



## State of New Jersey

CHRIS CHRISTIE  
*Governor*

BOB MARTIN  
*Commissioner*

KIM GUADAGNO  
*Lt. Governor*

### **Department of Environmental Protection Clean Water Financing Program/State Revolving Fund**

### **PROPOSED AMENDMENTS TO THE FFY2016 PRIORITY SYSTEM, INTENDED USE PLAN, AND PROJECT PRIORITY LIST**

January 15, 2016

#### **Introduction**

In August 2015, the Department issued its FFY2016 Clean Water Priority System, Intended Use Plan and Project Priority List proposal document to solicit interest in the FFY2016/SFY2017 Financing Program and explain the Department's funding policies for the forthcoming financing cycle. The proposal was open for public comment and sponsors of 72 projects totaling more than \$691 million submitted initial requests for funding in October 2015.

The Department is proposing to amend the original proposal to announce a Track II opportunity to allow project sponsors that missed the initial deadline in October 2015, to participate in the FFY2016/SFY2017 Program and seek base or Sandy CWSRF funding; including the financing of Long-Term Control Plans for Combined Sewer Overflow (CSO) permittees, opportunities for principal forgiveness for stormwater and nonpoint source pollution projects in the Barnegat Bay Watershed and financing the local share of FEMA-funded projects.

The amendments are designed to encourage owners and operators of wastewater treatment systems and stormwater management facilities to take advantage of the low-cost financing available through the SFY2017 Environmental Infrastructure Financing Program, including Sandy CWSRF funds.

#### **Track II Provisions**

The Department is proposing to include a second chance opportunity to accommodate project sponsors that missed the initial commitment letter and planning document deadline of October 9, 2015 to participate in the FFY2016/ SFY2017 Financing Program. Sponsors of such projects are required to submit a Commitment Letter (Letter of Intent), Planning, Design and Loan Application by the March 4, 2016 deadline.

Sponsors of projects not currently listed on the FFY2016 Priority List will also need to submit basic project information with their commitment letter (Letter of Intent) in order to be considered for the second chance opportunity in the FFY2016/SFY2017 Financing Program.

Second chance projects will be eligible for loans (at one-quarter the market rate with limited opportunities for principal forgiveness) in the SFY2017 Financing Program provided the project meets the program requirements in a timely manner and that there are sufficient CWSRF monies based on the project's rank and readiness. Second chance projects will be ranked in accordance with the FFY2016 Priority System and assigned a rank below the projects that met the October deadline which have been identified in the January Report to Legislature.

### **Sandy CWSRF Financing utilizing CDBG-DR Funds**

In order to fulfill the State's obligation to provide a 20% match which consists of CDBG-DR funds, the Department is proposing a plan to provide low-interest and interest free loans to project sponsors that utilize the CDBG-DR funds as the source of their project's loan monies. Loans are available to project sponsors that agree to utilize CDBG-DR funds and are willing to comply with the associated requirements.

### **CSO Long-Term Control Plan Financing**

In the FFY16 CW IUP, the Department proposed reserving a maximum of \$10 million to provide interest free planning loans through the Trust's Planning and Design Loan Program to help CSO permittees develop long-term control plans for the CSO sewershed (with loan terms up to 10 years). Several entities expressed interest in this new planning loan program and the Department is now proposing to increase the amount reserved to up to \$20 million so that all applications are fundable in FFY16. Eligibility for LTCP financing is limited to CSO communities. The planning loan will be converted to a long-term loan at the time of the completion of the LTCP and coupled with a construction loan that finances the implementation of a capital project. If there is no capital project to be implemented before the 10-year planning term expires, full loan repayment would be due.

### **Barnegat Bay Watershed Financing**

In the FFY16 CW IUP, the Department proposed reserving 50% of the available principal forgiveness funds for stormwater and non-point source pollution (NPS) management projects in the Barnegat Bay Watershed. The Department is proposing to clarify that NPS projects will include projects that address septic system failures through the construction of a centralized collection system. Several projects eligible for Barnegat Bay Watershed Financing have applied for financing in the FFY15 and FFY16 Programs. In the initial years of this program, project costs were relatively low. Over time, as more projects have applied under the Barnegat Bay Watershed Program, project costs have increased to the point that the Department is proposing to establish a \$1 million per project sponsor cap for the FFY16 Program.

### **CWSRF Financing for FEMA-Funded Projects**

For projects that receive FEMA funding, the Department is proposing to continue to allow CWSRF funds to be used for the local share (typically 10% of the costs) and any costs not covered by FEMA and allowable under the CWSRF. The Department recognizes that CWSRF repayments, State Match funds (including CDBG-DR funds – the State Match for the Sandy CWSRF grant) and other non-federal shares can be used to finance local shares and costs not covered by FEMA without it being considered a double benefit and possibly jeopardize a local unit's FEMA funding. Any project sponsors seeking CWSRF financing for FEMA-funded projects should file the appropriate documentation for the Track II Program by the March 4, 2016 deadline and contact Eugene Chebra, Assistant Director, Municipal Finance and Construction Element at 609-292-8961.

## **Public Review and Comment**

On January 15, 2016, the Department distributed this public notice that describes the proposed changes and that announced the availability of this amendment to the FFY2016 Priority System/Intended Use Plan proposal. The notice was also posted at <http://www.nj.gov/dep/dwq/cwpl.htm> and <http://www.njeit.org/> and was distributed via a mailing to the standard mailing list of potential project sponsors and other interested parties.

The comment period for this proposal will close on February 16, 2016. Written comments on the proposed amendments should be submitted to:

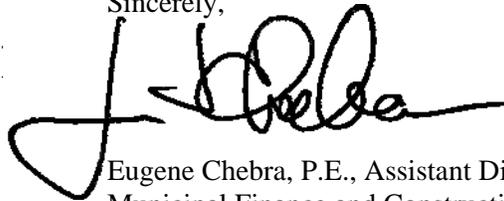
Mail Code 401-03D  
NJ Department of Environmental Protection  
Eugene Chebra, Acting Assistant Director  
Municipal Finance and Construction Element  
P.O. Box 420  
Trenton, NJ, 08625-0420

All comments submitted in accordance with the deadline will be considered in the preparation of the final FFY2016 Priority System/Intended Use Plan documents.

If you have any questions, please contact:

Scott Shymon, Chief, Bureau of Construction, Payments and Administration      609-292-3114  
Gautam Patel, Chief, Bureau of Engineering and Environmental Permitting      609-633-1170

Sincerely,

A handwritten signature in black ink, appearing to read 'E. Chebra', written over a horizontal line.

Eugene Chebra, P.E., Assistant Director  
Municipal Finance and Construction Element