INTRODUCTION: A NEW WAY TO COMMUNICATE

The COVID-19 Pandemic has changed the way we conduct our daily personal and professional lives, one of the most fundamental changes being how we communicate with each other. In-person meetings, seminars, workshops and conventions, and water cooler happenstance, have been replaced by ZOOM, MS Teams, and the like. While many of us have developed some proficiency with these new tools, video conferencing has scarcely replaced our former methods of speaking with and informing one another. To compensate for these lost communication opportunities and to be more proactive in providing information on the happenings at the I-Bank, including program changes, new opportunities for financing, and adjustments to policies, the I-Bank will be issuing periodic news Bulletins containing pertinent information regarding changes and updates to the Water Bank and Transportation Bank Financing Programs. Styled after NJDCA’s Local Finance Notices (thank you, DLGS), these Bulletins are intended to inform all Financing Program stakeholders about the most recent adjustments to the Programs, both large and small.

PENDING I-BANK ENABLING ACT LEGISLATION

Several amendments to the I-Bank’s Enabling Act, pending before the State Legislature as Assembly Bill No. 5057 / Senate Bill No. 3190, have been introduced which, if passed and signed into law, will (i) expand the definition of projects eligible for disaster financing, (ii) authorize the I-Bank to provide NJ local government units (LGUs) with low interest rate financing for Port and Aviation-related project costs, albeit with as yet unidentified sources of funds, (iii) extend maturities for WIFIA and TIFIA sourced loans, and (iv) authorize negotiated in addition to competitive long-term bond sales.

(i) Disaster Relief Program Proposed for Transportation Bank Projects

The pending legislation expands the definition of a “disaster” to include any emergency and incorporates Transportation projects into the statutory authorization for the Disaster Relief Program (SAIL) that has been successful in financing Water resiliency and recovery projects in the wake of Superstorm Sandy.

(ii) Ports and Aviation: New Transportation Infrastructure Bank Financing Programs

The proposed Enabling Act amendments authorize the I-Bank to fund two new types of programs under the umbrella of its Transportation Bank, specifically for Aviation and Marine projects. Eligible Aviation projects would include projects to develop or improve county or municipal airport facilities that enable, increase the efficiency of, or improve the capacity for, commercial and industrial facilities that are part of airport facilities. This includes financing for projects to improve terminal facilities, runways, berms, and on-site storage facilities. Eligible Marine projects include improvements to public ports and terminal facilities, including but not limited to projects that enable, increase the efficiency of, or improve the capacity for trade and cargo movement. This includes dredging, soil hardening, and paving for port and terminal facilities.

The I-Bank remains committed to facilitating the environmental and transportation financing needs of communities within NJ. For more information about our programs, please visit the I-Bank website at www.njib.gov or contact us at (609) 219-8600.
(iii) Coordinating WIFIA and TIFIA Maturities with Borrower Loans

To increase available Program funding, the I-Bank has applied for a federal loan for the Water Bank through the Water Infrastructure Finance and Innovation Act of 2014 (“WIFIA”) and intends to do the same for the Transportation Bank through the Transportation Infrastructure Finance and Innovation Act of 1998 (“TIFIA”).

The federal WIFIA loan, which is sourced directly from the US Treasury, will provide the I-Bank below market interest rate financing and stretch existing Water and Transportation Program dollars allowing both Programs to fund additional projects. The proposed Enabling Act amendments would position the I-Bank to optimize these funds for borrowers by offering extended maturity dates commensurate with the maximum time-period allowed by these two federal programs.

(iv) Providing Greater Flexibility in Accessing Long-Term Bond Proceeds

In the Spring of 2020, as the COVID crisis hit, investors in municipal bonds fled the market for the safe haven of US Treasury bonds. The simultaneous sale of billions of dollars of municipal bonds constrained liquidity in the public municipal bond market and severely impacted sellers’ abilities to access capital through this market. Coincidently, the I-Bank was preparing to sell its annual Spring Water Bank bonds just as the COVID crisis impacted the financial market. The I-Bank’s Enabling Act currently restricts the sale of long-term bonds to a competitive bidding process. This restriction caused concern for the I-Bank (and its pool of participating borrowers) with respect to the ability of the I-Bank to sell the Spring Water Bank bonds at a fair price. Thankfully, the market rebounded in time and the I-Bank closed its Spring pool as scheduled. To avoid this exposure to short-term market disruptions, the proposed legislation will allow the I-Bank to retain an underwriter and sell long-term bonds on a negotiated sale basis. This additional authority will minimize execution concerns during times of market turmoil and afford the I-Bank an additional tool to procure the most competitive rates for its borrowers.

PENDING CHANGE TO NJ LOCAL BOND LAW

Proposed Elimination of the Required Down Payment for Transportation Projects

While typically LGU bond ordinances must account for a down payment of five percent of the amount of the obligations authorized, Assembly Bill No. A4552 / Senate Bill No. 767 would remove this requirement for future transportation infrastructure projects funded through the Transportation Bank, a convenience already available for Water Bank borrowers.