</u>	<u>(\$231,550)</u>
Total Net Debt Service	\$125,826,835

Sources and Uses of Funds

Sources:	I-Bank \$ Base Case	DEP/SRF \$ Base Case	Total
Bond Proceeds:			
Par Amount	\$46,310,000	\$50,000,000	\$96,310,000
Premium	\$4,968,356		\$4,968,356
	\$51,278,356	\$50,000,000	\$101,278,356
Uses:	I-Bank \$ Base Case	DEP/SRF \$ Base Case	Total
Project Fund Deposits:			
Project Fund	\$50,000,000	\$50,000,000	\$100,000,000
Delivery Date Expenses:			
Cost of Issuance	\$46,310		\$46,310
Underwriter's Discount	\$231,550		\$231,550
DEP Fee	\$1,000,000		\$1,000,000
	\$1,277,860		\$1,277,860
Other Uses of Funds:			
Excess Proceeds	\$496		\$496
	\$51,278,356	\$50,000,000	\$101,278,356

New Jersey Infrastructure Bank Base Case

Net Debt Service Breakdown

Date	I-Bank \$ - Base Case	DEP/SRF \$ - Base Case	Total	Annual Total
9/1/2021	3,047,215	1,123,595.50	4,170,810.50	4,170,810.50
3/1/2022	751,815	561,797.75	1,313,612.75	
9/1/2022	1,756,815	1,123,595.50	2,880,410.50	4,194,023.25
3/1/2023	736,740	561,797.75	1,298,537.75	
9/1/2023	1,771,740	1,123,595.50	2,895,335.50	4,193,873.25
3/1/2024	721,215	561,797.75	1,283,012.75	
9/1/2024	1,791,215	1,123,595.50	2,914,810.50	4,197,823.25
3/1/2025	705,165	561,797.75	1,266,962.75	
9/1/2025	1,805,165	1,123,595.50	2,928,760.50	4,195,723.25
3/1/2026	688,665	561,797.75	1,250,462.75	
9/1/2026	1,818,665	1,123,595.50	2,942,260.50	4,192,723.25
3/1/2027	671,715	561,797.75	1,233,512.75	
9/1/2027	1,836,715	1,123,595.50	2,960,310.50	4,193,823.25
3/1/2028	654,240	561,797.75	1,216,037.75	
9/1/2028	1,854,240	1,123,595.50	2,977,835.50	4,193,873.25
3/1/2029	636,240	561,797.75	1,198,037.75	
9/1/2029	1,871,240	1,123,595.50	2,994,835.50	4,192,873.25
3/1/2030	617,715	561,797.75	1,179,512.75	
9/1/2030	1,892,715	1,123,595.50	3,016,310.50	4,195,823.25
3/1/2031	598,590	561,797.75	1,160,387.75	
9/1/2031	1,913,590	1,123,595.50	3,037,185.50	4,197,573.25
3/1/2032	578,865	561,797.75	1,140,662.75	
9/1/2032	1,928,865	1,123,595.50	3,052,460.50	4,193,123.25
3/1/2033	558,615	561,797.75	1,120,412.75	
9/1/2033	1,953,615	1,123,595.50	3,077,210.50	4,197,623.25
3/1/2034	537,690	561,797.75	1,099,487.75	
9/1/2034	1,972,690	1,123,595.50	3,096,285.50	4,195,773.25
3/1/2035	516,165	561,797.75	1,077,962.75	
9/1/2035	1,996,165	1,123,595.50	3,119,760.50	4,197,723.25
3/1/2036	493,965	561,797.75	1,055,762.75	
9/1/2036	2,013,965	1,123,595.50	3,137,560.50	4,193,323.25
3/1/2037	471,165	561,797.75	1,032,962.75	
9/1/2037	2,036,165	1,123,595.50	3,159,760.50	4,192,723.25
3/1/2038	447,690	561,797.75	1,009,487.75	
9/1/2038	2,062,690	1,123,595.50	3,186,285.50	4,195,773.25
3/1/2039	423,465	561,797.75	985,262.75	
9/1/2039	2,088,465	1,123,595.50	3,212,060.50	4,197,323.25
3/1/2040	398,490	561,797.75	960,287.75	
9/1/2040	2,113,490	1,123,595.50	3,237,085.50	4,197,373.25
3/1/2041	372,765	561,797.75	934,562.75	
9/1/2041	2,137,765	1,123,595.50	3,261,360.50	4,195,923.25
3/1/2042	346,290	561,797.75	908,087.75	
9/1/2042	2,161,290	1,123,595.50	3,284,885.50	4,192,973.25
3/1/2043	319,065	561,797.75	880,862.75	
9/1/2043	2,189,065	1,123,595.50	3,312,660.50	4,193,523.25
3/1/2044	291,015	561,797.75	852,812.75	
9/1/2044	2,221,015	1,123,595.50	3,344,610.50	4,197,423.25
3/1/2045	262,065	561,797.75	823,862.75	
9/1/2045	2,247,065	1,123,595.50	3,370,660.50	4,194,523.25
3/1/2046	232,290	561,797.75	794,087.75	
9/1/2046	2,277,290	1,123,595.50	3,400,885.50	4,194,973.25
3/1/2047	201,615	561,797.75	763,412.75	
9/1/2047	2,306,615	1,123,595.50	3,430,210.50	4,193,623.25
3/1/2048	170,040	561,797.75	731,837.75	
9/1/2048	2,340,040	1,123,595.50	3,463,635.50	4,195,473.25
3/1/2049	137,490	561,797.75	699,287.75	
9/1/2049	2,372,490	1,123,595.50	3,496,085.50	4,195,373.25
3/1/2050	103,965	561,797.75	665,762.75	
9/1/2050	2,403,965	1,123,595.75	3,527,560.75	4,193,323.50
	75,826,835	50,000,000	125,826,835	125,826,835

New Jersey Infrastructure Bank WIFIA Case

Net Bond and Loan Proceeds Statistics

First Coupon	9/1/2021
Last Maturity	9/1/2050
All-In True Interest Cost	1.565%
Average Life (years)	16.3
Total Bond and Loan Proceeds	\$101,470,381
Total Net Interest	\$20,846,603
Program Fees	\$3,491,275
Less Underwriter's Discount	(\$140,750)
Total Net Debt Service	\$125,667,509

Sources and Uses of Funds

Sources:	<u>WIFIA \$</u> WIFIA Case	<u>I-Bank \$</u> WIFIA Case	<u>DEP/SRF \$</u> WIFIA Case	Total
Bond Proceeds:				
Par Amount	\$49,300,000	\$28,150,000	\$21,000,000	\$98,450,000
Premium		\$3,020,381		\$3,020,381
	\$49,300,000	\$31,170,381	\$21,000,000	\$101,470,381
Uses:	<u>WIFIA \$</u> WIFIA Case	<u>I-Bank \$</u> WIFIA Case	<u>DEP/SRF \$</u> WIFIA Case	Total
Project Fund Deposits:				
Project Fund	\$49,000,000	\$30,000,000	\$21,000,000	\$100,000,000
Delivery Date Expenses:				
Cost of Issuance	\$300,000	\$28,150		\$328,150
Underwriter's Discount		\$140,750		\$140,750
DEP Fee		\$1,000,000		\$1,000,000
	\$300,000	\$1,168,900		\$1,468,900
Other Uses of Funds:				
Excess Proceeds		\$1,481		\$1,481
	49,300,000.00	\$31,170,381	\$21,000,000	\$101,470,381

New Jersey Infrastructure Bank WIFIA Case

Net Debt Service Breakdown					
Date	WIFIA \$ - WIFIA Case	I-Bank \$ - WIFIA Case	DEP/SRF \$ - WIFIA Case	Total	Annual Total
9/1/2021	1,627,025.00	2,240,975	471,910.11	4,339,910.11	4,339,910.11
3/1/2022	222,336.50	457,050	235,955.05	915,341.55	
9/1/2022	1,727,336.50	1,067,050	471,910.11	3,266,296.61	4,181,638.16
3/1/2023	221,207.75	447,900	235,955.05	905,062.80	
9/1/2023	1,731,207.75	1,077,900	471,910.11	3,281,017.86	4,186,080.66
3/1/2024	219,924.25	438,450	235,955.05	894,329.30	
9/1/2024	1,729,924.25	1,088,450	471,910.11	3,290,284.36	4,184,613.66
3/1/2025	218,263.25	428,700	235,955.05	882,918.30	
9/1/2025	1,733,263.25	1,098,700	471,910.11	3,303,873.36	4,186,791.66
3/1/2026	216,066.50	418,650	235,955.05	870,671.55	
9/1/2026	1,736,066.50	1,108,650	471,910.11	3,316,626.61	4,187,298.16
3/1/2027	213,026.50	408,300	235,955.05	857,281.55	
9/1/2027	1,738,026.50	1,118,300	471,910.11	3,328,236.61	4,185,518.16
3/1/2028	209,290.25	397,650	235,955.05	842,895.30	
9/1/2028	1,739,290.25	1,127,650	471,910.11	3,338,850.36	4,181,745.66
3/1/2029	205,082.75	386,700	235,955.05	827,737.80	
9/1/2029	1,745,082.75	1,136,700	471,910.11	3,353,692.86	4,181,430.66
3/1/2030	200,462.75	375,450	235,955.05	811,867.80	
9/1/2030	1,750,462.75	1,150,450	471,910.11	3,372,822.86	4,184,690.66
3/1/2031	195,347.75	363,825	235,955.05	795,127.80	
9/1/2031	1,755,347.75	1,163,825	471,910.11	3,391,082.86	4,186,210.66
3/1/2032	189,809.75	351,825	235,955.05	777,589.80	
9/1/2032	1,759,809.75	1,171,825	471,910.11	3,403,544.86	4,181,134.66
3/1/2033	183,843.75	339,525	235,955.05	759,323.80	
9/1/2033	1,763,843.75	1,184,525	471,910.11	3,420,278.86	4,179,602.66
3/1/2034	177,365.75	326,850	235,955.05	740,170.80	
9/1/2034	1,772,365.75	1,196,850	471,910.11	3,441,125.86	4,181,296.66
3/1/2035	170,427.50	313,800	235,955.05	720,182.55	
9/1/2035	1,780,427.50	1,213,800	471,910.11	3,466,137.61	4,186,320.16
3/1/2036	163,021.50	300,300	235,955.05	699,276.55	
9/1/2036	1,788,021.50	1,225,300	471,910.11	3,485,231.61	4,184,508.16
3/1/2037	155,140.25	286,425	235,955.05	677,520.30	
9/1/2037	1,795,140.25	1,241,425	471,910.11	3,508,475.36	4,185,995.66
3/1/2038	146,776.25	272,100	235,955.05	654,831.30	
9/1/2038	1,801,776.25	1,252,100	471,910.11	3,525,786.36	4,180,617.66
3/1/2039	137,922.00	257,400	235,955.05	631,277.05	
9/1/2039	1,812,922.00	1,267,400	471,910.11	3,552,232.11	4,183,509.16
3/1/2040	128,625.75	242,250	235,955.05	606,830.80	
9/1/2040	1,823,625.75	1,282,250	471,910.11	3,577,785.86	4,184,616.66
3/1/2041	118,794.75	226,650	235,955.05	581,399.80	
9/1/2041	1,828,794.75	1,296,650	471,910.11	3,597,354.86	4,178,754.66
3/1/2042	108,534.75	210,600	235,955.05	555,089.80	
9/1/2042	1,843,534.75	1,315,600	471,910.11	3,631,044.86	4,186,134.66
3/1/2043	97,864.50	194,025	235,955.05	527,844.55	
9/1/2043	1,852,864.50	1,334,025	471,910.11	3,658,799.61	4,186,644.16
3/1/2044	86,808.00	176,925	235,955.05	499,688.05	
9/1/2044	1,861,808.00	1,346,925	471,910.11	3,680,643.11	4,180,331.16
3/1/2045	75,359.25	159,375	235,955.05	470,689.30	
9/1/2045	1,875,359.25	1,364,375	471,910.11	3,711,644.36	4,182,333.66
3/1/2046	63,569.25	141,300	235,955.05	440,824.30	
9/1/2046	1,888,569.25	1,386,300	471,910.11	3,746,779.36	4,187,603.66
3/1/2047	51,433.00	122,625	235,955.05	410,013.05	
9/1/2047	1,896,433.00	1,402,625	471,910.11	3,770,968.11	4,180,981.16
3/1/2048	38,979.25	103,425	235,955.05	378,359.30	
9/1/2048	1,908,979.25	1,423,425	471,910.11	3,804,314.36	4,182,673.66
3/1/2049	26,263.25	83,625	235,955.05	345,843.30	
9/1/2049	1,921,263.25	1,443,625	471,910.11	3,836,798.36	4,182,641.66
3/1/2050	13,282.50	63,225	235,955.05	312,462.55	
9/1/2050	1,938,282.50	1,463,225	471,910.36	3,873,417.86	4,185,880.41
	58,181,683.50	46,485,825	21,000,000.00	125,667,508.50	125,667,508.50