

# NEW JERSEY'S WATER BANK FINANCING PROGRAM

*Proposed Clean Water Intended Use Plan for Federal  
Fiscal Year 2019 (and State Fiscal Year 2020)*



New Jersey Department of Environmental Protection  
Water Resource Management  
Division of Water Quality  
Municipal Finance and Construction Element

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*PROPOSED CLEAN WATER INTENDED USE PLAN FOR FEDERAL FISCAL YEAR 2019  
(AND STATE FISCAL YEAR 2020)*

The Clean Water Intended Use Plan (IUP) document must be developed annually, undergo a public comment period and be approved by the US Environmental Protection Agency (USEPA) for the State to qualify for State Revolving Fund (SRF) capitalization grants to support the New Jersey Water Bank. This IUP provides information on how funds, available through the Water Bank, will be used to provide financial assistance for clean water projects and identifies State policies governing loan awards.

**For SFY20, the Clean Water IUP includes changes to the NJ Department of Environmental Protection (“Department” or “NJDEP”) and NJ Infrastructure Bank (I-Bank) loan shares for every project category eligible for clean water funds resulting in slightly higher interest rates. Although the Program will continue to offer competitive loan rates, the decreased Department share in each project loan will enable the Program to fund more projects in support of the Water Bank’s long-term viability.**

**In addition, the Department plans to utilize any unallocated principal forgiveness funds carried over at the end of SFY19 as principal forgiveness in SFY20 for categories set forth in this IUP (including Combined Sewer Overflow (CSO) – Green Infrastructure, Barnegat Bay, Coastal Water Quality Restoration and Small System Asset Management Plans) and supplement those principal forgiveness funds with approximately \$16 million projected to be available under the FFY19 CWSRF grant from USEPA with \$6M for CSO-Green Infrastructure projects and \$10M for CSO-Grey Infrastructure projects.**

## EXECUTIVE SUMMARY

Protecting and enhancing New Jersey’s water quality and water infrastructure is vital to the State’s health and economy. While often taken for granted, significant planning and investment is required to sustain and improve New Jersey’s aging infrastructure systems. That cost often exceeds the capabilities of local sewer utilities. New Jersey’s Water Bank is a permanent low-cost financing program available for an extensive range of water quality infrastructure projects. The Water Bank administers New Jersey’s Clean Water SRF (CWSRF) and Drinking Water SRF (DWSRF) under the federal Clean Water Act and Safe Drinking Water Act, respectively.

“NJ Water Bank is a partnership to... provide low-cost financing for the design, construction, and implementation of projects that help to protect, maintain and improve water quality.”

Established in 1988, the Water Bank is a partnership between the NJDEP and the I-Bank to provide low-cost financing for the design, construction, and implementation of projects that help to protect, maintain and improve water quality. It is a revolving/self-perpetuating loan program, in that SRF loan repayments are committed to finance future projects in perpetuity.

The priorities and policies of the Water Bank are established through this IUP. Clean Water projects eligible for financing include a wide variety of wastewater treatment works, stormwater management, land acquisition, and landfill activities. In SFY20, the Program will continue to offer very attractive low-cost financing packages, including principal forgiveness (or grant-like funding) and low interest loans for high priority projects. For SFY20, the Water Bank CWSRF base program will consist of 50% funding from the I-Bank at market rate and 50% funding from the DEP at 0% interest with opportunities for principal forgiveness. Prior to long-term funding, projects are encouraged to seek a short-term loan from the I-Bank for activities from planning through construction completion.

## WHAT'S NEW IN 2019!

The Water Bank made several changes to the program in recent years and is continuing to support those changes. However, the Program has insufficient funds to continue to provide the very generous financing packages offered in prior years.

**For SFY20, the Clean Water IUP includes changes to the Department and I- Bank loan shares for every project category eligible for clean water funds. Although this will result in slightly higher interest rates for projects financed in SFY20, the changes allow the Program to still offer competitive loan rates and ensure long-term viability for the Water Bank.**

### SFY20 FUNDING PACKAGES (LONG-TERM LOANS)

<b>Clean Water Categories</b>	<b>DEP Interest Free Share</b>	<b>I-Bank Market Rate Share</b>
CSO Abatement Projects*	75%	25%
All Other Water Quality Projects (Base CWSRF)	50%	50%
Brownfield Redevelopment (Conduit Projects)	25%	75%

\*Costs in excess of \$10 million for CSO Abatement Projects will be financed under the Base CWSRF package.

### SFY20 PRINCIPAL FORGIVENESS (PF) OPPORTUNITIES

<b>Clean Water PF</b>	<b>Principal Forgiveness Share</b>	<b>Principal Forgiveness Cap</b>	<b>Projected Amount of PF Available</b>
Small System Asset Management Plan Development	100%	\$100,000	\$1.5M
CSO – Green Infrastructure	50%	\$3M	\$12M
Coastal Community Water Quality Restoration	50%	\$2.5M	\$5M
Barnegat Bay Stormwater/NPS	50%	\$2M	\$6M
CSO-Abatement	50%	\$1M	\$10M

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## PROGRAM GOALS

**Short-term:** Provide funding to needed, construction ready, highly-ranked water quality improvement projects.

**Long-term:**

- Provide capital for water and wastewater infrastructure renewal to protect public health and the environment for multiple generations of New Jersey citizens;
- Continue serving as the Garden State’s premier source of environmental infrastructure financing through self-sustaining, efficient and transparent programs;
- Establish and efficiently manage a permanent source of funding for clean water and drinking water infrastructure projects;
- Provide project financing at a much lower cost than program participants could achieve individually thereby passing substantial savings on to New Jersey taxpayers and rate payers; and
- Increase access to capital markets for those participants that find it difficult or expensive on their own, due to lower credit ratings or a lack of familiarity with debt financing.



**Passaic Valley Sewerage  
Commission Interceptor Slip  
Lining**

## BORROWER ELIGIBILITY

The following project sponsors are eligible to receive Water Bank financing provided they satisfy the I-Bank and/or State of New Jersey’s creditworthiness standards:

### Clean Water Borrowers

Owners of publicly-owned treatment works (towns, boroughs, municipal utilities authorities, counties, regional water authorities, other local government units, etc.) with projects to that help protect, maintain or improve water quality are eligible for participation in the Water Bank. Private entities are eligible through public conduit borrowers. Project sponsor eligibility has also been expanded to private colleges and universities that are interested in sponsoring nonpoint source pollution projects.

## Project Eligibility

### Wastewater

Most projects associated with sewage collection, treatment, or disposal are eligible for financing, including correction of inflow/infiltration problems, sludge management and CSOs. Eligible projects include:

- Secondary and advanced wastewater treatment
- Well Sealing, Water Meters (publicly sponsored)
- Flood resiliency
- Sludge handling facilities
- Infiltration and inflow (I/I) correction
- Interceptors, pumping stations and force mains
- Sewer system rehabilitation
- New collection systems
- Correction of CSOs
- Solutions for malfunctioning septic systems
- Wastewater reuse and conservation projects
- Emergency Repair Projects to replace, in kind, the failure of an essential portion of a wastewater system that will disrupt service for a minimum of 24 hours total and/or poses a substantial threat to the public health, safety, and welfare



**Bayonne MUA Wind Turbine for a Pump Station**

For information regarding permitting, see:

[NJPDES Additional Information](http://www.nj.gov/dep/dwq/njpdes.htm) (www.nj.gov/dep/dwq/njpdes.htm)

[NJDEP Treatment Works Approval program](http://www.nj.gov/dep/dwq/forms_twa.htm) (www.nj.gov/dep/dwq/forms\_twa.htm)

[NJDEP Land Use Program](http://www.nj.gov/dep/landuse) (www.nj.gov/dep/landuse)

### Stormwater

Eligible projects include construction, expansion or replacement of stormwater management systems, including the following:

- Non-point Source Pollution/Stormwater management
- Construction of regional basins
- Major stormwater system rehabilitation
- Replacement of existing storm drains
- Rehabilitation of tide gates
- Extension of outfall points
- Runoff control (manure/feedlots and stream bank stabilization/ restoration)
- Stream/lake embankment restoration
- Salt dome construction



**Old Bridge MUA Laurence Harbor Bulkhead and Walkway**

For additional information, see:

[NJDEP Stormwater Links](http://www.nj.gov/dep/dwq/fd.htm) (www.nj.gov/dep/dwq/fd.htm)

### Green Infrastructure

Green projects are clean water projects that incorporate green infrastructure and water or energy efficiency improvements (those that reduce greenhouse gas emissions, for example). Green infrastructure includes such practices as replacing existing pavement with porous pavement, utilizing bioretention, renewable energy, constructing green roofs, creating rain gardens, and other practices that restore natural hydrology and treat stormwater runoff through infiltration into the subsoil, treatment by vegetation or soil, or stored for reuse.

For additional information, see:

[Green Infrastructure in New Jersey](http://www.nj.gov/dep/gi/index.html) (www.nj.gov/dep/gi/index.html)

[NJDEP Sustainability and Green Energy Guidance](http://www.nj.gov/dep/sage/so-guidancedocs.html)

(www.nj.gov/dep/sage/so-guidancedocs.html)



**Hoboken City Green Infrastructure**

### Brownfields Redevelopment

The cleanup of abandoned and contaminated industrial sites is eligible for financing if a local or county government assumes the repayment obligation for the loan. The Water Bank will finance the removal of contaminated soil, site-capping and the installation of stormwater controls.

Returning Brownfield sites to productive use protects and improves water quality and preserves open space. Every acre of Brownfield redevelopment spares 4.5 acres of pristine land from development. Brownfield redevelopment also boosts local tax revenue, creates jobs, revitalizes New Jersey's cities and towns, and improves the quality of life for area residents.

The Water Bank provides loans to municipalities, counties and public authorities to support a wide range of cleanup and remediation activities necessary to restore the Brownfield site for re-use.

For additional information, see:

[NJDEP Site Remediation Links](http://www.nj.gov/dep/srp/) (www.nj.gov/dep/srp/)

### Landfills

Landfills construction activities that have a water quality benefit are eligible for Water Bank financing. Examples include:

- New Landfills (Water quality/protection aspects)

- Capping systems
- Liners
- Leachate collection systems
- Treatment systems
- Sewer connections
- Barge shelters
- Containment booms
- Litter fences
- Gas collection and treatment systems
- Monitoring wells
- Reclamation or reduction activities



**Camden County Phoenix Park**

### Land Preservation

The Water Bank provides financing for the preservation of open space and farmland given the water quality benefit achieved through such acquisitions. The Program funds preservation with regard to properties protecting stream headwaters and corridors, wetlands, and aquifer recharge areas. Financing for land is compatible with the Green Acres Program, the Garden State Preservation Trust, and Open Space programs financed by local and county Open Space taxes.

Although lands purchased through the Water Bank for preservation as part of Open Space cannot be developed, they may be used for passive recreational activities, such as hiking, fishing and horseback riding. Placement of conservation easements on funded parcels is a requirement, which assures that the water quality benefits are preserved in perpetuity.

The Water Bank will coordinate with the Green Acres Program, when appropriate, to maximize a community's limited open space funds for land acquisition. Through this partnership, municipalities can receive additional resources to facilitate the purchase of larger and/or more expensive parcels.

For additional information, see:

[NJDEP Green Acres Program](http://www.nj.gov/dep/greenacres/) (www.nj.gov/dep/greenacres/)

### Equipment

Equipment that provides a water quality benefit can be financed under the Water Bank, including but not limited to:

- Street sweepers
- Generators
- Sewer flushing and cleaning equipment
- Dump trucks
- Crawler loaders
- Skimmer boats
- Aquatic weed harvesters
- Outfall netting



**Passaic Valley Sewerage Commission  
Electrical Substation**

### Security Monitoring

Projects designed to improve security at otherwise funding-eligible wastewater facilities are eligible, including but not limited to:

- Fencing
- Lighting
- Motion detectors
- Cameras
- Secure doors
- Alternative auxiliary power sources

### Miscellaneous Allowable Costs

Additional costs that are eligible within a project include:

- Road repaving
- Utility relocation
- Site grading
- Purchasing land to utilize for stormwater management



**North Wildwood Sewer, Storm and Street Restoration**

### Asset Management Plans and Long-Term CSO Control Plans:

Projects to develop and implement asset management plans (AMP), CSO long-term control plans, and water loss prevention plans are eligible for financing. The AMP loans must be rolled into a Water Bank capital improvement project or repaid in 3 years. CSO long term control plans can receive loans up to 10 years.

[NJDEP Asset Management Program](http://www.nj.gov/dep/assetmanagement/) (www.nj.gov/dep/assetmanagement/)

[NJDEP Asset Management Guidance and Best Practice](http://www.nj.gov/dep/watersupply/pdf/guidance-amp.pdf)  
(www.nj.gov/dep/watersupply/pdf/guidance-amp.pdf)

### Planning & Design Loans:

The Program also offers loans to cover the costs associated with planning and design of a water infrastructure project. These are short-term loans and currently being offered at 0% interest. Eligible costs include engineering fees, surveys, environmental or geological studies, and other costs related to project plan preparation. The loans must be rolled into an Water Bank capital improvement project or repaid in 3 years.

### Principal Forgiveness Funds

The Department expects to use the maximum amount available for principal forgiveness utilizing SRF monies subject to federal restrictions. In addition to the SRF, the Department may increase any amounts identified in the IUP reserved for PF and adjust any caps if additional SRF or non-SRF funds (including Natural Resource Damages (NRD) recovered by the State and Corporate Business Tax (CBT) diesel funds) to supplement principal forgiveness or low-cost loan funding. In addition, the Department may bank any non-SRF financing towards future State Match requirements subject to EPA approval.

### Asset Management for Small Systems

The Water Bank will continue to offer 100% principal forgiveness to small wastewater systems (those that serve 10,000 or fewer people) to develop and implement asset management programs. DEP expects to make SRF or non-SRF funds available in the form of principal forgiveness through the Water Bank and cap the amount at \$100,000 per applicant. A total of approximately \$1.5 million in principal forgiveness funds is expected to be available for this purpose in SFY20. A capital

improvement project is expected from the creation of the asset management program. Larger systems are eligible for short-term, interest-free loans, for AMP development with a capital improvement project. The Department reserves the right to use these funds to hire a contractor to provide technical services to small communities for asset management.

### Coastal Community Water Quality Restoration

The Water Bank will continue to offer up to 50% principal forgiveness for capital improvement projects that will eliminate, prevent or reduce occurrences of shellfish bed or beach closings due to the presence of pathogens. Projects would eliminate such potential sources as failing on-site wastewater systems and cross-connections between storm sewers and sanitary sewers. Project costs up to \$5 million would receive 50% principal forgiveness, 25% DEP interest-free, and 25% I-Bank market rate financing. Project costs exceeding \$5 million are eligible for the Base CWSRF structure. \$2.5 million in principal forgiveness has been committed towards Cumberland County Improvement Authority to resolve failing septic systems and prevent shellfish bed closures in Downe Township, limited to Fortescue and Gandys Beach. A total of \$5 million in principal forgiveness funds was reserved last year. Any amounts that remain unobligated at the end of SFY19, continue to be available for these purposes in SFY20.

### Green Infrastructure – CSO Sewershed

The DEP is reserving funds and providing principal forgiveness loans for CSO abatement projects utilizing green practices (such as green roofs, rain gardens, porous pavement, and other activities that maintain and restore natural hydrology by treating stormwater runoff through infiltration into the subsoil, treatment by vegetation or soil, or stored for reuse). Projects are eligible for up to 50% principal forgiveness, 25% DEP interest free and 25% I-Bank market rate financing. A total of approximately \$12 million in principal forgiveness funds is anticipated to be available to provide principal forgiveness loans for CSO-Green Infrastructure in SFY20. There is a \$3 million cap of principal forgiveness per applicant in SFY20. Department funding at 75% with an interest free loan mixed with I-Bank funding at market rate will be provided for costs for project costs between \$6 million and \$10 million. Costs above \$10 million will be financed through the base CWSRF rate.

### Grey Infrastructure – CSO Sewershed

The DEP is reserving funds and providing principal forgiveness loans for CSO abatement projects. Projects are eligible for up to 50% principal forgiveness, 25% DEP interest free and 25% I-Bank market rate financing. A total of approximately \$10 million in principal forgiveness funds is anticipated to be available for CSO abatement projects in SFY20. There is a \$1 million cap of principal forgiveness per applicant in SFY20. Department funding at 75% with an interest free loan mixed with I-Bank funding at market rate will be provided for costs for project costs between \$2 million and \$10 million. Costs above \$10 million will be financed through the base CWSRF rate.

### Barnegat Bay

Approximately \$6 million in principal forgiveness funds is reserved for stormwater and non-point source pollution management projects in the Barnegat Bay Watershed. 50% principal forgiveness will be offered with a \$2 million limit on principal forgiveness per sponsor and awarded on a first come basis. The remaining project amount will be financed equally with a DEP interest-free and I-Bank market rate financing.

### Sandy Relief

Sandy Relief funds remain available for clean water facilities that were damaged by Superstorm Sandy and are constructing repairs or resiliency to prevent future damage to a treatment facility or

water system from a similar event. Resiliency projects include elevating critical infrastructure, flood walls, backup power sources and more. Sandy Relief funds were made available in a one-time installment and offered while funds remain. As such, the Water Bank will continue to accept submittals under the Sandy Relief program, which includes a principal forgiveness component of approximately 19% of the allowable costs. If all of the Sandy Relief funds are awarded in SFY19, new submittals will be eligible under the Base SRF loan structure.

## Financing Options

At the time a project is at or near construction completion, long-term financing will be issued. The Water Bank offers the following low interest financing options for eligible projects in SFY20.

### CSO Abatement Projects

When the PF funds allocated to CSO projects in SFY20 are no longer available, the CWSRF funding package for CSO abatement projects consists of 75% DEP interest-free and 25% I-Bank market rate financing for the first \$10 million in allowable costs. Costs in excess of \$10 million will be financed under the Base CWSRF financing package below.

### Base CWSRF

The Base CWSRF funding package for SFY20 consists of 50% DEP interest-free and 50% I-Bank market rate financing for the allowable project costs.

### Brownfield Redevelopment (Public Private Partnership)

Brownfield redevelopment by private entities is eligible for a funding package of 25% DEP and 75% I-Bank financing. Private entities must have a public conduit that will sponsor the project.

### SAIL Program

The Statewide Assistance Infrastructure Loan (SAIL) program is a disaster relief loan program designed for project sponsors that anticipate receiving FEMA or other federal disaster relief grants. The SAIL program's goal is to provide timely and cost-effective funds, in advance of federal reimbursements, in order to expedite and support the impacted communities' recovery and rebuilding of environmental infrastructure. SAIL finances projects within a declared disaster area to rebuild water systems directly impacted by a declared disaster as well as costs associated with improving the resiliency of Clean Water and Drinking Water systems, regardless of direct disaster impact.

### Short-Term (ST) Loans

All CW projects are encouraged to secure short-term loans at the time of execution of an engineering design contract for the entirety of the project (planning, design, and construction). Funding will be committed upon certification of each operable segment and satisfaction of the program's credit worthiness standards. Such loans are variable rate loans, currently at 0% interest, for terms of up to 5 full fiscal years.

## NOTEWORTHY PROGRAM FEATURES

### Application

All applications are submitted on the H2LOans website ([h2loans.com](http://h2loans.com)). To create an H2LOans account, the project sponsor's authorized official will need to call the I-Bank at 609-219-8601 for security reasons. The authorized official can then designate a project manager (authorized representative) to submit required

information. Application deadlines have been removed and rolling applications are being accepted any time of the year.

[H2LOans Tutorial Video \(https://www.youtube.com/watch?v=UgDDV\\_SyqL0\)](https://www.youtube.com/watch?v=UgDDV_SyqL0)

### Loan Awards

Loan awards for new projects will be made in SFY20 in accordance with [N.J.A.C. 7:22-3, 4, and 5.9 \(http://www.nj.gov/dep/dwq/722.htm\)](#). The loan term will generally be 30 years and in some project circumstances, the Water Bank may consider loan terms of up to 45 years for clean water projects. In either case, the loan term cannot exceed the useful life of the project.

Local government units are required to meet the technical, administrative, and environmental provisions of the rules of DEP and the I-Bank ([N.J.A.C. 7:22-3, 4, 5, 8, 9, and 10 http://www.nj.gov/dep/dwq/722.htm](#)). Disbursement and loan repayment provisions must be consistent with the rules.

### Pre-award Approvals/Emergency Projects

Eligible projects can qualify to receive pre-award approvals if the requirements of the rules ([N.J.A.C. 7:22-3.32 and 4.32 http://www.nj.gov/dep/dwq/722.htm](#)) are met and if executed contracts to implement the project have been received by DEP.

### DEP & I-Bank Fee

In accordance with the USEPA Policy on Fees Charged on Assistance Provided Under the SRF Programs, states must disclose information regarding the assessment and use of any fees associated with SRF activities that are passed on to the program participants. In New Jersey, DEP reserves 0.5% of the CWSRF loan portfolio to cover a portion of the administrative costs of the program. In addition, the annual legislation for the SFY 2006 Program established a "Department Loan Origination Fund" that is administered by the I-Bank. DEP now has a stable fixed fee of 2% of the participant's loan amount. No SRF funding is involved in DEP's loan origination fee. DEP's loan origination fee is not included in the principal amount of the CWSRF loan and is accounted for separately.

The I-Bank's loan is issued at the same market interest rate as the I-Bank obtains from the sale of its bonds. Rather than bonding for the eligible closing costs associated with each financing, the I-Bank charges the borrowers a one-time charge of 0.1% of the principal I-Bank loan amount to partially cover the costs associated with that particular series' bond issuance expenses. These costs include such activities as: bond counsel, financial advisor, rating agencies, printing and publishing of the Notice of Sale, the Preliminary Official Statement, the Official Statement, and other costs related to the I-Bank's bond sale. In addition, the I-Bank charges an annual administrative fee of 0.3% of the I-Bank's bond principal loan amount to cover the balance of the closing cost and the annual operating expenses associated with the operations of the I-Bank and the on-going costs associated with the loan servicer and Trustees. The I-Bank's annual administrative fee is not included in the principal amount of the loan and is held in an account outside of the SRF. Any changes to the I-Bank's fee annual structure are subject to all applicable approvals and publication in the SFY 2020 Financial Plan in May of 2019.

### Sources and Use of Funds

The Table below represents estimated amounts available from prior program years and anticipated uses for the SFY19 and SFY20 Water Bank Financing Program:

#### **SFY 2019 Financing Program**

**Anticipated Sources:**

Funds Available from prior years	\$588 M
Repayments from prior years' loans	\$110 M
<u>FFY 2018 CWSRF Grant</u>	<u>\$ 60 M</u>
Subtotal	\$758 M
Anticipated I-Bank Share	\$125 M
Funds held by I-Bank for Short-term (ST) Loan Payments	\$300 M

**Total Program Sources: \$1,183 M**

**Anticipated Uses:**

Projects Financed with ST Loans	\$450 M
Projects Eligible to be Financed with ST Loans	\$350 M
Future Projects that may be approved in SFY19	\$150 M

Total Program Uses: \$950 M

**SFY 2020 Financing Program****Anticipated Sources:**

Funds Available from prior years	\$233 M
Repayments from prior years' loans	\$120 M
<u>FFY 2019 CWSRF Grant</u>	<u>\$ 60 M</u>
Subtotal	\$413 M

**Total Program Sources: \$413 M**

**Anticipated Uses:**

Projects to be Financed in the SFY 2020 Program	\$400 M
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**Financial Relationships between the CWSRF and the DWSRF**

The federal Safe Drinking Water Act Amendments of 1996 offer states the flexibility to meet the funding needs for drinking water and wastewater facilities by transferring funds from one SRF program to the other. Annually, an amount up to 33% of the Drinking Water SRF Capitalization Grant may be transferred from the CWSRF program to the DWSRF program, or vice versa. The USEPA has issued guidance that would allow utilization of transfer credits and transfer of funds on a net basis (i.e., funds could be moved in both directions), provided that the final transferred amount does not exceed the authorized ceiling.

The SRF program evaluates funds available to determine if adequate monies are available to be used for clean water projects in the current fiscal year. In addition, the type and number of DWSRF projects are reviewed and a determination is made on the need of the funds to be transferred from the CWSRF accounts to the DWSRF accounts or vice-versa. DEP reserves the right to transfer funds from the CWSRF to the DWSRF (or vice-versa) each fiscal year to the extent allowed by law, including Sandy SRF funds.

While all projects that meet the program requirements and are ready to proceed have been able to receive a CWSRF loan in the past, the ability of the program to continue to finance all qualifying projects in the future

is uncertain because of a steady increase in program demand over the last several years. As such, if the Department determines that there is a shortage of available funds, the Department will utilize the remaining funds for high priority projects in accordance with the existing ranking methodology.

In addition to the potential transfer of funds between the CWSRF and DWSRF, DEP is continuing its policy to cross-collateralize the DWSRF with the CWSRF. This feature results in significant savings to project sponsors. This benefits the drinking water project sponsors since there is a large source of revenue available via the CWSRF repayments to cover possible loan defaults. Under the EPA-approved procedures associated with cross-collateralization, a temporary transfer of funds between the two SRFs may occur as if necessary to cover the default of a loan repayment or other financial obligation. DEP and the I-Bank would take steps to collect any obligations resulting from a loan default and reimburse the appropriate drinking water or clean water account.

### Additional SRF Provisions:

Programmatic requirements are listed below. It is anticipated that these provisions will be maintained in a subsequent federal reauthorization act or federal policy. If substantial changes in the Act necessitate DEP's revision of the FFY 2019 document, additional public participation efforts will be conducted.

1. The schedule of state capitalization grant payments, jointly agreed upon by the administrator of the EPA and each state, is based upon the state's IUP.
2. States are required to deposit in the SRF, from state monies, an amount equal to at least 20% of the total amount of all capitalization grants made to the state.
3. Monies in the SRF may be used to provide loans at or below market interest rate, for terms not greater than 30 (or 45) years or the useful life, whichever is less. Repayments must begin no later than one year after completion of the project and must be credited to the SRF (principal and interest). The recipient of a loan must establish a dedicated source of repayments.
4. The SRF regulations identify earning interest as an allowable use of SRF funds. The Department is considering investing CWSRF funds into an account that would be dedicated to finance high priority drinking water projects in NJ and is evaluating the benefits and consequences of taking such action.
5. The Department may, based on the availability of funds, establish a deminimus reserve (up to \$5 million) utilizing CWSRF funds to support CSO and/or stormwater management activities associated with a co-funded transportation project financed through the I-Bank.
6. The Department also administers the Pinelands Infrastructure Trust Financing Program and the Department is planning to capture any eligible wastewater projects and utilize State Bond funds from the Pinelands Program as credit towards the State Match requirement or future State Match requirements.
7. The Water Bank is investigating opportunities to create a linked deposit program to finance individual septic system (on-site disposal system) repairs, rehabilitation or replacement. This program is in its early stages of development.

# APPENDIX 1: CLEAN WATER PRIORITY SYSTEM RANKING

## METHODOLOGY

### **I. Project Priority List — General Information**

Clean water projects must be listed on the Project Priority List in order to be considered eligible for financial assistance under the CWSRF. The Priority List identifies the estimated total eligible building costs under the appropriate project category. Except for certain project types, the figure under the "Total Eligible Project Cost" includes the estimated total eligible building costs, the related costs for construction services (i.e., administrative, legal, engineering, inspection, one-year start-up services, etc.), the actual or estimated planning and/or design costs, 3% for the recipient's administrative costs, and a 5% contingency cost. The figure under the "Total State Amount" column represents 100% of the estimated total eligible project costs.

DEP has established a rolling application process and will update and post the Priority List up to four times during a fiscal year. The Department expects to notify potential borrowers and other interested parties upon each posting of an amendment to the Priority List on the DEP and I-Bank websites.

### **II. Ranking Methodology**

DEP ranks all projects on the basis of the total number of ranking points each project receives and places the projects on the Priority List according to their ranking. The ranking system gives highest priority to projects that address discharges of raw, diluted, or inadequately treated sewage to the state's waters during wet weather, including projects to abate CSOs and projects to address sanitary sewer systems that overflow. CSO abatement projects are expensive and are usually located in financially distressed urban areas, making cost a serious concern. Discharges from combined sewer systems and sanitary sewer overflows can impair water uses.

DEP's Priority List provides a strategic foundation for structural changes and includes objectives to implement projects that will help to protect, maintain and improve water quality in and around the Barnegat Bay, while also determining the best long-term approach for restoring the ecological health of Barnegat Bay. To support these efforts to improve the water quality of the Bay, the project ranking methodology for the FFY 2019 Financing Program provides an additional 300 priority points to nonpoint source and stormwater runoff control projects that are intended to benefit the Barnegat Bay. The additional 300 points will be assigned to wastewater reuse projects that are intended to offset the loss of freshwater flows caused by the regionalization of sewage treatment plants and the use of ocean outfalls.

#### **A. Sustainable Community Planning Activities**

The purpose of the provisions in this section is to encourage and facilitate implementation of environmentally sustainable practices at the local government level. Prudent environmental planning that incorporates sustainability measures is necessary to achieve cost-effective and environmentally sound water quality improvement within the watershed. Additional priority points will be awarded to projects located in or benefiting municipalities that have implemented programs and actions that go beyond compliance with existing regulatory requirements and incorporate the planning strategies discussed below.

Sustainable Community Planning: Sustainable communities develop and adopt master plans and ordinances that improve the overall quality of life for citizens of today as well as future generations by

planning within natural resource capacity constraints and providing for a healthy economy, environment and society. Projects located in or benefiting municipalities where sustainable community strategies have been developed and master plans and/or ordinances adopted will be awarded an additional 100 priority points. These strategies/ordinances must include, but are not limited to, the following:

- A plan to reduce water consumption and increase water efficiency and re-use;
- Policies that require consideration of green design in municipal construction projects and redevelopment projects, such as green roofs, green streets, tree filters, rain gardens, rain barrels, porous pavements, etc.

Green design principles include green building practices that increase energy and water efficiency; use renewable energy; use environmentally friendly building materials that are made with recycled materials, are durable, sustainability harvested or produced locally; improve indoor air quality; and makes appropriate site selection and minimizes site disturbance to reduce environmental impacts.

**B. Project Discharge Category Points**

All projects receive ranking points based on the project discharge category. In case of multiple purpose proposals, projects qualify for the discharge category that represents the major scope of the project. If a project has aspects that can be described by more than one category, the project may be broken into separate projects. Tables IA and IB show the project discharge categories and their corresponding ranking points.

<b>Table IA. Ranking Points Related to Project Discharge Category For Wastewater Treatment Facilities</b>		
<b>Project Discharge Category</b>	<b>Description</b>	<b>Points</b>
Combined Sewer Overflow (CSO) & Sanitary Sewer Overflow (SSO)	Combined sewer system (CSS) rehabilitation/repair, the construction of treatment and/or storage facilities within CSS, at discharge locations or at STPs that reduce or eliminate CSOs, or the separation of combined sewer systems by the consolidation and elimination or sealing of CSO discharge points. Projects that implement corrective measures to fix overloaded conveyance systems that experience chronic overflows.	600
Sewage Treatment Plant (STP) Improvements	STP improvements include upgrades or other improvements to a treatment process or the elimination of an existing STP and the connection to an alternative treatment facility to meet applicable treatment levels and the purchase and installation of security and energy efficiency measures at the STP.	500
Sanitary Sewer System Rehabilitation	Wide variety of corrective measures to sanitary sewer collection and conveyance systems that do not experience chronic overflows, such as the rehabilitation, repair, or replacement of sanitary sewers, pump stations, interceptors, or the purchase of equipment to properly maintain the sanitary sewer system.	450
	Projects involving the construction of facilities to manage sludge from STPs or from potable water treatment	350

Sludge Treatment/Disposal Facilities	activities, such as the installation of dewatering equipment, the implementation of land application or composting activities or improvements or repairs to sludge incinerators.	
Wastewater Reuse	The construction of facilities that promote the reclamation of water for beneficial reuse such as the use of treated effluent for agricultural or other purposes and/or construction of conveyance and distribution systems to allow for reuse activities.	300
Septic System Repair/Replacement	Projects that involve repairs, improvements, and/or replacement of individual or small community, on-site septic systems.	275
New Systems	The expansion of a STP's treatment capacity, and the construction of new facilities to provide collection, conveyance or treatment of sanitary sewage.	250

Projects that implement green infrastructure, water or energy efficiency improvements (including projects that are designed to reduce greenhouse gas emissions) will receive an additional 50 priority points if the green components represent a significant amount of the overall project activities.

<b>Table IB. Ranking Points Related to Project Categories for Stormwater and Nonpoint Source Pollution Management Facilities</b>		
<b>Project Category</b>	<b>Description</b>	<b>Points</b>
Stormwater Management and other NPS activities	The construction or rehabilitation of stormwater basins, sewer systems or storm drains, the extension of outfall pipes, green roofs, blue roofs, green streets, tree filters, rain gardens, rain barrels, porous pavement or the purchase of maintenance equipment (such as street sweepers, aquatic weed harvesters and skimmer boats). Projects that stabilize streambanks, restore lakes or address runoff from salt storage facilities and the implementation of measures to address pollution concerns from agricultural cropland activities and manure runoff management and feedlot operations.	225
Landfill Closure, Open Space Land Acquisition and Conservation and Well Sealing	The implementation of measures to prevent and control pollutants from entering groundwater at non-operating landfill sites that are publicly owned and at abandoned well locations. Open space land acquisition and conservation projects that help to protect or maintain water quality.	150
Landfill Construction and Remedial Action Activities	The construction of facilities to collect, convey and/or treat leachate and runoff from new publicly-owned landfill cells or from publicly-owned contaminated sites.	75
Projects sponsored by	Environmental infrastructure projects where a developer, LLC, partnership or other private party is involved in the project; landfill closure measures and remedial action activities where the project site is privately owned. If a	50

Conduit Borrowers/ Private Activity	local government unit that sponsors a project on behalf of a private entity commits to providing a general obligation pledge (including its unlimited taxing power) or municipal guarantee as security for the DEP and I-Bank loans, the project is considered exempt from the conduit financing classification and corresponding funding limitations.	
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### C. Water Use/Water Quality Points

Points are awarded based on the designated water uses of the receiving water as well as the existing water quality conditions in comparison to the ambient water quality standards. The assignment of points for “public nuisance” is given to on-site system projects where failures have been identified. Table II below shows the breakdown of the ranking points for water use; in general, the highest values are given for projects that discharge to water bodies with potable, recreational, and fishing uses.

Water Use		Basis/Description	Points
Public Potable Water Supply		Wastewater treatment plant discharges likely to have adverse impacts on an existing downstream potable surface water supply intake. Projects are evaluated based on relative distance between STP discharge and public potable water intake locations.	200
Recreation (“Primary Contact”)		Waters with bathing areas monitored routinely as public beaches as well as the Delaware River upstream of Trenton (north of East Bridge Street at the Lower Trenton Bridge).	125
Fishing	Shellfish	State water bodies that are designated as shellfish growing waters by <i>N.J.A.C. 7:12</i> .	125
	Trout	State freshwater bodies designated for trout production or maintenance by the NJ Water Quality Standards ( <i>N.J.A.C. 7:9B</i> ).	75
	Non-trout	State freshwater classifications not designated trout production or maintenance by <i>N.J.A.C. 7:9B</i> (see Trout description above), including all Delaware River freshwater zones above mile-point 85 as defined by the Delaware River Basin Commission.	25
Public Nuisance		Indirect water use impacts; applies to areas with identified on-site wastewater treatment system failures.	50
Agriculture		Surface water for agricultural use, such as irrigation and farm ponds, based on Department diversion permit (permits required for >70 gal/min diversion).	25
Industry		Surface water known to be used for industrial use such as cooling.	25

Table III shows the points for not meeting or marginally meeting certain water quality parameters. The points reflect the impact the parameters have on meeting the state’s goal to protect and enhance surface water resources, quality criteria, and designated water uses. The magnitude of the contribution that

municipal sewerage facilities have on each of the conditions is reflected in the points awarded under these categories.

Nutrients reflect the presence of phosphorus/phosphates and nitrates/nitrites in a water body. Excessive nutrient levels in freshwater streams and lakes may result a decrease in water quality and an increase in treatment costs. Points are given for nutrients only if the surface waters involved significantly impact existing potable water reservoirs, surface water impoundments or lakes, public bathing areas, or shellfish growing waters. Since there are no nutrient standards for coastal and estuarine waters, no points were assigned for discharges to those water bodies.

Points for toxics address the relative magnitude of ammonia, metals, pesticides, and organic chemicals in the water body. Toxics were given lower points since in most cases the significant contributions of toxic substances come from industrial sources that are better controlled through pretreatment and are only incidentally abated by municipal treatment facilities. In the case of the toxicity of ammonia, municipal facilities are usually the main source, but the most significant impact is associated with streams designated for trout production/maintenance, which already receive a high number of points under the water use category.

<b>Table III. Ranking Points Related to Water Quality</b>				
<b>Water Quality</b>		<b>Points for Water Quality that</b>		
		<b>Meet</b>	<b>Marginally Meet</b>	<b>Do Not Meet</b>
<b>The Water Quality Standard*</b>				
<b>Parameter</b>	Dissolved Oxygen	0	50	100
	Fecal Coliform	0	50	100
<b>Parameter</b>	Nutrients	0	25	50
<b>Category</b>	Toxics	0	25	50

\*The Surface Water Quality Standard for the applicable parameter or category.

#### D. Smart Growth Approvals

DEP seeks to coordinate and enhance the efforts to encourage smart growth through the implementation of the State Development and Redevelopment Plan. DEP assigns ranking points to projects that serve municipalities that have been approved under the Center Designation or Plan Endorsement Process.

For a project serving more than one municipality, the points were included for ranking purposes if the designated center or the endorsed plan is a significant component of the overall project. For further information regarding the State Development and Redevelopment Plan, contact the Office of Planning Advocacy in the New Jersey Department of State at (609) 292-7156.

<b>Table IV. Ranking Points Related to State Planning Commission Approvals</b>	
<b>Community Type</b>	<b>Points</b>
Urban Centers and Complexes	50
Regional Centers	25
Existing Designated Towns	15
Existing Villages	10
Hamlets	5

Projects located in or benefiting areas designated as Brownfield Development Areas, Transfer of Development Rights receiving areas or Transit Villages receive 10 points, so that these projects will rank higher than similar projects that are not located in, or provide benefit to, these smart growth areas.

#### E. Population Points

Projects are assigned points based on the population of the area served by the project. One point is given for every 1 million people living year-round in the project area. Thus, if projects have the same number of ranking points after having received all eligible points, population points become the tiebreaker, with higher priority given to the project serving the larger population.

### Priority Growth Investment Areas

Core criteria for a Priority Growth Investment Area includes being within one or more of the areas identified in Table 1 and within the regional planning entity areas described below.

#### **Table 1: Growth Areas**

1. Former State Plan Policy Map Metropolitan Planning Areas (PA 1) and Nodes
2. Unexpired Commission Approved Centers, Urban Complexes and other areas designated for development or redevelopment as the result of the Commission formally endorsing municipal or county plans
3. Municipally Designated Transfer of Development Rights "Receiving Areas"
4. Municipally Designated "Urban Enterprise Zones"
5. Opportunity Zones
6. Municipally Designated "Areas in Need of Redevelopment" or "Areas in Need of Rehabilitation"
7. Approved "Foreign Trade Zones"
8. Land within Higher Education Campuses suitable for development / redevelopment
9. NJDOT Certified Transit Villages
10. "Urban Transit Hubs" as defined by Economic Development Authority's Urban Transit Hub Tax Credit Program
11. Land owned by the New Jersey Sports and Exposition Authority
12. Commission approved requests for additional areas, for example, sites that have been historically utilized for large-scale commercial, research or industrial uses, that meet Commission requirements may be submitted for inclusion by a county with the support of relevant municipalities and, if relevant, the advice and consent of a regional planning entity. If a county declines to serve this role, requests will be accepted by a municipality or other appropriate entity.

#### **Regional Planning Entities**

As the Act requires, this Plan must treat land within the jurisdiction of a regional planning entity based on the adopted plans and regulations of that entity. As such, the following areas are recognized as Priority Growth Investment Areas:

##### *New Jersey Sports and Exposition Authority (formerly Meadowlands Commission)*

- Lands identified for development and/or redevelopment within the "Land Use Map and Map of the Meadowlands District Master Plan" and the "Hackensack Meadowlands District Official Zoning Map" as amended and supplemented

*Pinelands Commission*

- Lands identified by the Comprehensive Management Plan (CMP) as amended and supplemented as a "Regional Growth Area," a "Town" and developed sections of a "Military and Federal Installation Area"

*Highlands Council*

- Planning Area / Areas Not Conformed - Default to Table 1
- Planning Area / Areas in Conformance – Highlands Council Designated Centers and Redevelopment Areas

*Fort Monmouth Economic Revitalization Planning Authority or its successor:*

- Lands identified for development and/or redevelopment within the "Fort Monmouth Reuse and Redevelopment Plan" as amended and supplemented

## APPENDIX 2: CLEAN WATER AFFORDABILITY CRITERIA

Section 603(i)(2) of WRRDA requires States to develop affordability criteria that will assist in identifying applicants that would have difficulty financing projects without additional subsidization. The law requires that states establish affordability criteria by September 30, 2015 after providing notice and an opportunity for public comment; which is being accomplished through this new feature of NJ's CW Intended Use Plan.

Section 603(i)(2)(A) of WRRDA requires that states base their criteria on:

- income;
- unemployment data;
- population trends; and
- other data determined relevant by the State.

In New Jersey, those applicants where the following income, unemployment data, and population trends exist, based upon the sources below for each factor, are considered to have satisfied the State's CWSRF affordability criteria:

- Median household income of \$90,000 or more;
- County-wide unemployment of 5% or lower; and
- Population trend of 2% or higher.

Applicants that do not meet the specifications above do not meet the State's CWSRF Affordability Criteria.

WRRDA allows states to provide additional subsidization to eligible recipients for the following:

- To benefit a municipality that meets the State's affordability criteria as established under the FWPCA section 603(i)(2);10;
- To benefit a municipality that does not meet the State's affordability criteria but seeks additional subsidization to benefit individual ratepayers in the residential user rate class; or
- To implement a process, material, technique, or technology that addresses water or energy efficiency goals; mitigates stormwater runoff; or encourages sustainable project planning, design, and construction.

NOTE: MHI (2009-2013) and Population Trend Data (percent change - April 1, 2010 to July 1, 2014) is from <https://www.census.gov/quickfacts/NJ> . County Unemployment data is from [http://lwd.dol.state.nj.us/labor/lpa/content/maps/laus\\_month.pdf](http://lwd.dol.state.nj.us/labor/lpa/content/maps/laus_month.pdf) .

## APPENDIX 3: CLEAN WATER PROJECT LIST

## APPENDIX 4: CLEAN WATER PROJECT DESCRIPTION LIST