



State of New Jersey

CHRIS CHRISTIE
Governor

Department of Environmental Protection
MAIL CODE 401-04Q
Bureau of Safe Drinking Water
Division of Water Supply and Geoscience
401 E. State Street – P.O. Box 420
Trenton, New Jersey 08625-0420
Tel #609-292-5550 – Fax #609-633-1495

BOB MARTIN
Commissioner

KIM GUADAGNO
Lt. Governor

PUBLIC NOTICE

FOR THE PROPOSED FFY2015 PRIORITY SYSTEM, INTENDED USE PLAN AND PROJECT PRIORITY LIST DOCUMENT AND THE PROPOSED INTENDED USE PLAN FOR SUPER STORM SANDY

September 10, 2014

Dear Interested Party:

The Department of Environmental Protection (Department) is proposing the Federal Fiscal Year 2015 Priority System, Intended Use Plan (IUP) and Project Priority List Document for the administration of the Drinking Water State Revolving Fund (DWSRF) program. In addition, the Department is proposing an IUP for the federal Disaster Relief Appropriations Act (DRAA) DWSRF that provides an additional opportunity for those facilities impacted by Superstorm Sandy and in need of implementing resiliency measures.

The Federal Fiscal Year 2015 documents must be approved by the U.S. Environmental Protection Agency (USEPA) for the Department to be awarded its FFY2015 capitalization grant. The FFY2015 DWSRF capitalization grant is targeted to be awarded to the Department and available for loan awards to project sponsors beginning in September 2015, for use in the State Fiscal Year 2016 Financing Program (July 1, 2015 to June 30, 2016). Projects included for assistance include wells, storage facilities, water treatment, and distribution system projects. The DRAA DWSRF IUP for FFY2014 was completed in July 2014; this FFY2015 DRAA DWSRF IUP provides those water systems impacted by Superstorm Sandy another opportunity to apply for possible unspent funds.

FFY2015/SFY2016 Base DEP/Trust Financing Program

The Base DWSRF can finance a variety of water system treatment and distribution system improvements under the traditional Priority System ranking methodology, Financing is generally in the form of a low-interest loan (rates as low as one quarter of market rate) with limited opportunities for principal forgiveness as described below. Complete details of the SFY16/FFY15 Base DEP/Trust Financing Program are included in the Proposed FFY2015 Priority System document which is being issued for public comment in conjunction with this notice.

All water purveyors that have a project or projects listed or eligible for listing on the FFY2015 Priority List must commit, by October 10, 2014, to the schedule below for the Department to consider them for the SFY 2016 Financing Program. The Letter of Intent, which is the indication of commitment, is completed through your user account at www.h2loans.com/app/ . If you are new to the Financing Program, please contact the New Jersey Environmental Infrastructure Trust, to request a user account, at (609) 219-8600.

DWSRF Program Schedule (FFY2015/SFY2016)

Activity	Deadline
Commitment Letter (Letter of Intent) and Planning Documents	October 10, 2014
Design Documents and Loan Application	March 6, 2015

For the SFY2016/FFY2015 Financing Program, the Department is proposing the program as follows:

- The Department will reserve a maximum of up to \$4.0 million to provide loans with up to 50% principal forgiveness loans for small systems through the nano loan program. Twenty-five percent (25%) of the remaining cost will be available as a zero interest loan from the Department and 25% of the project cost will be available at the Trust market rate. Individual loans are capped at \$1.0 million each. New Jersey is proposing a NJDEP only principal forgiveness loan program, up to \$500,000 total funding amount, for small water systems, with populations of 500 or less, for those small water systems that can provide a minimum of 15% of project funding from their own resources.
- If there are insufficient applications to utilize the funds allocated for the nano program reserve, the leftover may be reallocated to the base program as determined by the Department.
- For all projects outside the nano loan program, the Department will use the remaining principal forgiveness loan funds for projects that are certified in SFY16, in ranked order. Those projects will be financed at 20% principal forgiveness, 40% Department interest free loan and 40% Trust market rate loan for loans up to \$10 million until the 30 percent

Federal grant condition maximum principal forgiveness is awarded. The balance of the projects will be eligible for the traditional DWSRF FFY2015 financing program (i.e. 75 percent zero interest, 25 percent market rate) in ranked order. This approach allows us to focus principal forgiveness monies on small systems while providing the remaining principal forgiveness funding to high priority projects. While, the DWSRF program hopes to finance all projects, we recognize that limited funds may prevent the funding of all project sponsors.

- An Asset Management plan is now a requirement for project sponsors seeking a DWSRF loan.

The Department strongly recommends that all applicants attend a pre-application meeting with appropriate staff within the Municipal Finance and Construction Element and the Bureau of Safe Drinking Water. To request a pre-application meeting, please contact Gautam Patel, Acting Chief, Bureau of Engineering and Environmental Reviews at (609) 633-1170. The Department is continuing to require project sponsors to submit a planning checklist with the planning document submittal so that the submittals are more complete and the Department can expedite reviews.

Please note that loan terms for supplemental loans will be the same terms as were made for the original executed DWSRF loan. The FFY 2015 program also includes a category of projects called legacy projects, projects that were not able to meet the previous financing cycle deadlines for the Trust Bond sale but were awarded an interim loan before April; included in this legacy project category will be those sponsors implementing resiliency measures or other improvements to those facilities as part of the Sandy DWSRF program that were not able to be funded, as long as the project is consistent with the DWSRF program requirements.

SuperStorm Sandy SRF Financing Program

On January 23, 2013, the Disaster Relief Appropriation Act (DRAA) was approved by Congress and included in P.L. 113-2 which was signed by the President of the United States on January 29, 2013. The purpose of the DRAA was to provide additional funding to the State's Clean Water and Drinking Water SRF programs to fund disaster assistance to communities impacted by the Superstorm Sandy and for projects whose purpose is to reduce storm damage risk and vulnerability and/or to enhance resiliency to rapid hydrologic change or other natural disaster.

The DRAA and the USEPA Guidance direct the development of New Jersey's Sandy related SRF programs to contain the provisions as follow:

1. USEPA allocated \$191,105,958 to New Jersey's Clean Water SRF and \$38,189,086 to the Drinking Water SRF.
2. The State must provide a 20% match to the Sandy SRF federal monies. The Department is coordinating with the Department of Community Affairs Community Development Block Grant (CDBG) program to meet this requirement. We are also evaluating additional funding sources.

3. A minimum of 20% and a maximum of 30% of the SRF grant can be used for additional subsidization (or principal forgiveness loans (PFLs)).
4. The Sandy SRF monies must be expended within 24 months of obligation to the State (i.e. the award of the SRF capitalization grant) unless a waiver is granted by the federal Office of Management and Budget (OMB). USEPA is working with the states to seek a waiver from the 24-month spending limit and expects to have a waiver that would extend the limit 5-7 years.
5. The Sandy SRF assistance must be provided to facilities that were impacted by the Superstorm (including physical damage, loss of power, loss/interruption of mission essential services, etc.) and for projects that are otherwise SRF eligible and serve at least one of the following purposes:
 - Reduces the likelihood of physical damage to a treatment works or drinking water system;
 - Reduces a treatment works' or water system's susceptibility to physical damage or ancillary impacts caused by floods;
 - Facilitates preparation for, adaptation to, or recovery from a sudden unplanned change in the amount of and movement of water in proximity to a treatment works or water system; or
 - Facilitates preparation for, adaptation to or recovery from climate change or any other type of natural disaster.

Projects were eligible for funding through the Sandy DWSRF in SFY2015/FFY2014 based on the project's rank on the Priority List and the amount of available funds. The Department also issued a Track II Call for Projects in December 2014 to insure that all eligible projects had another chance to apply for Sandy DWSRF funding. The Department and the Trust expect that all Sandy DWSRF funds will be allocated in SFY2015/FFY2014. In the case where Sandy DWSRF funds are still available, the SFY2016/FFY2015 project document submittal schedule for Sandy DWSRF funding is identical to the base program schedule as identified below:

**Superstorm Sandy DWSRF Program Schedule
(FFY2015/SFY2016)**

Activity	Deadline
Commitment Letter (Letter of Intent) and Planning Documents	October 10, 2014
Design Documents and Loan Application	March 6, 2015

As in the SFY2015/FFY2014 IUP, the Department is reserving 4% of the Sandy DWSRF allotment for program administration and reserving an amount equal to the 20% State Match to ensure that the source funding the State Match is used in a manner compatible with its source of origination. While the DRAA and USEPA allow up to 30% of the grant to be used for principal forgiveness loans, that percentage is diluted when the 20% State Match is added and when the Trust's 25% market-rate share is included.

For the vast majority of the projects financed through the Sandy DWSRF Program, the Trust will provide a 25% share of the loan amount and that the Department will provide financing for 75% of the allowable project costs, **of which approximately 19% will be in the form of a principal forgiveness loan.**

Complete details regarding the Sandy DWSRF Financing Program, including allowance for principal forgiveness, are included in the Proposed FFY15 Priority System document which is being issued for public comment in conjunction with the Sandy IUP.

As stated above, the Department is working to award all of the Sandy DWSRF funds in the SFY2015 Program, however, there is the possibility that the amount of approvable projects in the SFY2015 program do not utilize all of the available Sandy DWSRF funds. Therefore, the Department will continue to accept submittals under the Sandy DWSRF Program, which includes a principal forgiveness component of approximately 19% of the allowable costs. If all of the Sandy DWSRF funds are awarded in SFY2015, new submittals will continue to be eligible under the 75% DEP and 25% Trust loan structure.

All applicants are strongly encouraged to attend a pre-application meeting with appropriate staff within the Municipal Finance and Construction Element. To request a pre-application meeting, please contact Gautam Patel, Acting Chief, Bureau of Engineering and Environmental Reviews at **(609) 633-1170**. The Department is continuing to require project sponsors to submit a planning checklist with the planning document submittal so that the submittals are more complete and the reviews can be expedited.

SAIL Loan Program

The Trust-administered Disaster Recovery Emergency Loan Fund (commonly referred to as the Statewide Assistance Infrastructure Loan (SAIL) Program) is designed for project sponsors that are certain that FEMA will provide grant funding for a substantial portion of the overall project costs. SAIL is a short-term bridge loan program to help facilitate the cash flow needs of municipalities and authorities and pay for construction costs related to the repair of infrastructure damaged during Sandy and projects to improve infrastructure resiliency in future disasters.

Projects will be financed on a first-approved, first-funded basis provided the project satisfies the requirements to be classified as a SAIL project under the approved legislation (including listing of the project on the SAIL List submitted to Legislature) and certification for eligibility by the Department and the Trust.

A hearing on the Proposed FFY2015 Priority System document for Drinking Water Financing will be held at the offices of the NJ Environmental Infrastructure Trust, 3131 Princeton Pike, Building 4, Suite 216, Lawrenceville, New Jersey, in the large conference room on Tuesday, September 30, 2014. The hearing will commence at 10:00 a.m. and conclude at noon or the end of testimony (whichever is sooner) and will be held in conjunction with the Priority System and Intended Use Plan hearing for the Clean Water Program. Presentations may be made orally or in writing; if written testimony is prepared, the

oral presentation should be limited to a summary of the text. The period for submitting written comments on the proposal will close on October 10, 2014 (all comments must be received by that date). All comments submitted prior to the close of the comment period will be considered in the preparation of the final FFY2015 Priority System and Sandy DWSRF documents.

Written comments should be sent to the following address:

Mail Code 401-04Q
Sandra Krietzman, Bureau Chief
Bureau of Safe Drinking Water
NJ Department of Environmental Protection
PO Box 420
401 East State Street, 4th Floor, West Wing
Trenton, New Jersey 08625-0420

The Proposed Priority System document is posted on the Department's web site at http://www.nj.gov/dep/watersupply/dws_loans.html. You can request a hard copy by contacting Todd Taylor, Supervisor, Bureau of Safe Drinking Water at (609) 292-5550. If you have any questions regarding the Drinking Water proposals, please contact one of the following: Alan S. Dillon, Section Chief, 609-292-5550 or Todd Taylor, Supervising Environmental Engineer, 609-292-5550.

Sincerely,

/s/

Sandra Krietzman, Chief,
Bureau of Safe Drinking Water
Division of Water Supply & Geoscience