ENGAGEMENT SESSION on the Intended Use Plan in Response to the Bipartisan Infrastructure Law
Agenda

- Water Infrastructure Investment Plan Overview
  - *DEP Commissioner Shawn LaTourette - video*
- Welcome Remarks
  - *DEP WRM Assistant Commissioner Pat Gardner*
- State Revolving Fund Basics
  - *Alaina Ungarini, DEP Division of Water Supply & Geoscience*
- Why Are We Here: Needs, Ranking, & Available Funding - w/ QA
  - *Bureau Chief Paul Hauch, DEP Division of Water Quality*
  - *Executive Director, David Zimmer, New Jersey Infrastructure Bank*
- Affordability, Set Asides, Resilience - w/ QA
  - *Director Trish Ingelido, DEP Division of Water Supply & Geoscience*
- Next Steps
  - *DEP WRM Assistant Commissioner Pat Gardner*
Ground Rules:

• Please click your microphone button on the toolbar to mute your microphone.

• Type your questions in the chat

• During the Q&A sessions, you can raise your hand to ask a question or type your questions in the chat.
State Revolving Fund (SRF) Basics

Speaker Info:
Alaina Ungarini
Division of Water Supply & Geoscience
NJ Water Bank Program Overview

Clean Water & Drinking Water State Revolving Funds

1972
Clean water Act (CWA) adopted and set up construction grant program

1987
State Revolving Funds (SRFs) authorized by the CWA

1990s
Safe Drinking Water Act (SDWA) recognized the cost burden of compliance

1996
SDWA authorizes Drinking Water SRF

2014
Water Resources Reform and Development Act added principal forgiveness and affordability to CWSRF

Partnership between the New Jersey Department of Environmental protection and the New Jersey Infrastructure Bank.

Steward of NJ’s SRF financing program

New Jersey Water Bank (NJWB)

Incentivize investment to sustain and improve NJ’s aging water infrastructure systems

Provide low-cost financing for the planning, design, construction & implementation of projects
Water Bank Program Stats (Since 1987)

- **Over $7.6 billion** in low-interest long term loans
- **$2.76 billion** in savings to ratepayers
- **Average borrower saves $0.5M** in interest expense **per $1M borrowed**
- **Over 140,000 direct construction jobs** generated throughout the State
- **1,666 projects** financed and completed
- **$1.48 billion** in short-term loans to **209 active construction projects**
Benefits of Water Bank Loan

- Up to 30 Year loans terms
- Rolling Applications
- No Deadlines
- Rolling Awards for Clean Water projects based upon readiness to proceed
- Drinking Water loan awards based upon readiness and Priority Ranking
- Low-interest Construction “Bridge” Loans
- No out-of-pocket costs
SRF 101 – Water Bank Sources and Uses of Funds

**USEPA**
Annual CW/DW CAP Grant

**State of NJ**
20% Match to CAP Grant, + State Appropriations

**NJDEP**
Aggregate SRF Funds

**I-Bank**
AAA Market Rate Bond Funding

Projects

- New Jersey Water Bank (SRF Program)
- Below Market Rate Loans
- Borrower Repayments
Clean Water

Eligible Recipients:

- Local government units, municipal utilities authorities, counties, regional water authorities that own stormwater or wastewater collection and treatment works
- Private entities (through public conduit borrowers above)
- Private colleges and universities (nonpoint source only)

Not Eligible for Assistance:

- Federally-owned stormwater or wastewater collection and treatment works (i.e. military bases or prisons)
- Privately-owned wastewater and stormwater collection and treatment works

Eligible Recipients:

- Local government units, municipal utilities authorities, counties, regional water authorities that own stormwater or wastewater collection and treatment works
- Private entities (through public conduit borrowers above)
- Private colleges and universities (nonpoint source only)

Not Eligible for Assistance:

- Federally-owned stormwater or wastewater collection and treatment works (i.e. military bases or prisons)
- Privately-owned wastewater and stormwater collection and treatment works
Drinking Water

Eligible Recipients:

- Privately-owned (including investor-owned) and publicly-owned community water systems (towns, boroughs, municipal utilities authorities, counties, regional water authorities, other local government units, etc.) with projects that help protect, maintain, or improve water quality are eligible for participation in the Water Bank

- Non-profit noncommunity water systems

Not Eligible for Assistance:

- Federally-owned drinking water systems (i.e. military bases or prisons)

- For profit noncommunity water systems
SRF 101- Annual (SFY 2015-2022) CW/DW Funding
Why We Are Here: Needs, Ranking, Available Funding

Speaker Info:
Paul Hauch
Bureau Chief, Construction, Payments & Administration
Division of Water Quality

David Zimmer
Executive Director
New Jersey Infrastructure Bank
# NJ’s Water Infrastructure Funding Needs

## USEPA Needs Assessment

- Drinking Water (DW) needs at ~$8.5 billion (2015, 20-year needs)
- Clean Water (CW) needs at ~$17.5 billion (2012, 20-year needs)

## Clean Water Estimated 5-Year Funding Demand

<table>
<thead>
<tr>
<th>Category &amp; Description</th>
<th>Applications Under Review*</th>
<th>Additional 5-Yr Demand Projection **</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correction of Combined Sewer Overflows</td>
<td>$571 M</td>
<td>$2,000 M</td>
<td>$2,571 M</td>
</tr>
<tr>
<td>Advanced Treatment</td>
<td>$546 M</td>
<td></td>
<td>$546 M</td>
</tr>
<tr>
<td>Secondary/Sludge/Septage Treatment</td>
<td>$2,223 M</td>
<td></td>
<td>$2,223 M</td>
</tr>
<tr>
<td>Sewer System Rehabilitation</td>
<td>$1,539 M</td>
<td></td>
<td>$1,539 M</td>
</tr>
<tr>
<td>New Collectors, Interceptors, Appurtenances</td>
<td>$1,101 M</td>
<td></td>
<td>$1,101 M</td>
</tr>
<tr>
<td>Nonpoint Source Management</td>
<td>$1,140 M</td>
<td></td>
<td>$1,140 M</td>
</tr>
<tr>
<td>Stormwater Management</td>
<td>$1,101 M</td>
<td></td>
<td>$1,101 M</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$8,221 M</strong></td>
<td><strong>$2,000 M</strong></td>
<td><strong>$10,221 M</strong></td>
</tr>
</tbody>
</table>

## Drinking Water Estimated 5-year Funding Demand

<table>
<thead>
<tr>
<th>Category &amp; Description</th>
<th>Applications Under Review*</th>
<th>Additional 5-Yr Demand Projection **</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediate Public Health Risks (incl. uncovered water reservoirs)</td>
<td>$93 M</td>
<td>$100 M</td>
<td>$193 M</td>
</tr>
<tr>
<td>Projects to remove contaminants exceeding an MCL</td>
<td>$83 M</td>
<td></td>
<td>$83 M</td>
</tr>
<tr>
<td>Lead service line (LSL) replacement due to ALE</td>
<td>$231 M</td>
<td>$779 M</td>
<td>$1,010 M</td>
</tr>
<tr>
<td>Removal of newly regulated contaminants (PFAS)</td>
<td></td>
<td>$395 M</td>
<td>$395 M</td>
</tr>
<tr>
<td>Resiliency, Vulnerability, and Saltwater Intrusion</td>
<td>$60 M</td>
<td></td>
<td>$60 M</td>
</tr>
<tr>
<td>Non-Lead System Rehab (operationally necessary)</td>
<td>$1,513 M</td>
<td></td>
<td>$1,513 M</td>
</tr>
<tr>
<td>LSL Replacement with no ALE</td>
<td>$297 M</td>
<td>$440 M</td>
<td>$737 M</td>
</tr>
<tr>
<td>Security</td>
<td>$61 M</td>
<td></td>
<td>$61 M</td>
</tr>
<tr>
<td>Water Conservation and Green Infrastructure</td>
<td>$378 M</td>
<td></td>
<td>$378 M</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,716 M</strong></td>
<td><strong>$1,714 M</strong></td>
<td><strong>$4,430 M</strong></td>
</tr>
</tbody>
</table>
Over $900M available for project funding each year over the next 5 years!
Over $900M per Year! That is Why We Are Here Today

How to Use Over $900M for Water projects

**Intended Use Plan**

- Sets the Commissioner's (DEP) **funding priorities** and establishes **funding packages** for the year, including **Principal Forgiveness**
- Also establishes:
  - Project Eligibility
  - Ranking System
  - Project Priority List
  - Affordability Criteria
  - Non-Project Set Asides
Ranking Methodology

Projects scored and placed on the SRF Project Priority List - Points are assigned in the following categories:

**Clean Water***

- Project Discharge Category Points (CSO/SSO highest, STP Improvements, Sludge Treatment, New Systems, Stormwater Management)
- Water Use/Water Quality Points
- Sustainable Community Planning Activities
- **Affordability** – Currently CW does not award points. Under Consideration for SFY23

**Drinking Water***

- Compliance and Public Health Criteria
- Water Supply Plans/Studies
- **Affordability** – Revision of criteria under consideration for SFY23.

*Population is used as a tie-breaker
## SFY23 Clean Water Funding Packages - Initial Thoughts

<table>
<thead>
<tr>
<th>Clean Water Categories</th>
<th>DEP Share</th>
<th>I-Bank Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSO Abatement – Grey and Green Infrastructure, Water Quality Restoration, Environmental Justice &amp; Affordability, Energy and Water Efficiency, Emerging Contaminants Projects*</td>
<td>75% Interest Free Loan and Principal Forgiveness</td>
<td>25% AAA Market Interest Rate Loan**</td>
</tr>
<tr>
<td>All Other Water Quality Projects (Base CWSRF)</td>
<td>50% Interest Free Loan</td>
<td>50% AAA Market Interest Rate Loan</td>
</tr>
<tr>
<td>Brownfield Redevelopment (Conduit Projects)</td>
<td>25% Interest Free Loan</td>
<td>75% AAA Market Interest Rate Loan</td>
</tr>
</tbody>
</table>

* Costs in excess of $10 million for these projects will be financed under the Base CWSRF package.

** 25% of I-Bank’s AAA Market Interest Rate means an effective interest rate no greater than would have resulted from financing with a 25% share of I-Bank’s AAA bond funds at market interest rates and a 75% share of the Department interest-free loan funds.
In the notes it says SFY23 proposal should come out in November. Isn't it by July 1, 2023.

Gardner, Patricia (DEP), 1/22/2022
1. **Affordability Criteria** - To benefit a municipality that meets the State’s **affordability criteria** as established in the IUP; OR

2. **Benefits Individual Ratepayers in the Residential User Class** - 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

3. 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**.

4. **BIL - Emerging Contaminants** - for remediation of emerging contaminants with a focus on PFAS/PFOA.
Initial Thoughts of How to Use $115M for SFY23 Clean Water Principal Forgiveness

<table>
<thead>
<tr>
<th>Clean Water Principal Forgiveness</th>
<th>Projected Amount of Principal Forgiveness Available</th>
<th>Principal Forgiveness Share of Project Costs</th>
<th>Principal Forgiveness Cap per Applicant</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSO Abatement – Grey and Green Infrastructure</td>
<td>$60M</td>
<td>50%</td>
<td>$5M</td>
</tr>
<tr>
<td>Water Quality Restoration</td>
<td>$20M</td>
<td>50%</td>
<td>$2.5M</td>
</tr>
<tr>
<td><strong>Environmental Justice &amp; Affordability Criteria</strong></td>
<td><strong>$20M</strong></td>
<td><strong>50%</strong></td>
<td><strong>$2M</strong></td>
</tr>
<tr>
<td>Energy and Water Efficiency Projects</td>
<td>$10M</td>
<td>50%</td>
<td>$2M</td>
</tr>
<tr>
<td>Emerging Contaminants</td>
<td>$4M</td>
<td>50%</td>
<td>$2M</td>
</tr>
<tr>
<td>Overflow and Stormwater Grant (OSG) CW SRF PF Loans</td>
<td>$1M</td>
<td>20%</td>
<td>$0.2M</td>
</tr>
</tbody>
</table>

We will be looking for feedback on how to maximize effectiveness of available Principal Forgiveness to implement high priority projects and projects in Environmental Justice and Disadvantaged Communities.
## Propose Drinking Water Funding Packages - Initial Thoughts

<table>
<thead>
<tr>
<th>Drinking Water Categories</th>
<th>DEP Share</th>
<th>I-Bank Share</th>
<th>Borrower Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affordability</strong>* (Publicly-Owned Systems only)</td>
<td>75% Interest Free Loan</td>
<td>25% AAA Market Rate Loan</td>
<td>$10 Million**</td>
</tr>
<tr>
<td>Base DWSRF – Public</td>
<td>50% Interest Free Loan</td>
<td>50% AAA Market Rate Loan</td>
<td>$25 Million***</td>
</tr>
<tr>
<td>Base DWSRF – Investor-owned</td>
<td>25% Interest Free Loan</td>
<td>75% AAA Market Rate Loan</td>
<td>$25 Million***</td>
</tr>
</tbody>
</table>

* Systems serving municipalities with an MHI < 65% State MHI
** Additional costs up to $25 million total funded at base rate
*** Costs in excess of the $25 million cap will be financed at I-Bank market rate as capacity allows
Drinking Water
Principal
Forgiveness
and Grants
Allowed Under
Traditional
Program and
BIL

1. **Disadvantaged Communities** - Meet the State’s definition of “disadvantaged” or which the State expects to become “disadvantaged” as a result of the project.

2. **Small Systems (< 10,000)** - States are required to use 15% of DW funds for loans to small systems. NJ introduced the Nano Loan Program (50% PF, up to $500k) for small systems in 2014 to help meet the 15% requirement.

3. **BIL Lead Service Line Replacement** – for lead service line replacement, including planning, identification and design (includes inventories).

4. **BIL Emerging Contaminants** - for remediation of emerging contaminants with a focus on PFAS/PFOA.
### Initial Thoughts of How to Use $60M for SFY23 DW Principal Forgiveness

<table>
<thead>
<tr>
<th>Drinking Water Principal Forgiveness</th>
<th>Projected Amount of Principal Forgiveness Available</th>
<th>Principal Forgiveness Share of Project Costs</th>
<th>Principal Forgiveness Cap per Applicant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead Line Replacement</td>
<td>$25M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;5,000 known lead service lines</td>
<td></td>
<td>50%</td>
<td>$5M</td>
</tr>
<tr>
<td>≥ 1,000 and ≤ 5,000 known lead service lines</td>
<td></td>
<td>50%</td>
<td>$2M</td>
</tr>
<tr>
<td>&lt; 1,000 known lead service lines</td>
<td></td>
<td>50%</td>
<td>$1M</td>
</tr>
<tr>
<td>Emerging Contaminants (including PFAS)</td>
<td>$13M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systems serving &gt; 10,000</td>
<td></td>
<td>N/A</td>
<td>$1M</td>
</tr>
<tr>
<td>Systems serving ≤ 10,000 customers</td>
<td></td>
<td>N/A</td>
<td>$500,000</td>
</tr>
<tr>
<td>Nano (Projects for systems serving ≤ 10,000 customers not covered by above)</td>
<td>$4M</td>
<td>50%</td>
<td>$500,000</td>
</tr>
<tr>
<td>Small System Engineering</td>
<td>$3M</td>
<td>100%</td>
<td>$750,000</td>
</tr>
<tr>
<td>General BIL Principal Forgiveness</td>
<td>$15M</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

We want feedback on how to maximize effectiveness of available PF to implement high priority projects and projects in EJ and Disadvantaged Communities.
BIL Funding and SFY23 Initial Thoughts

What a project’s funding package may look like

CSO Community Borrower – Meets CW Affordability Criteria; A2 Rated Borrower, 30-year financing

Project 1 - $30M Sewer Separation Project that benefits an EJ community by reducing flooding and improving water quality.

CSO Funding Package

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Principal Forgiveness</th>
<th>DEP Loan (0%)</th>
<th>I-Bank Loan (AAA Market Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $10M</td>
<td>$5M</td>
<td>$2.5M</td>
<td>$2.5M</td>
</tr>
<tr>
<td>Next $20M</td>
<td>$0M</td>
<td>$10M</td>
<td>$10M</td>
</tr>
<tr>
<td>Total ($30M)</td>
<td>$5M</td>
<td>$12.5M</td>
<td>$12.5M</td>
</tr>
</tbody>
</table>

TOTAL CASH OUTLAY –

Scenario 1. 100% Financed by Borrower: $41.79 M
Scenario 2. Financed by Water Bank: $31.21 M
Net Savings = $10.6 M savings (35.3%)

Project 2 - $5M CSO Green Infrastructure Project to Construct Rain Gardens throughout the Community.

Affordability/EJ Funding Package

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Principal Forgiveness</th>
<th>DEP Loan (0%)</th>
<th>I-Bank Loan (AAA Market Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $4M</td>
<td>$2M</td>
<td>$1M</td>
<td>$1M</td>
</tr>
<tr>
<td>Next $1M</td>
<td>$0M</td>
<td>$0.75M</td>
<td>$0.25M</td>
</tr>
<tr>
<td>Total ($5M)</td>
<td>$2M</td>
<td>$1.75M</td>
<td>$1.25M</td>
</tr>
</tbody>
</table>

TOTAL CASH OUTLAY –

Scenario 1. 100% Financed by Borrower: $6.97 M
Scenario 2. Financed by Water Bank: $3.66 M
Net Savings = $3.3 M savings or (66.2%)
BIL Funding and SFY23 Initial Thoughts

What a project’s funding package may look like

Municipal Borrower (adjacent to a State-owned lake, experiencing HABs due to stormwater runoff and faulty septic systems)  
A2 Rated Borrower, 30-year financing

**Project 1** - $4M Sewer Extension Project to Connect Homes with Malfunctioning Septic Systems to Municipal Sewer.

**Water Quality Funding Package**

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Principal Forgiveness</th>
<th>DEP Loan (0%)</th>
<th>I-Bank Loan (AAA Market Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $4M</td>
<td>$2M</td>
<td>$1M</td>
<td>$1M</td>
</tr>
<tr>
<td>Total ($4M)</td>
<td>$2M</td>
<td>$1M</td>
<td>$1M</td>
</tr>
</tbody>
</table>

**TOTAL CASH OUTLAY –**

- Scenario 1: 100% Financed by Borrower: $5.57 M
- Scenario 2: Financed by Water Bank: $2.51 M

**Net Savings = $3.06 M savings (76.5%)**

**Project 2** - $1M Procurement Contract for Street Sweepers / Heavy Equipment to Maintain Stormwater Infrastructure

**Water Quality Funding Package**

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Principal Forgiveness</th>
<th>DEP Loan (0%)</th>
<th>I-Bank Loan (AAA Market Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $1M</td>
<td>$0.5M</td>
<td>$0.25M</td>
<td>$0.25M</td>
</tr>
<tr>
<td>Total ($1M)</td>
<td>$0.5M</td>
<td>$0.25M</td>
<td>$0.25M</td>
</tr>
</tbody>
</table>

**TOTAL CASH OUTLAY –**

- Scenario 1: 100% Financed by Borrower: $1.395 M
- Scenario 2: Financed by Water Bank: $0.63 M

**Net Savings = $0.77 M savings (76.5%)**
BIL Funding and SFY23 Initial Thoughts

What a project’s funding package may look like

LSLR Project/EJ Community; A2 Rated Borrower, 30-year financing

**Project 1** - $30M lead service line replacement project in a municipally owned EJ community with over 5,000 known lead service lines. Project is needed for public health protection to comply with the recent legislation requiring the replacement of all lead service lines within 10 years.

**LSLR/Affordability Funding Package**

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Principal Forgiveness</th>
<th>DEP Loan (0%)</th>
<th>I-Bank Loan (AAA Market Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $10M</td>
<td>$5M</td>
<td>$2.5M</td>
<td>$2.5M</td>
</tr>
<tr>
<td>Next $10M</td>
<td>$0M</td>
<td>$7.5M</td>
<td>$2.5M</td>
</tr>
<tr>
<td>Next $5M</td>
<td>$0M</td>
<td>$2.5M</td>
<td>$2.5M</td>
</tr>
<tr>
<td>Next $5M</td>
<td>$0M</td>
<td>$0M</td>
<td>$5M</td>
</tr>
<tr>
<td><strong>Total ($30M)</strong></td>
<td><strong>$5M</strong></td>
<td><strong>$12.5M</strong></td>
<td><strong>$12.5M</strong></td>
</tr>
</tbody>
</table>

**TOTAL CASH OUTLAY** –

- **Scenario 1.** 100% Financed by Borrower: **$41.79 M**
- **Scenario 2.** Financed by Water Bank: **$31.21 M**

**Net Savings =** **$10.6 M savings or (35.3%)**
BIL Funding and SFY23 Initial Thoughts

What a project’s funding package may look like

Uncovered Finished Reservoir Project/EJ Community; A2 Rated Borrower, 30-year financing

Project 2 - $30M Project that will benefit an EJ community by eliminating an uncovered finish water reservoir to comply with the SDWA and improve public health protections.

Affordability/EJ Funding Package

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Principal Forgiveness</th>
<th>DEP Loan (0%)</th>
<th>I-Bank Loan (AAA Market Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $10M</td>
<td>$0M</td>
<td>$7.5M</td>
<td>$2.5M</td>
</tr>
<tr>
<td>Next $15M</td>
<td>$0M</td>
<td>$7.5M</td>
<td>$7.5M</td>
</tr>
<tr>
<td>Next 5M</td>
<td>$0M</td>
<td>$0M</td>
<td>$5M</td>
</tr>
<tr>
<td>Total ($30M)</td>
<td>$0M</td>
<td>$15M</td>
<td>$15M</td>
</tr>
</tbody>
</table>

**TOTAL CASH OUTLAY –**

Scenario 1. 100% Financed by Borrower: $41.79 M
Scenario 2. Financed by Water Bank: $37.47 M

**Net Savings =** $4.3 M savings or (14.42%)
BIL Funding and SFY23 Initial Thoughts

What a project’s funding package may look like

WTP Resiliency Upgrade/Nano Community  A2 Rated Borrower, 30-year financing

Project 3 - $3M Water Treatment Plant Upgrade for a municipally owned Nano system to increase resiliency

Nano Funding Package

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Principal Forgiveness</th>
<th>DEP Loan (0%)</th>
<th>I-Bank Loan (AAA Market Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $1M</td>
<td>$0.5M</td>
<td>$0.25M</td>
<td>$0.25M</td>
</tr>
<tr>
<td>Next $2M</td>
<td>$0M</td>
<td>$1M</td>
<td>$1M</td>
</tr>
<tr>
<td>Total ($3M)</td>
<td>$0.5M</td>
<td>$1.25M</td>
<td>$1.25M</td>
</tr>
</tbody>
</table>

TOTAL CASH OUTLAY –

Scenario 1. 100% Financed by Borrower: $4.18 M
Scenario 2. Financed by Water Bank: $3.12M
Net Savings = $1.1 M savings (35.5%)
BIL Funding and SFY23 Initial Thoughts

What a project’s funding package may look like

EJ/Large Community (>10,000) PFAS Project; A2 Rated Borrower, 30-year financing

Project 4 - $15M PFAS Project for a municipally owned EJ community

PFAS/EJ Funding Package

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Principal Forgiveness</th>
<th>DEP Loan (0%)</th>
<th>I-Bank Loan (AAA Market Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $1M</td>
<td>$1M</td>
<td>$0M</td>
<td>$0M</td>
</tr>
<tr>
<td>Next $10M</td>
<td>$0M</td>
<td>$7.5M</td>
<td>$2.5M</td>
</tr>
<tr>
<td>Next $4M</td>
<td>$0M</td>
<td>$2M</td>
<td>$2M</td>
</tr>
<tr>
<td>Total ($15M)</td>
<td>$1M</td>
<td>$9.5M</td>
<td>$4.5M</td>
</tr>
</tbody>
</table>

TOTAL CASH OUTLAY –

Scenario 1. 100% Financed by Borrower: $20.89 M
Scenario 2. Financed by Water Bank: $16.22 M

Net Savings = $4.7 M savings or (31.2%)
Discussion/Questions

<table>
<thead>
<tr>
<th>Clean Water Principal Forgiveness</th>
<th>Projected Amount of Principal Forgiveness Available</th>
<th>Principal Forgiveness Share of Project Costs</th>
<th>Principal Forgiveness Cap per Applicant</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSO Sewershed – Grey and Green Infrastructure</td>
<td>$60M</td>
<td>50%</td>
<td>$5M</td>
</tr>
<tr>
<td>Water Quality Restoration</td>
<td>$20M</td>
<td>50%</td>
<td>$2.5M</td>
</tr>
<tr>
<td>Environmental Justice &amp; Affordability Criteria</td>
<td>$20M</td>
<td>50%</td>
<td>$2M</td>
</tr>
<tr>
<td>Energy and Water Efficiency Projects</td>
<td>$10M</td>
<td>50%</td>
<td>$2M</td>
</tr>
<tr>
<td>Emerging Contaminants</td>
<td>$4M</td>
<td>50%</td>
<td>$2M</td>
</tr>
<tr>
<td>Overflow and Stormwater Grant (OSG) CW SRF PF Loans</td>
<td>$1M</td>
<td>20%</td>
<td>$0.2M</td>
</tr>
</tbody>
</table>

1. Did we get the right balance in optimizing the effectiveness of available principal forgiveness to implement high priority projects and projects in environmental justice and disadvantaged communities?

2. Should the allocation of CW PF to projects categories in the table be revised to better address the state’s clean water priorities and project affordability concerns?

3. Would additional principal forgiveness or more favorable loan terms assist Disadvantaged Communities to implement projects?

4. Does your community/system have any projects under consideration that would address emerging contaminants?

5. Would it be beneficial if USEPA opened CW Emerging Contaminant PF category to projects that monitor and sample for emerging contaminants?
## Discussion/Questions

<table>
<thead>
<tr>
<th>Drinking Water Principal Forgiveness</th>
<th>Projected Amount of Principal Forgiveness Available</th>
<th>Principal Forgiveness Share of Project Costs</th>
<th>Principal Forgiveness Cap per Applicant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead Line Replacement</td>
<td>$25M</td>
<td>50%</td>
<td>$5M</td>
</tr>
<tr>
<td>&gt;5,000 known lead service lines</td>
<td></td>
<td>50%</td>
<td>$5M</td>
</tr>
<tr>
<td>≥ 1,000 and ≤ 5,000 known lead service lines</td>
<td></td>
<td>50%</td>
<td>$2M</td>
</tr>
<tr>
<td>&lt; 1,000 known lead service lines</td>
<td></td>
<td>50%</td>
<td>$1M</td>
</tr>
<tr>
<td>Emerging Contaminants (including PFAS)</td>
<td>$13M</td>
<td>N/A</td>
<td>$1M</td>
</tr>
<tr>
<td>Systems serving &gt; 10,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systems serving ≤ 10,000 customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nano (Projects for systems serving ≤ 10,000 customers not covered by above)</td>
<td>$4M</td>
<td>50%</td>
<td>$500,000</td>
</tr>
<tr>
<td>Small System Engineering</td>
<td>$3M</td>
<td>100%</td>
<td>$750,000</td>
</tr>
<tr>
<td>General BIL Principal Forgiveness</td>
<td>$15M</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

1. Did we get the right balance in optimizing the effectiveness of available principal forgiveness to implement high priority projects sponsored by small, medium and large water systems and projects in environmental justice and disadvantaged communities?

2. How should DEP allocate the General BIL PF to projects categories and/or Disadvantaged Communities to better address the drinking water priorities and project affordability concerns?

3. Does your community/system have any projects under consideration that would address emerging contaminants other than PFAS?
State Revolving Fund (SRF) Affordability, Set Asides, Resilience

Speaker Info:
Trish Ingelido, Director
Division of Water Supply & Geoscience
New Jersey’s Current Affordability/Disadvantage Community Criteria

Clean Water Affordability:
Applicants where the following income, unemployment data, and population trends exist, are considered to have satisfied the CWSRF affordability criteria:

- Median Household Income of $90,000 or less,
- County wide unemployment of 5% or higher; and
- Population Trend of 2% or lower

Drinking Water Disadvantage Community:
The current IUP defines a disadvantage community as a municipality whose median household income (MHI) is 35% or more below the state’s MHI in accordance with below.

\[(\text{Municipal MHI/Statewide MHI}) \times 100 = \text{Affordability Factor}\]

Disadvantage communities have an affordability factor less than or equal to 65 and are awarded 80 priority ranking points.
Initial thoughts for SFY 2023 program

- Potential Changes to the CW Affordability Criteria and DW Disadvantaged Community Criteria
- DEP is exploring aligning these criteria and considering inclusion of additional information from NJ’s EJ Law Overburdened Community (OBC) Economic Criteria
  - **CW**: MHI < 90K, UE > 5%, Pop. Trend < 2%
  - **DW**: Municipal MHI < 65% State MHI
  - **NJ EJ Law OBC Economic Criteria**: At least 35% of households qualify as low-income households (at or below 2X the poverty threshold)

Potential Options:
1) Utilize the DW MHI income criteria with UE > 5%, Population Trend < 2%
2) Utilize the OBC Economic Criteria with UE > 5%, Population Trend < 2%
Discussion/Questions

Disadvantaged Community and Affordability Criteria

1. Do you think this change in criteria will assist disadvantaged communities to implement water infrastructure projects?

2. Should criteria be used to establish applicants for PF set aside or project ranking criteria or both?

3. Is PF enough for disadvantaged communities to implement projects or do communities need the option of grants as well?

4. Should programs allocate more or less PF/grant funds to disadvantaged and small communities from other project PF categories or apply affordability criteria from existing categories?
Technical Assistance and Set Asides

**Drinking Water Set Asides:** a portion of each capitalization grant (set-aside) to fund non-project activities or “set asides”

- Small System Technical Assistance, Capacity Development, Operator Certification

**Clean Water Set Aside:** New for SFY23 - use up to 2 percent of the funds awarded under the CWSRF base grant and BIL grants for nonprofit organizations or State, regional, interstate, or municipal entities to provide technical assistance to rural, small, and tribal publicly owned treatment works in the State.

**EPA:** EPA Direct Technical Assistance through Environmental Finance Centers

- American Iron and Steel, BABA, what else?

**Discussion Questions:**
1. What types of technical or other assistance would be beneficial for DEP to provide to communities and applicants?
2. What types of training would be beneficial?
More to Come...- SFY 2023 SRF IUP Other Considerations

Build America Buy America Act (BABA): The Bipartisan Infrastructure Law expands domestic preference procurement requirements for SRF projects from American Iron and Steel to construction materials and manufactured products.

WIIN grant: Significant funding for small, underserved and disadvantaged community grants to address emerging contaminants ($5B nationally)

Resilience to Climate Change: DEP is developing a new Infrastructure Resilience Guidance and Best Practices guidance which will set the standards which will be required elements for new projects seeking State funding under the Water Bank.

- Federal Executive Order 14008, USEPA Climate Action Plan
- NJ Executive Order 89, NJDEP Executive Order 2020-21
Next Steps

- Week of January 24th - Post WIIP Engagement Session Presentation
- February 15, 2022 – Deadline for comments and feedback

Look for link at https://www.nj.gov/dep/wiip/sessions.html

- Late February - Additional Engagement Session on Draft IUP Proposals
- Early March – DEP Publishes Proposed IUPs
- Late March – DEP holds IUP Public Hearings
- April – DEP Publishes Final IUPs
- July 1, 2022 – Policies and Funding Packages in SFY 2023 IUPs Go Into Effect

When can you start applying?

Today!
Most people miss opportunity because it is dressed in overalls and looks like work.

Thomas Edison
Thank you!

More information: https://www.nj.gov/dep/wiip/

Contact: WaterBankInfo@dep.nj.gov
Making the Connections
New Jersey Water Bank Program
Acronyms, Terms and WIIP Relationships

**WIIP** – New Jersey Water Infrastructure Investment Plan (State Program) as part of the BIL (Federal Law)

**BIL** - Bipartisan Infrastructure Law

**NJWB** – New Jersey Water Bank – partnership between NJDEP and NJIB (also identified as the NJEIT, New Jersey Environmental Infrastructure Trust)

**NJIB** – New Jersey Infrastructure Bank, NJWB is a component of the overall NJIB that also finances transportation projects.

**SRF** – NJDEP’s State Revolving Fund Program (as per the Clean Water Act). WIIP funds will be transacted through NJDEP’s existing Clean Water State Revolving Fund and Drinking Water State Revolving Fund in partnership with NJIB.

**CW** - Clean Water,

**DW** - Drinking water

**IUP** – Intended Use Plan

**CAP** – Annual Capitalization Grant from EPA to New Jersey to capitalize the SRF Program.

**Clean Watershed Needs Survey** - EPA’s Clean Watersheds Needs Survey (CWNS) is an assessment of capital investment needed nationwide for publicly-owned wastewater collection and treatment facilities to meet the water quality goals of the Clean Water Act. These capital investment needs are reported periodically to Congress.

**Drinking Water Needs Survey** - The 1996 Safe Drinking Water Act Amendments mandated that EPA conduct an assessment of the nation’s public water systems’ infrastructure needs every four years and use the findings to allocate DWSRF capitalization grants to states. The DWSRF was established to help public water systems obtain financing for improvements necessary to protect public health and comply with drinking water regulations.