

(e) The recipient shall reduce the amount of outstanding commitments insofar as possible and report to the Director the uncommitted balance of funds awarded under the grant. The Department shall make the final determination of the allowability of termination costs.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

At (b) deleted "director" replaced with "Department".

7:22-2.34 Rescission of grants

(a) The Department may, in writing, rescind the grant if it determines that:

1. Without good cause, substantial performance of the project work has not occurred;
2. The grant was obtained by fraud; or
3. Gross abuse or corrupt practices in the administration of the project have occurred.

(b) At least 10 days prior to the intended date of rescission, the Department shall give written notice to the recipient (certified mail, return receipt requested) of intent to rescind the grant. The Department shall afford the recipient an opportunity for consultation prior to rescission of the grant. Upon rescission of the grant, the recipient shall return all grant funds previously paid to the recipient. The Department shall make no further payments to the recipient. In addition, the Department retains the right to pursue such remedies as may be available under Federal, State and local law.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).
Grammatical change only.

7:22-2.35 Administrative order of enforcement

(a) Under the authority of N.J.S.A. 58:10A-5d and N.J.S.A. 58:10A-6b, the Department may:

1. Issue an order to "cease and desist" unpermitted construction, pursuant to N.J.S.A. 58:10A-10b;
2. Issue an order revoking the permit to operate, pursuant to N.J.S.A. 58:10A-106 and N.J.A.C. 7:14-2.7;
3. Issue an order to "cease and desist" combined with an assessment of a civil administrative penalty, pursuant to N.J.A.C. 7:14-8.

7:22-2.36 Administrative hearings

(a) The Department shall attempt to decide all disputes arising under a grant. When a recipient so requests, the Department shall reduce a decision to writing and mail or otherwise furnish a copy thereof to the recipient.

(b) If a recipient wishes to appeal the Department's decision under (a) above, the recipient shall request a hearing within 15 calendar days of a decision by the Department. Where required by law, the Department shall grant

an administrative hearing based upon such request and file the matter with the Office of Administrative Law. Administrative hearings shall be conducted in accordance with the provisions of the Administrative Procedure Act, N.J.S.A. 52:14D-1 et seq., N.J.S.A. 52:14F-1 et seq. and the Uniform Administrative Procedure Rules, N.J.A.C. 1:1, promulgated pursuant to those acts.

Administrative Change in (b).
See: 23 N.J.R. 3325(b).
Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

References to director and division changed to Department.

7:22-2.37 Severability

If any provision of these rules or the application thereof is held invalid, such invalidity shall not affect other provisions or applications which can be given effect without the provisions of these rules.

SUBCHAPTER 3. FUND PROCEDURES AND REQUIREMENTS

7:22-3.1 Scope

This subchapter constitutes the rules of the Department governing the disposition of appropriations pursuant to the Bond Acts, the Federal Water Pollution Control Act Amendments, the Federal Safe Drinking Water Act Amendments, or any other monies available, including future bond acts and appropriations to provide financial assistance for environmental infrastructure facilities.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).
References to appropriate laws added.
Amended by R.1995 d.494, effective September 5, 1995.
See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).
Amended by R.1998 d.407, effective August 3, 1998.
See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).
Rewrote the section.

7:22-3.2 Construction of rules

This subchapter shall be construed so as to permit the Department to discharge its statutory functions and to effectuate the purpose of the law.

7:22-3.3 Purpose

(a) This subchapter is promulgated for the following purposes:

1. To implement the purposes and objectives of the Bond Acts, and future bond acts and appropriations;
2. To establish policies and procedures for the distribution of funds appropriated pursuant to the Bond Acts, the Federal Water Pollution Control Act Amendments, the Federal Safe Drinking Water Act Amendments and other moneys available to the Fund for the purpose of providing

financial assistance to project sponsors through the issuance of Fund loans for the costs of the construction of environmental infrastructure facilities;

3. To protect the public and the State by ensuring that Fund monies appropriated are spent in a proper manner and for the intended purposes;

4. To assure that the distribution and use of Fund monies is consistent with the laws and policies of the State;

5. To establish minimum standards of conduct to prevent conflicts of interest and to ensure proper administration of Fund moneys;

6. To establish accounting procedures for the administration of Fund monies;

7. To establish Fund loan repayment requirements; and

8. To establish standards for the construction of environmental infrastructure facilities.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

References to appropriate laws added.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a), rewrote 1, 2 and 8.

7:22-3.4 Definitions

The following words and terms, when used in this subchapter, will have the following meanings unless the context clearly indicates otherwise.

“Ad valorem tax” means a tax based upon the value of real property.

“Allowable costs” means those costs that are eligible, reasonable, necessary and allocable to the project; permitted by generally accepted accounting principles; and approved by the Department in the Fund loan agreement. Allowable costs shall be determined on a project specific basis in accordance with N.J.A.C. 7:22-5.

“Allowance” means a loan amount for planning and design costs based on a percentage of the project’s allowable building cost, computed in accordance with N.J.A.C. 7:22-5.12.

“Alternative technology” means proven wastewater treatment processes and techniques which provide for the reclaiming and reuse of water, productively recycle wastewater constituents or otherwise eliminate the discharge of pollutants, or recover energy. Specifically, alternative technology includes, but is not limited to, land application of effluent and sludge, aquifer recharge, aquaculture, direct reuse (non-potable), horticulture, revegetation of disturbed land, containment ponds, sludge composting and drying prior to land application, self-sustaining incineration, methane recovery, individual and onsite systems, and small diameter pressure and vacuum sewers and small diameter gravity sewers carrying partially or fully treated wastewater.

“Applicant” means any project sponsor that applies for a Fund loan pursuant to the provisions of these rules and regulations.

“Best Management Practices” means proven procedures for reducing nonpoint source pollution through both structural and nonstructural controls, including improvements to operation and maintenance procedures.

“Best Practicable Waste Treatment Technology” (BPWTT) means the most cost-effective technology that can treat wastewater, combined sewer overflows and nonexcessive infiltration and inflow in publicly owned or individual wastewater treatment facilities, to meet the applicable provisions of:

1. 40 CFR Part 133—secondary treatment of wastewater;
2. 40 CFR Part 125, Subpart G—marine discharge waivers;
3. 40 CFR 122.44(d)—more stringent water quality standards and State standards; and/or
4. 41 CFR 6190 (February 11, 1976)—Alternative Waste Management Techniques for Best Practicable Waste Treatment (treatment and discharge, land application techniques and utilization practices, and reuse).

“Bond Acts” means the Wastewater Treatment Bond Act, the Stormwater Management and Combined Sewer Overflow Abatement Bond Act, the Green Acres, Clean Water, Farmland and Historic Preservation Bond Act, the Water Supply Bond Act and future bond acts passed for the purpose of providing funds for the construction of environmental infrastructure facilities. As they are enacted, reference to such bond acts shall be added to this definition through a notice of administrative change published in the New Jersey Register, pursuant to N.J.A.C. 1:30-2.7.

“Bonds” means the bonds authorized to be issued, or issued, under the Bond Acts.

“Building” means the acquisition, erection, alteration, remodeling, improvement or extension of environmental infrastructure facilities.

“Building cost” means the cost for building environmental infrastructure facilities. This definition excludes administration, legal, fiscal and engineering costs, and costs associated with the planning and design of the project.

“Certified mail” means any means of delivery where proof of receipt is obtained and date of receipt is recorded.

“Change order” means an alteration of the cost, scope or time of performance of a subagreement occurring subsequent to the execution of that subagreement.

"Collection system" means the sewers which are primarily installed to receive wastewaters directly from individual systems or from private property and which include service "Y" connections designed for connection with those private facilities when owned, operated and maintained by or on behalf of the local government unit. Included in this definition are crossover sewers connecting more than one property on one side of a major street, road or highway to a lateral sewer on the other side when more cost effective than parallel sewers, and pumping units and pressurized lines serving individual structures or groups of structures when such units are cost effective.

"Combined sewer" means a sewer that is designed to function as both a sanitary sewer and a storm sewer.

"Commission" means the New Jersey Commission on Capital Budgeting and Planning.

"Community water system" means a public water system which serves at least 15 service connections used by year-round residents or regularly serves at least 25 year-round residents.

"Construction" includes, but is not limited to, the preliminary planning to determine the economic and engineering feasibility of environmental infrastructure facilities; the engineering, architectural, legal, fiscal, and economic investigations and studies, surveys, designs, plans, working drawings, specifications, procedures, and other action necessary for building environmental infrastructure facilities; the purchase of land for and the building of environmental infrastructure facilities; and the inspection and supervision of the building of environmental infrastructure facilities.

"Contract" means a subagreement as defined in this subchapter.

"Conventional technology" means the processes and techniques involving the treatment of wastewater at a centralized treatment plant by means of biological or physical/chemical unit processes followed by direct point source discharge to surface waters.

"Department" means the New Jersey Department of Environmental Protection and its successors and assigns.

"Design life" means the length of time during which an environmental infrastructure facility is planned and designed to be operated.

"Differing site conditions" means conditions at the project site, which:

1. Differ materially from physical conditions (including subsurface and latent conditions) referred to in the plans, specifications and reports submitted under N.J.A.C. 7:22-3.11(d)7; and

2. Were not known to the applicant at the time the building contracts were executed.

"Economically disadvantaged individuals" as defined in 15 U.S.C. § 637(a)(6) means those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

"Environmental infrastructure facilities" means wastewater treatment facilities, stormwater management facilities, water supply facilities or nonpoint source management facilities.

"EPA" means the United States Environmental Protection Agency.

"Excessive infiltration/inflow" means the quantities of infiltration/inflow which can be economically eliminated from a sewer system as determined in a cost-effectiveness analysis that compares the costs for correcting the infiltration/inflow conditions to the total costs for transportation and treatment of the infiltration/inflow.

"Federal grant" means a grant awarded pursuant to section 201 of the Federal Water Pollution Control Act Amendments.

"Federal Safe Drinking Water Act Amendments" means the Federal Safe Drinking Water Act Amendments of 1996 (42 U.S.C. §§ 300f et seq.), as amended and/or supplemented.

"Federal Water Pollution Control Act Amendments" means the Federal Water Pollution Control Act Amendments of 1972 (33 U.S.C. §§ 1251 et seq.), as amended and/or supplemented.

"Final building cost" means the total actual allowable cost of the final work in place for the project in accordance with the project scope as defined in the Fund loan agreement.

"Force account work" means the use of the recipient's own employees or equipment for construction, construction related activities, or for repair or improvements to a facility.

"Fund" means the Wastewater Treatment Fund, the 1992 Wastewater Treatment Fund, the Stormwater Management and Combined Sewer Overflow Abatement Fund, or the Water Supply Fund established pursuant to the applicable Bond Acts, and any funds available through future bond acts or appropriations for the purpose of providing funds for the construction of environmental infrastructure projects, including ancillary accounts established to administer a revolving fund program in accordance with the Federal Water Pollution Control Act Amendments or the Federal Safe Drinking Water Act Amendments. As such bond acts are enacted, reference to such funds shall be added to this

definition through a notice of administrative change published in the New Jersey Register pursuant to N.J.A.C. 1:30-2.7.

“Fund loan” means a loan from one or more of the applicable Funds for the allowable costs of an environmental infrastructure project.

“Fund loan agreement” means the legal instrument executed between the State of New Jersey and the recipient for the construction of environmental infrastructure facilities.

“Green Acres, Clean Water, Farmland and Historic Preservation Bond Act” means the Green Acres, Clean Water, Farmland and Historic Preservation Bond Act of 1992 (P.L. 1992, c.88), as amended and/or supplemented.

“Infiltration” means water other than wastewater that enters a sewer system (including sewer service connections and foundation drains) from the ground through such means as defective pipes, pipe joints, connections, or manholes. Infiltration does not include, and is distinguished from, inflow.

“Inflow” means water other than wastewater that enters a sewer system (including sewer service connections) from sources such as, but not limited to, roof leaders, cellar drains, yard drains, area drains, drains from springs and swampy areas, manhole covers, cross connections between storm sewers and sanitary sewers, catch basins, cooling towers, storm waters, surface runoff, street wash waters or drainage. Inflow does not include, and is distinguished from, infiltration.

“Initiation of operation” means the date specified by the recipient in the Fund loan agreement on which use of the project begins for the purposes that it was planned, designed and built.

“Innovative technology” means developed wastewater treatment processes and techniques which have not been fully proven under the circumstances of their contemplated use and which represent a significant advancement over the state of the art in terms of significant reduction in life cycle cost or significant environmental benefits through the reclaiming and reuse of water, otherwise eliminating the discharge of pollutants, utilizing recycling techniques such as land treatment, more efficient use of energy and resources, improved or new methods of waste treatment management for combined municipal and industrial systems, or the confined disposal of pollutants so that they will not migrate to cause water or other environmental pollution.

“ISRA” means the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq.

“Land acquisition and conservation” means the fee simple purchase or easement acquisition by a local government unit of land that is deemed by the Department as appropriate for water quality protection.

“Landfill closure facilities” means the construction and implementation of all water quality-related safeguards required by law or by the sanitary landfill’s approved Closure and Post Closure Plan submitted pursuant to N.J.A.C. 7:26-2A.9 and the facility’s approved engineering design subsequent to the termination of operations at any portion of that facility. This includes, but is not limited to, landfill capping systems, leachate collection, storage and treatment systems, side slope seepage prevention and controls, gas condensate systems, active and passive gas collection systems (up to the point of sale or conversion), groundwater pumping, monitoring wells and equipment, landfill reclamation/reduction in lieu of landfill capping, stormwater runoff controls and intermediate cover prior to final closure.

“Local government unit” means a State authority, a county, municipality, municipal or county sewerage or utility authority, municipal sewerage district, joint meeting, improvement authority or any other political subdivision of the State authorized to construct, operate and maintain wastewater treatment, stormwater management or nonpoint source management facilities, or a State authority, district water supply commission, county, municipality, municipal or county utilities authority, municipal water district, joint meeting or any other political subdivision of the State authorized pursuant to law to operate or maintain a public water supply system or to construct, rehabilitate, operate or maintain water supply facilities or otherwise provide water for human consumption.

“Low bid building cost” means the total allowable cost for the project due to the award of all contracts within a project scope to the lowest responsible and responsive bidder(s). Excluded from this cost is any cost due to change orders and any costs due to the award of contracts necessary to address differing site conditions.

“New Jersey Pollutant Discharge Elimination System” or “NJPDES” means the New Jersey system for the issuance of point source permits pursuant to the New Jersey Water Pollution Control Act, N.J.S.A. 58:10A-1 et seq., as amended and defined at N.J.A.C. 7:14A-1.2.

“New landfill facilities” means the construction of the water quality components of a new landfill or the expansion of an existing landfill to abate or prevent the occurrence of an environmentally unsound condition and one that requires a solid waste facility permit pursuant to N.J.A.C. 7:26-2. This includes, but is not limited to, landfill liner systems, including drainage blankets, geomembranes, and alternative construction materials; leachate removal or collection systems; leachate collection/removal system maintenance equipment; toe-drains and cut-off walls; leachate recirculation in composite-lined facilities and innovative gas control technologies if meant to treat leachate or improve leachate management (for example, leachate evaporation using the thermal destruction of landfill gas); leachate storage lagoons, tanks, tank covers and aeration systems; leachate evaporation systems; pre-treatment facilities at landfill site (physical, chemical, biological); on-site leachate treatment facilities (structural and vegetative); leachate transfer stations (collection/storage) and protective loading areas; tank trucks to transport leachate to treatment plant, sewer system manhole, or a composting facility; sewer connection to municipal sewer system; facilities for storage and additional treatment of leachate at municipal treatment plant; barge shelters, containment booms, litter fences and other means to prevent municipal solid waste from blowing off the landfill site and polluting surface waters, and stormwater runoff controls.

“Nonpoint source management facilities” include, but are not limited to, any equipment, plants, structures, machinery, apparatus, or land, or any combination thereof, acquired, used, constructed or operated by or on behalf of a local government unit to prevent, reduce, store or treat stormwater runoff and other water pollution that is not collected, conveyed and/or discharged through a municipal separate storm sewer system. Examples of nonpoint source management facilities include, but are not limited to, such activities as landfill closure facilities, new landfill facilities, remedial action activities, land purchase and conservation, well sealing, the purchase of maintenance equipment, such as street sweepers, leaf collection equipment and aquatic weed harvesters and the implementation/construction of other systems that will result in water quality benefits, such as salt storage structures/runoff control systems, feedlot manure/runoff control systems, streambank/lake stabilization/restoration projects which are consistent with habitat protection and others.

“Nonprofit noncommunity water system” means a public water system that is owned and operated by a nonprofit group or organization, is not a public community water system and either regularly serves at least 25 of the same persons for more than six months in any given calendar year or serves at least 25 transient individuals for at least 60 days in any given calendar year.

“Operation and maintenance” means the following activities required to assure the dependable and economical functioning of environmental infrastructure facilities:

1. Maintenance: Preservation of functional integrity and efficiency of equipment and structures, including, but not limited to, preventive maintenance, corrective maintenance, and replacement of equipment as needed.

2. Operation: Control of the unit processes and equipment which make up the environmental infrastructure facilities, including, but not limited to, financial and personnel management, recordkeeping, laboratory control, process control, safety and emergency operation planning.

“Priority System, Intended Use Plan and Project Priority List” means the document through which projects are evaluated and ranked for funding eligibility by the Department in conformance with the Federal Water Pollution Control Act Amendments or the Federal Safe Drinking Water Act Amendments, as applicable, and State law. The Priority System establishes the ranking methodology. The Intended Use Plan establishes various funding policies and provides general information regarding the use of Federal funds for financing environmental infrastructure facilities. The Project Priority List presents the eligible projects in rank order.

“Private entity” means the owner(s) of a nongovernmental community water system or a nonprofit noncommunity water system.

“Professional services” means services rendered or performed by a person authorized by law to practice a recognized profession, whose practice is regulated by law, and the performance of which services requires knowledge of an advanced type in a field of learning acquired by a prolonged formal course of specialized instruction and study as distinguished from general academic instruction or apprenticeship and training. Examples include services provided by an accountant, archaeologist, attorney, auditor, bond counsel, engineer, environmentalist and financial advisor.

“Project” means the defined services for the construction of specified operable facilities as approved by the Department in the Fund loan agreement.

“Project performance standards” means the performance and operations requirements applicable to a project, including the enforceable requirements of the Federal Water Pollution Control Act Amendments or the Federal Safe Drinking Water Act Amendments, as applicable.

“Project scope” or “scope of work” means the scope of services and/or activities for which a Fund loan agreement has been executed by the Department and a recipient.

“Project sponsor” means any local government unit or private entity that seeks a Fund loan pursuant to this subchapter.

“Public water system” means a system for the provision to the public of piped water for human consumption, if such a system has at least 15 service connections or regularly serves

at least 25 individuals daily at least 60 days out of the year. Such term includes:

1. Any collection, treatment, storage and distribution facilities under the control of the operator of such system and used primarily in connection with such system; and
2. Any collection or pretreatment storage facilities not under such control which are used primarily in connection with such system.

“Qualified inspector” means a person in the building trades or who has construction experience and who is knowledgeable regarding acceptable construction practices and terminology related to pipe installation, concrete placement and mechanical equipment installation.

“Recipient” means any project sponsor which has received preaward approval pursuant to N.J.A.C. 7:22-3.32 or a Fund loan pursuant to this subchapter.

“Remedial action activities” means all actions that are required in a remedial action workplan developed pursuant to N.J.A.C. 7:26E and approved by the Department that are considered water quality-related.

“Responsible bidder” means a bidder that satisfactorily demonstrates to the Department that it has:

1. Financial resources, technical qualifications, experience, organization and facilities adequate to carry out the project, or a demonstrated ability to obtain these;
2. Resources to meet the completion schedule contained in the subagreement;
3. A satisfactory performance record for completion of subagreements;
4. Accounting and auditing procedures adequate to control property, funds and assets; and
5. A demonstrated record of compliance or willingness to comply with the civil rights, equal employment opportunity, labor law and other statutory requirements under this subchapter.

“Responsible engineer” means the engineer or engineering firm who is contracted by the recipient to ensure that the construction work is performed in accordance with the approved contract documents.

“Right-of-way” means a strip of land or route acquired by the project sponsor in which a conveyance pipe will be installed.

“Sewage Infrastructure Improvement Act” means the Sewage Infrastructure Improvement Act (N.J.S.A. 58:25-23 et seq.), as amended and/or supplemented.

“Socially disadvantaged individuals” as defined in 15 U.S.C. § 637(a)(5) means those individuals who have been subjected to racial and ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities. 15 U.S.C. §§ 637(d)(3) presumes that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and other minorities.

“State” means the State of New Jersey.

“Stormwater Management and Combined Sewer Overflow Abatement Bond Act” means the Stormwater Management and Combined Sewer Overflow Abatement Bond Act of 1989 (P.L. 1989, c.181), as amended and/or supplemented.

“Stormwater management facilities” include, but are not limited to, any equipment, plants, structures, machinery, apparatus, or land, or any combination thereof, acquired, used, constructed or operated by or on behalf of a local government unit to prevent, reduce, store or treat stormwater runoff, correct interconnections or cross-connections, or otherwise address adverse impacts of stormwater runoff that enters a municipal separate storm sewer system or any combination thereof.

“Subagreement” means a written agreement between a recipient and another party (other than another public agency) and may include the prime building agreement for the project, any lower tier agreement for services, supplies, or construction necessary to complete the project; agreements for personal and professional services with consultants; and purchase orders.

“Substantial alteration” means any change which results in an alteration of the project costs or a change of 90 days or more in the project schedule.

“Transmission facilities” means pipes and appurtenances for water supply facilities including, but not limited to, pump stations, valves, fire hydrants, water meters, service connections, curb stops, surge chambers, interconnections and storage tanks.

“Trust” means the New Jersey Environmental Infrastructure Trust created pursuant to the Trust Act, or its duly authorized agent.

“Trust Act” means the New Jersey Environmental Infrastructure Trust Act (N.J.S.A. 58:11B-1 et seq.), as amended and/or supplemented.

“Trust loan” means a loan from the Trust for the allowable costs of an environmental infrastructure project.

“User charge” means a charge levied on users of an environmental infrastructure facility or that portion of the ad valorem taxes paid by a user, for the user’s proportionate share of the cost of operation and maintenance (including replacement) of such facilities and may include debt service.

“Value engineering” means a specialized cost control technique which uses a systematic and creative approach to identify and to focus on unnecessarily high costs in a project in order to arrive at a cost saving without sacrificing the reliability or efficiency of the project.

“Wastewater” means residential, commercial, industrial or agricultural liquid waste, sewage, septage, stormwater runoff or any combination thereof, or other residue discharged or collected into a sewer system, stormwater runoff system or any combination thereof.

“Wastewater Treatment Bond Act” means the Wastewater Treatment Bond Act of 1985 (P.L. 1985, c.329), as amended and/or supplemented.

“Wastewater treatment facilities” include, but are not limited to, any equipment, plants, structures, machinery, apparatus, land that will be an integral part of the treatment process or used for the ultimate disposal of residues resulting from such treatment, or any combination thereof, acquired, used, constructed or operated by or on behalf of a local government unit for the storage, collection, reduction, recycling, reclamation, disposal, separation or other treatment of wastewater, wastewater sludges, septage or industrial wastes, including, but not limited to, pumping and ventilating stations, treatment systems, plants and works, connections, extensions, outfall sewers, combined sewer overflows, intercepting sewers, trunklines, sewage collection systems, and other equipment, personal property and appurtenances necessary thereto.

“Water Quality Management Plans” means the plans prepared pursuant to Sections 208 and 303 of the Clean Water Act (33 U.S.C. §§ 1251 et seq.) and the Water Quality Planning Act (N.J.S.A. 58:11A-1 et seq.).

“Water Supply Bond Act” means the Water Supply Bond Act of 1981 (P.L. 1981, c. 261), as amended and/or supplemented.

“Water supply demand” means the water supply usage, based upon existing metering records and/or calculated in accordance with the provisions of N.J.A.C. 7:10-11, Standards for the Construction of Public Community Water Systems, or N.J.A.C. 7:10-12, Standards for the Construction of Public Noncommunity Water Systems and Nonpublic Water Systems, as applicable.

“Water supply facilities” means and refers to the plants, structures, service and house connections, well sealings, interconnections between existing water supply facilities, machinery, equipment and other property, personal and

mixed, constructed or operated, or to be constructed or operated, in whole or in part by or on behalf of a project sponsor, for the purpose of augmenting the natural water resources of the State and making available an increased supply of water for all uses, and any and all appurtenances necessary, useful and convenient for collecting, impounding, storing, improving, treating, filtering or transmitting of water, and for the preservation and protection of these resources and facilities and providing for the conservation and development of future water supply resources, and facilitating incidental recreational uses thereof.

“Well sealing” means the permanent closure or sealing of any well in accordance with the procedures set forth in N.J.A.C. 7:9-9, Sealing of Abandoned Wells.

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Deleted definition “State Funding List”.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Added definitions of “Ad valorem tax”, “alternative technology”, “best management practices”, “BPWTT”, “change order”, “combined sewer”, “contract”, “conventional technology”, “design life”, “EPA”, “Federal Water Pollution Control Act Amendments”, “innovative technology”, “operation and maintenance”, “project performance standards”, “project scope”, “responsible bidder”, “Sewage Infrastructure Improvement Act”, “State”, “Stormwater Management and Combined Sewer Overflow Abatement Bond Act”, “Stormwater management facilities”, “subagreement”, “user charge” and “Wastewater Treatment Bond Act”.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

New and amended definitions; particularly the definition of “differing site conditions”.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1997 d.346, effective August 18, 1997.

See: 29 N.J.R. 2207(a), 29 N.J.R. 3723(a).

Amended “Fund” and “Fund loan”.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote the section.

Amended by R.2000 d.284, effective July 3, 2000.

See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

Deleted “DAC” and “Discharge Allocation Certificate”; inserted “ISRA”, “Land acquisition and conservation”, “Landfill closure facilities”, “New Jersey Pollutant Discharge Elimination System”, “New landfill facilities”, “Nonpoint source management facilities”, “Remedial action activities” and “Well sealing”; in “Environmental infrastructure facilities” and “Local government unit”, inserted references to nonpoint source management facilities, and rewrote “Stormwater management facilities”.

7:22-3.5 Bond Act Funds

(a) The proceeds from the sale of bonds, allocated and issued pursuant to the Bond Acts, shall be paid to the State Treasurer and held thereby in separate interest bearing accounts specifically dedicated to making zero or low interest Fund loans to applicants for financing the cost of the construction of environmental infrastructure facilities.

(b) Any Federal or State funds which may be made available to the State for loans to applicants for the construction of environmental infrastructure facilities may be deposited into the appropriate Fund(s).

(c) The moneys in the Fund are specifically dedicated and shall be used for the purposes identified in N.J.A.C. 7:22-3.3; however, no moneys shall be expended from the Fund for those purposes without the specific appropriation thereof by the Legislature.

(d) Payments of principal and interest on loans awarded from the Fund shall be made to the Fund.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Reference to Stormwater Management and Combined Overflow Abatement Fund added.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a) and (b), substituted "applicants" for "local government units" and "environmental infrastructure" for "wastewater treatment"; and in (b), substituted "appropriate" for "Wastewater Treatment" preceding "Fund(s)".

7:22-3.6 Terms of the Fund loans

(a) The Fund may offer loans for up to 100 percent of allowable project costs for the construction of environmental infrastructure facilities but may offer a range of options regarding the term, interest rate and level of loan funding.

(b) The term of the Fund loans will generally be 20 years or as indicated in the Fund loan agreement. Fund loan repayments shall be made by the recipient in accordance with the repayment schedule indicated in the Fund loan agreement. Principal and accrued interest, if any, with respect to a particular Fund loan may, however, be prepaid in accordance with the provisions of the relevant Fund loan agreement. Interest, if any, on the Fund loan will accrue as indicated in the Fund loan agreement.

(c) Applicants shall secure all Fund loans in a manner acceptable to the Department. Acceptable security arrangements include, but are not limited to, general obligation bonds of the local government unit, service/deficiency agreement(s) with government units with general taxing power, bond insurance, surety bonds, revenue bonds, debt service reserve funds, letters of credit and other arrangements acceptable to the Department.

(d) Fund loan proceeds will be disbursed to recipients in accordance with N.J.A.C. 7:22-3.24.

(e) The specific terms and conditions of the Fund loan shall be incorporated in the Fund loan agreement to be executed by the recipient and the State.

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Deleted text in (b) "Interest shall accrue . . . Fund Loan Agreement" and substituted "Interest on the . . .".

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

At (d) added N.J.A.C. reference.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a), substituted "environmental infrastructure" for "wastewater treatment"; and in (c), substituted "Applicants" for "Local government units", deleted "municipal" preceding "bond insurance, and inserted "revenue bonds, debt service reserve funds" at the end of the second sentence.

Amended by R.2000 d.284, effective July 3, 2000.

See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

In (c), inserted ", letters of credit" following "funds" in the second sentence.

7:22-3.7 Criteria for project loan priority

(a) Each year, the Department shall develop a Priority System, Intended Use Plan and Project Priority List for wastewater treatment, stormwater management and non-point source management facilities and a Priority System, Intended Use Plan and Project Priority List for water supply facilities for the specified Federal fiscal year(s). The Priority System establishes the ranking methodology. For wastewater treatment, stormwater management and nonpoint source management facilities, the ranking methodology evaluates projects individually for their anticipated impacts on existing and potential water uses in combination with present water quality conditions. For water supply facilities, the ranking methodology evaluates projects individually for their anticipated impacts on existing water supply needs to achieve or maintain compliance with the Federal and State Safe Drinking Water Acts. The Intended Use Plan includes information on the timing, use and distribution of Federal funds anticipated to be made available to New Jersey for financing the construction of environmental infrastructure facilities. The Project Priority List presents the projects initially eligible for funding according to their cumulative scores derived from application of the Priority System.

(b) Each year, each proposed Priority System, Intended Use Plan and Project Priority List will be the subject of at least one public hearing and a public comment period. Each Priority System, Intended Use Plan and Project Priority List proposal shall specify the procedures by which sponsors may request inclusion of their project(s) on the Project Priority List and the document submittal schedule (including commitment letter, planning, design and loan application deadlines) for the specified Federal fiscal year(s). The project sponsor shall submit the following when requesting inclusion in the Project Priority List:

1. Brief description of the environmental infrastructure project;
2. Brief description of existing water quality deficiencies or water supply needs; and
3. Estimated costs associated with building the project, excluding planning and design expenses.

(c) The Department shall consider a project eligible for funding in the specified State fiscal year(s) only where the project sponsor commits in writing to meet the project document submittal schedule as identified in the annual Priority System, Intended Use Plan and Project Priority List.

(d) For wastewater treatment facilities, the Department shall give a project funding priority over other projects on the Project Priority List in instances where existing on-site wastewater treatment system failures are determined to constitute a public health hazard.

(e) The Department shall give funding priority over projects on the Project Priority List to a project which has previously received a Fund loan in any previous funding cycle in instances where the allowable loan amount due to low bid building costs as determined by the Department exceeds the Fund loan amount previously awarded or in instances where the allowable loan amount as determined by the Department has increased due to differing site conditions.

Amended by R.1988 d.210, effective May 16, 1988.
See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Deleted text in (a) "will continue to... N.J.A.C. 7:22-3.8" and inserted "commit to the... Priority List proposal".

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

New (b)-(e) added.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amended to indicate the Department's intent to provide priority to projects seeking a post-construction supplemental Fund loan for increased allowable costs due to differing site conditions.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote the section.

Amended by R.2000 d.284, effective July 3, 2000.

See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

In (a), inserted references to nonpoint source management facilities.

7:22-3.8 Eligibility for State and Federal funding

(a) The Department, in conjunction with the Trust, shall develop and submit to the Legislature for the forthcoming State fiscal year a priority system and project priority list as required by the Trust Act and the Stormwater Management and Combined Sewer Overflow Abatement Bond Act, which is based, in all substantial respects, upon the applicable sections of the Priority System, Intended Use Plan and Project Priority List.

(b) If a project sponsor is awarded a Fund loan in addition to funding from any other Federal or State grant or loan, the total amount of such other funding and the Fund loan shall not exceed the allowable costs of the project. If a project sponsor is awarded funding from any other Federal or State grant or loan after the Department has awarded a Fund loan to the project sponsor, the Department shall reduce the Fund loan in the amount of such other funding. If a project sponsor is awarded funding from any other Federal or State grant or loan after the Department has made disbursement from the Fund loan, the project sponsor shall, within 60 days of notice of the award of such other funding, reimburse the Fund in the amount of such other funding. If both a Fund loan (pursuant to this subchapter) and a Trust loan (pursuant to N.J.A.C. 7:22-4) are received in combination with funding from any other Federal or

State grant or loan, the Fund and Trust loans will be proportionally reduced.

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Subsections (b) and (c) were substantially amended.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Deleted (b)-(c); added new (a) and amended old (a) as (b).

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amended to reflect that if both Fund and Trust loans are received, both loans will be proportionally reduced.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote (b).

7:22-3.9 Project bypassing

(a) Failure of the project sponsor to advise the Department, in writing, of the project sponsor's commitment to meet the project document submittal schedule by the deadline identified in the proposed Priority System, Intended Use Plan and Project Priority List will, without further notice by the Department, result in the project becoming ineligible for a Fund loan for the specified State fiscal year(s).

(b) Failure of the project sponsor to submit complete planning documents, design documents and applications within the time periods specified in the Priority System, Intended Use Plan and Project Priority List for the specified State fiscal year(s) will result in the Department's bypassing of the project sponsor's project unless the Department, at its discretion, approves, for good cause, an extension to these periods.

(c) Written notice of a bypass action shall be forwarded to the project sponsor by certified mail. As a result of such an action, the project on the Project Priority List shall become ineligible to receive a Fund loan in the specified State fiscal year(s). This may allow the next highest ranked project to fall within the fundable range on the Project Priority List.

(d) The Department shall bypass a project on the Project Priority List in cases where the Department has given priority to funding other projects on the Project Priority List in accordance with N.J.A.C. 7:22-3.7(d) or (e).

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Substantially amended.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

New (d) added.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amended to eliminate the concept of contingency projects to be consistent with the provisions of the existing rules.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a) through (c), substituted "project sponsor" for "local government unit" throughout; and in (d), deleted "local government unit" following "The Department shall bypass".

7:22-3.10 Pre-application procedures

(a) Project sponsors are urged to be familiar with the requirements of this subchapter and to contact the Department early in the planning process so that their projects are in a position to proceed (that is, planning and design completed) in a timely manner. Project sponsors should be aware that Department approvable plans and specifications are required as part of the application for a Fund loan.

(b) The Department requires a pre-application conference with potential applicants prior to submission of a formal application for a Fund loan. During the conference the Department shall identify and explain all loan application documents. This conference is not part of the application procedures and verbal statements made during the conference shall not bind the Department.

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Deleted text in (a) "at a time of Notice of Project Eligibility" and substituted "in a timely manner".

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Deleted (c).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a), substituted "Project sponsors" for "Local government units" throughout.

7:22-3.11 Application procedures

(a) Each application for a Fund loan shall be submitted to the Department in conformance with the time period specified in the Proposed Priority System, Intended Use Plan and Project Priority List or as otherwise extended by the Department and shall include full and complete documentation and any supplementary materials that the Department requires an applicant to furnish.

(b) Submissions which do not substantially comply with this subchapter will not be processed further and the applicant shall be so advised.

(c) Processing of a Fund loan application generally requires 60 calendar days after receipt of a complete application by the Department.

(d) The following must be submitted when applying for a Fund loan, as applicable:

1. An application (Form LP-2) for a Fund loan pursuant to this subchapter for the construction of environmental infrastructure facilities. Each application constitutes an agreement to accept the requirements of this subchapter;

2. If the applicant is a local government unit, a resolution passed by the local government unit authorizing the filing of an application for a Fund loan and specifying the individual authorized to sign the Fund loan application on behalf of the local government unit. If the applicant is a private entity, a letter from the private entity authorizing the filing of an application for a Fund loan and specifying the individual authorized to file the loan application on behalf of the private entity, as well as providing evidence of ownership of the water supply facilities. If two or more project sponsors are involved in the project, a resolution or letter indicating the lead applicant and the authorized representative is required from each;

3. Statement of Assurances (Form LP-3) from each applicant and, if the applicant is a local government unit, an executed Professional Services Affidavit (Form LP-11) for each person or firm whose professional services have been procured by the local government unit for the project for which cost reimbursement will be sought under this chapter. If the professional services for which cost reimbursement will be sought under this chapter have not been procured at the time of loan application, submittal by the local government unit of a letter of commitment to comply with the requirements of the Professional Services Affidavit, and to submit a copy of the executed Professional Services Affidavit to the Department immediately upon execution of the contract for the professional services, will satisfy this requirement. Submittal of the executed Professional Services Affidavit or letter of commitment is a requirement of the application process so that the Department will have written confirmation from the local government unit that it has procured or will procure any necessary professional services in conformance with the procurement requirements of the Local Public Contracts Law (N.J.S.A. 40A:11-1 et seq.) or other applicable procurement method authorized under State law and the local government unit has reviewed or will review the proposed costs and activities and finds them acceptable. This Professional Services Affidavit requirement does not apply to professional services obtained for those planning and design activities which are covered through an allowance in accordance with N.J.A.C. 7:22-5.12 or to professional services obtained by private entities.

4. Assurance of compliance with the civil rights requirements of Title VI of the Civil Rights Act of 1964 (P.L. 88-352) and the New Jersey Law Against Discrimination (N.J.S.A. 10:5-1 et seq.) (Form LP-4);

5. A complete Project Report/Facilities Plan, which must include:

- i. For all environmental infrastructure facilities, the following items must be submitted:

- (1) A description of both the proposed environmental infrastructure facilities and the complete environmental infrastructure system of which it is a part;

(2) Cost information on total capital costs of the project, and annual operation and maintenance costs;

(3) A description of the potential open space and recreation opportunities associated with the project;

(4) Appropriate documentation demonstrating compliance with the Environmental Assessment Requirements for State Assisted Environmental Infrastructure Facilities (N.J.A.C. 7:22-10); and

(5) For the selected alternative, a concise description, at an appropriate level of detail, of at least the following:

(A) Relevant design parameters, including a description of the environmental infrastructure facilities to be built, schematic flow diagrams, hydraulic profiles and preliminary design criteria;

(B) Cost impacts on system users; and

(C) Institutional and management arrangements necessary for successful implementation, such as service agreements, local ordinances, interagency agreements or intermunicipal agreements;

ii. For wastewater treatment and stormwater management facilities, a statement of consistency with the appropriate Water Quality Management Plans in accordance with the provisions of N.J.A.C. 7:15. For wastewater treatment facilities, a description of the Best Practicable Wastewater Treatment Technology or, for stormwater management facilities, a description of the Best Management Practices that will be utilized;

iii. For wastewater treatment, water supply and stormwater management facilities permitted as a municipal separate storm sewer system, a cost effectiveness analysis of the feasible conventional, innovative and alternative technologies capable of meeting the applicable effluent, water quality, or drinking water standards and public health requirements over the design life of the facility while recognizing environmental and other nonmonetary considerations. The planning period for cost effectiveness analysis must be 20 years. The monetary costs to be considered must include the present worth or equivalent annual value of all capital costs and operation and maintenance costs. The population forecasting in the analysis must be consistent with the appropriate Water Quality Management Plan, the New Jersey Statewide Water Supply Plan or current census data. A cost effectiveness analysis must include:

(1) For wastewater treatment facilities, an evaluation of flow reduction methods. If the applicant demonstrates that the existing average daily base flow (ADBDF) from the area is less than 70 gallons per capita per day (gpcd), or if the Department determines the area has an effective existing flow reduction program, this evaluation is not required;

(2) A description of the relationship between the capacity of alternatives analyzed and the needs to be served, including capacity for future growth expected after the environmental infrastructure facilities become operational. This includes letters of intent from significant industrial or commercial users and all establishments intending to increase their wastewater flows or water supply demand or relocate in the area documenting capacity needs and characteristics for existing or projected wastewater flows or water supply demand;

(3) An evaluation of improved effluent or drinking water quality attainable by upgrading the operation and maintenance and efficiency of existing facilities as an alternative or supplement to construction of new facilities;

(4) An evaluation of the alternative methods for the reuse or ultimate disposal of treated wastewater and sludge material resulting from the treatment process;

(5) A consideration of systems with revenue generating applications;

(6) An evaluation of opportunities to reduce use of or recover energy; and

(7) Cost information on total capital costs, and annual operation and maintenance costs, as well as estimated annual or monthly costs to residential, commercial and industrial users;

iv. For wastewater treatment facilities, an infiltration/inflow analysis of the sewer system in accordance with N.J.A.C. 7:22-3.35, or for water supply facilities, an analysis of the amount of water withdrawn at the source(s) and not accounted for as being delivered to customers in measured amounts;

v. For land acquisition and conservation projects, the following items shall also be submitted:

(1) An evaluation of the land to be acquired, including the water quality basis for the proposed land acquisition that addresses the existing land use patterns, potential threats to water quality, and other existing problems;

(2) A site survey signed and sealed by a land surveyor licensed to practice in the State of New Jersey and the criteria used to select the parcel(s) for acquisition;

(3) The appraisal(s) of the parcel(s). For a parcel with an estimated land value of less than \$250,000, the local government unit shall obtain at least one appraisal. For a parcel with an estimated land value of \$250,000 or more, two appraisals shall be obtained. For easement acquisitions, appraisals shall be submitted that identify the fair market value of the parcel with and without the conservation restriction.

Any appraisals required herein shall be prepared by a real estate appraiser licensed by the State's Division of Consumer Affairs to perform such appraisals;

(4) If a preliminary assessment report or site assessment prepared under the Technical Requirements for Site Remediation, N.J.A.C. 7:26E identifies potential contamination of the land to be acquired, a letter of no further action issued by the Department under N.J.A.C. 7:26C-2.6 is also required; and

(5) A statement from the local government unit pledging to comply with the loan conditions identified in N.J.A.C. 7:22-3.17(a)33 and identifying the actions the local government unit will take to ensure that the applicable restrictions will be incorporated in the deed for the parcel(s) and will apply in perpetuity;

vi. For landfill closure facilities, a copy of the Department's approval of the sanitary landfill's Closure and Post-Closure Plan submitted pursuant to N.J.A.C. 7:26-2A;

vii. For new landfill facilities, a copy of the applicable solid waste facility permit issued pursuant to N.J.A.C. 7:26-2;

viii. For remedial action activities, the following items shall also be submitted:

(1) A statement by the applicant whether or not the applicant is currently conducting remediation pursuant to the ISRA or the Underground Storage Tank programs or otherwise conducting a remediation pursuant to an oversight document, including, as applicable, case number, Known Contaminated Site List number and the name of the Department case manager for the case; and

(2) A copy of the applicable Department approvals issued pursuant to N.J.A.C. 7:26E-6.1(b)1 that identifies remedial actions proposed to be implemented at a contaminated site; and

ix. For well sealing projects, a description of the project area, the well(s) proposed to be sealed and a certification that the method proposed to be used to seal the well(s) complies with N.J.A.C. 7:9-9.

6. For sewer rehabilitation projects, a Sewer System Evaluation Survey in accordance with N.J.A.C. 7:22-3.35;

7. Department-approvable plans, specifications and technical design report, including documentation regarding the evaluation of existing site conditions;

8. A description of the public participation process to date. Public participation activities undertaken in connection with the environmental review process should be coordinated with any other applicable public participation program wherever possible;

9. A report on the participation by socially and economically disadvantaged individuals during planning and design as required by N.J.A.C. 7:22-9.12(a);

10. Project cost breakdown for each subagreement;

11. Projected cash flow schedule to be used to establish the Fund loan disbursement schedule;

12. Project construction schedule. A court-sanctioned order or a Department-issued Administrative Consent Order indicating a compliance schedule shall be required where applicable;

13. For wastewater treatment facilities, a sewer use ordinance and user charge system acceptable to the Department;

i. The sewer use ordinance or other legally binding document must include provisions that prohibit any new connections from inflow sources into the treatment facilities and require that new sewers and connections to the treatment facilities are properly designed and constructed. The ordinance or other legally binding document must require the local unit to diligently investigate any existing inflow sources (such as sump pumps) and eliminate such sources within a reasonable time period. The ordinance or other legally binding document must also require that all wastewater introduced into the treatment facilities not contain toxics or other pollutants in amounts or concentrations that endanger public safety and physical integrity of the treatment facilities; not violate effluent or water quality limitations; or not preclude the selection of the most cost effective alternative for wastewater treatment and sludge disposal.

ii. The user charge system shall be designed to produce adequate revenues required for operation and maintenance (including replacement) and, in most cases, to cover debt service costs for the local government unit's wastewater treatment facilities. It must provide that each user which discharges pollutants that cause an increase in the cost of managing the effluent or sludge from the treatment facilities shall pay for such increased cost. Unless otherwise approved by the Department, the user charge system must be based on either actual use under (d)13ii(1) below, ad valorem taxes under (d)13ii(2) below or a combination of the two. It must also meet the requirements set forth in (d)13ii(3) through (8) below.

(1) A user charge system based on actual use (or estimated use) of wastewater treatment services must provide that each user (or user class) pays its proportionate share of operation and maintenance (including replacement) costs of treatment facilities within the service area, based on the user's proportionate contribution to the total wastewater loading from all users (or user classes).

(2) A user charge system which is based on ad valorem taxes may be approved if:

(A) On December 27, 1977, the applicant had in existence a system of dedicated ad valorem taxes which collected revenues to pay the cost of operation and maintenance of wastewater treatment facilities within the service area and the applicant has continued to use that system;

(B) The ad valorem user charge system distributes the operation and maintenance costs for all treatment facilities in the applicant's jurisdiction to the residential and small nonresidential user class (including at the applicant's option nonresidential, commercial and industrial users that introduce no more than the equivalent of 25,000 gallons per day of domestic sanitary wastes to the treatment facilities), in proportion to the use of the treatment facilities by this class; and

(C) Each member of the industrial user and commercial user class which discharges more than 25,000 gallons per day of sanitary waste pays its share of the costs of operation and maintenance of the treatment facilities based upon charges for actual use.

(3) Each user charge system must provide that each user be notified, at least annually, in conjunction with a regular bill (or other means acceptable to the Department) of the rate and that portion of the user charges or ad valorem taxes which are attributable to wastewater treatment services.

(4) Each user charge system must include an adequate financial management system that will accurately account for revenues generated by the system and expenditures for operation and maintenance (including replacement) of the treatment system, based on an adequate budget identifying the basis for determining the annual operation and maintenance costs and the costs of personnel, material, energy and administration.

(5) The user charge system must provide that the costs of operation and maintenance for all flow not directly attributable to users (that is, infiltration/inflow) be distributed among all users based upon either of the following:

(A) In the same manner that it distributes the costs for their actual use; or

(B) Under a system which uses one or any combination of the following factors on a reasonable basis:

(I) Flow volume of the users;

(II) Number of hookups or discharges of the users; and/or

(III) Property valuation of the users, if the applicant has an approved user charge system based on ad valorem taxes.

(6) After completion of construction of a project, revenue from the project (for example, sale of a treatment-related by-product, lease of the land, or sale of crops grown on the land purchased under the Fund loan agreement) shall be used to offset the costs of operation and maintenance. The applicant shall proportionately reduce all user charges.

(7) One or more municipal legislative enactments or other appropriate authority must incorporate the user charge system. If the project accepts wastewater from other municipalities, the subscribers receiving waste treatment services from the applicant shall adopt user charge systems in accordance with this section. These user charge systems shall also be incorporated in appropriate municipal legislative enactments or other appropriate authority of all municipalities contributing wastes to the treatment facilities.

iii. The applicant may establish lower user charge rates for low income residential users as authorized by State law. The total revenue for operation and maintenance, including equipment replacement, of the facilities must not be reduced as a result of establishing a low income residential user class;

14. Certificate (legal opinion) from counsel as to title or mechanism to obtain title necessary for project sites and easements;

15. An affidavit (Form LP-7) certifying that required permits and approvals for building the environmental infrastructure facilities were received from applicable Federal, State and local agencies;

16. A statement from the applicant indicating that it has not violated any federal, State or local law pertaining to fraud, bribery, graft, kickback, collusion or conflicts of interest relating to or in connection with the planning and design of the project;

17. A statement from the applicant which indicates if it used the services of a person for planning or design of the project whose name appears on the State Treasurer's list of debarments, suspensions and voluntary exclusions;

18. Executed service, joint and/or deficiency or other intermunicipal agreements, if applicable. If the project will serve two or more project sponsors, the applicant shall submit the executed service agreements, contracts or other legally binding instruments necessary for the financing, building and operation of the proposed environmental infrastructure facilities. At a minimum, these documents must include the basis upon which costs are allocated, the formula by which costs are allocated, and the manner in which the cost allocation system will be administered;

19. Draft engineering agreements for building services;

20. A statement by the applicant indicating whether the project sponsor is currently in default on any State loan. A Fund loan agreement will not be executed between the Department and the project sponsor unless the Department determines that repayment of the defaulted loan will be received.

21. A description of how the applicant plans to repay the Fund loan and pay any other expenses necessary to fully complete and implement the project, the steps it has taken to implement this plan, and steps it plans to take before receiving the Fund loan that shall guarantee that at the time of the signing of the Fund loan agreement it shall be irrevocably committed to repay the Fund loan and pay any other expenses necessary to fully complete, implement, operate and maintain the project. The description shall include: pro forma projections of the applicant's financial operations during the construction period of the project and five years thereafter; a summary of the sources and uses of all funds anticipated to be used for the project to be financed by the Fund loan; and a statement of the assumptions used in creating these projections. Applicants shall secure all Fund loans in a manner acceptable to the State, pledging to provide funds to repay the debt, even if the Fund loan is terminated pursuant to N.J.A.C. 7:22-3.44. Acceptable security arrangements include, but are not limited to, general obligation bonds of the local government unit, service/deficiency agreement(s) with government units with general taxing power, bond insurance, revenue bonds, debt service reserve funds and surety bonds.

22. For water supply facilities, a description of the technical, managerial, and financial capabilities of the public water system. This description shall include, but is not limited to, financial capability to ensure loan repayment, credit analysis of the applicant, operator licensing in accordance with N.J.A.C. 7:10A, Licensing of Water Supply and Wastewater Treatment Operators, and adequacy of infrastructure.

23. Such other information as the Department may require.

(e) Applicants shall obtain all necessary Federal, State and local permits and approvals prior to the award of a loan unless prior approval for an extension for one or more specific permits has been granted by the Department that does not significantly affect the loan award. Excluded from prior acquisition are permits and approvals which are impractical to obtain prior to the loan award (for example, road opening permit, blasting permit, etc.).

(f) The Department shall not accept a recipient's supplemental Fund loan application for increased allowable costs in instances where the low bid building cost is higher than the original Fund loan award unless bids on all project-related contracts have been received.

(g) The Department shall only accept a recipient's post-construction supplemental Fund loan application if all of the following actions have occurred:

1. The Department has approved payment requests whose total equals the allowable project costs based on the low bid building cost, exclusive of payment requests for construction management services related to project start-up and one year project performance certification;
2. The project's building activities are complete;
3. All applicable administrative and legal appeals have been resolved;
4. All costs related to differing site conditions for which cost reimbursement is sought have been incurred; and
5. All documentation for the costs in (g)4 above has been submitted to the Department or submitted concurrently with the post-construction supplemental Fund loan application.

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Requirements for Project Report/Facilities Plan and draft plan of operation and requirements at (d)18 if project serves two or more local government units.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amended to specifically identify evaluation of existing site conditions as a requirement of application for Fund loan.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote (d).

Amended by R.2000 d.284, effective July 3, 2000.

See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

In (d), rewrote 4 and 5.

7:22-3.12 Use and disclosure of information

All loan applications and other submissions, when received by the Department, constitute public records. The Department shall make them available to persons who request their release to the extent required by New Jersey and/or Federal law.

7:22-3.13 Evaluation of application

(a) Each application shall be subject to:

1. Preliminary administrative review to determine the completeness of the application. The applicant will be notified of the completeness or deficiency of the application;
2. Programmatic, technical, and scientific evaluation to determine the merit and relevance of the project to the Department's program objectives;
3. Budget evaluation to determine whether proposed project costs are reasonable, applicable, and allowable; and

4. Final administrative evaluation.

(b) Upon the completion of a full review and evaluation of each application, the Department shall either certify the project for funding or bypass the project for funding in the State fiscal year for which the application was submitted.

(c) The Department shall promptly notify an applicant by certified mail if its project has been bypassed. As a result of a project bypass action, the next highest ranked project on the Project Priority List may fall within the fundable range.

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Substituted "Project Priority" for "State Funding".

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

(c) deleted; (d) recodified as (c).

7:22-3.14 Supplemental information

At any stage during the evaluation process, the Department may require supplemental documents or information necessary to complete full review of the application. The Department may suspend its evaluation until such additional information or documents have been received.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

"Division" replaced by "Department".

7:22-3.15 Fund loan agreement

(a) The Department shall prepare and transmit the Fund loan agreement to the applicant. The Fund loan agreement sets forth the terms and conditions of the Fund loan, approved project scope, allowable and unallowable project costs, estimated Fund loan disbursement schedule, estimated loan repayment schedule and the approved commencement and completion dates for the project of major phases thereof.

(b) The Fund loan agreement shall be executed by the applicant within such period of time and pursuant to such terms and conditions as the Department may determine.

(c) The Department, pursuant to such terms and conditions as it may determine, may require the applicant to irrevocably commit itself through a loan commitment letter, escrow agreement or other similar document to borrow the amount for which it has made application under the terms and conditions of the Fund loan agreement transmitted to the applicant.

(d) The Fund loan agreement and/or loan commitment letter, escrow agreement or other similar document shall be executed by a person authorized to obligate the applicant to the terms and conditions of the particular document for the project specified therein. For local government units, a certified copy of the authorizing resolution shall be delivered to the Department at the time that the executed Fund

loan agreement, loan commitment letter, escrow agreement or other similar document is delivered to the Department. If the applicant is a private entity, a letter from the private entity authorizing the execution of the Fund loan agreement and designating the individual authorized to execute the Fund loan agreement shall be delivered to the Department at the time that the executed Fund loan agreement, loan commitment letter, escrow agreement or other similar document is delivered to the Department.

(e) The Fund loan agreement is deemed to incorporate all requirements, provisions, and information in documents or papers submitted to the Department in the application process.

(f) The Fund loan agreement shall not be executed by the State if the applicant is in current default on any State loan.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

(a)1, 2 and 5. deleted, (a) rewritten; new (b)-(d); (a)3. and 4. recodified as (e) and (f).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (d), deleted "by resolution" following "by a person authorized", inserted "For local government units, a" at the beginning of the second sentence and added a new last sentence.

7:22-3.16 Fund loan award and closing

(a) Upon the execution of the Fund loan agreement by the State and the recipient, the Fund loan is awarded and the agreement becomes effective and constitutes an obligation of the appropriate Fund(s) in accordance with the terms and conditions of the applicable Bond Act(s) and Federal and State law. The obligation of the State under a Fund loan agreement is contingent upon the availability of appropriated funds from which disbursements can be made. The Fund loan is considered closed as indicated in the Fund loan agreement.

(b) The award or closing of the Fund loan does not commit or obligate the State to award any continuation or supplemental Fund loan to cover cost overruns of the project. Cost overruns for any project or portion thereof are the sole responsibility of the recipient.

(c) The award or closing of a Fund loan by the State cannot be used as a defense by the applicant to any action by any agency for the applicant's failure to obtain all requisite permits, licenses and operating certificates for its respective projects.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Language added at (a) regarding contingency of availability of funds.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote (a).

7:22-3.17 Loan conditions

(a) The following requirements, in addition to N.J.A.C. 7:22-3.18 through 3.30, as well as such statutes, rules, permits, terms and conditions which may be applicable to particular loans, are conditions to each Fund loan, and conditions to each disbursement under a Fund loan agreement:

1. Local government units shall comply with the Local Public Contracts Law (N.J.S.A. 40A:11-1 et seq.) or other applicable procurement method authorized by State law;

2. The recipient shall certify that it is, and shall assure that its contractors and subcontractors are, maintaining their financial records in accordance with generally accepted accounting principles and auditing standards for governmental institutions. The recipient shall comply with the requirements of the Single Audit Act of 1984 (31 U.S.C. §§ 7501-7507), Federal OMB Circular A-133 and State OMB Circular 98-07 OMB, incorporated herein by reference. Copies of these documents may be obtained from the Department;

3. Local government units shall comply with the Minimum Standards of Conduct for Officers, Employees, Agents and Members of Authorities Participating in State Financial Assistance Programs for Environmental Infrastructure Facilities (N.J.A.C. 7:22-8) and the Local Government Ethics Law (P.L. 1991, c.29; N.J.S.A. 40A:9-22);

4. For wastewater treatment facilities, the recipient shall comply with the requirements of N.J.A.C. 7:14-2, Construction of Wastewater Treatment Facilities, and the provisions of the NJPDES rules at N.J.A.C. 7:14A. For water supply facilities, the recipient shall comply with N.J.A.C. 7:10-11, Standards for the Construction of Public Community Water Systems, or N.J.A.C. 7:10-12, Standards for the Construction of Public Noncommunity Water Systems and Nonpublic Water Systems, as applicable. Water supply facilities shall not conflict with the recommendations of the New Jersey Statewide Water Supply Plan.

5. For wastewater treatment facilities, the recipient shall adopt a sewer use ordinance and implement the user charge system consistent with the provisions of N.J.A.C. 7:22-3.11(d)13;

6. For wastewater treatment facilities, the recipient shall establish an effective regulatory program pursuant to N.J.S.A. 58:10A-6 and enforce pretreatment standards which comply with 40 C.F.R. Part 403;

7. The recipient shall comply with all applicable requirements of Federal, State and local laws;

8. The recipient shall pay the unallowable costs of the construction of the project and shall pay the allowable costs not covered by the Fund loan, or supplemental Fund loan, if any;

9. The Fund loan agreement or any amendment thereto may include special conditions necessary to assure accomplishment of the project objectives or Department requirements. The recipient shall comply with any special conditions which the Department requires in the agreement or any amendment thereto;

10. Except for land acquisition and conservation and well sealing projects, the recipient shall retain sufficient qualified operating and management personnel including a qualified chief operating officer or executive director, from the time of completion of construction or initiation of operation, whichever is earlier, until such time as the operation of the facility is discontinued;

11. Construction of the project, including letting of contracts in connection therewith, shall conform to applicable requirements of Federal, State, and local laws, ordinances, rules and regulations and to contract specifications and requirements;

12. No Fund loan moneys shall be disbursed to a recipient who is in current default on any Fund loan or Trust loan. The Department may, at its discretion, make a Fund loan disbursement where it determines that the recipient will repay the defaulted loan obligation and associated penalties. Nothing in this paragraph shall in any way limit any right or duty of the Department to demand and collect at any time the total due under any such defaulted loan;

13. An amount of any Fund loan disbursement equal to any unpaid portion of a finally determined State assessed penalty pursuant to N.J.A.C. 7:14-8, Assessment of Civil Administrative Penalties, shall at the discretion of the Department, be held in escrow until said penalty is paid in full. In no case will the total amount withheld under this subsection exceed the unpaid amount of said penalty;

14. The Department may assess penalties to late loan repayments as appropriate as specified in the Fund loan agreements;

15. (Reserved)

16. Except for land acquisition and conservation and well sealing projects, the recipient shall certify to the Department that a final plan of operation, including an operations and maintenance manual, an emergency operating program, personnel training, an adequate budget consistent with the user charge system, operational reports, laboratory testing needs, and an operation and maintenance (including replacement) program for the complete environmental infrastructure facility has been developed for the project;

17. The recipient shall certify that it has not and shall not enter into any contract with, nor has any subcontract been or shall be awarded to, any person debarred, suspended or disqualified from Department contracting pursuant to N.J.A.C. 7:1D-2 for any services within the scope of project work;

18. The recipient shall certify that the project or phase of the project was initiated and completed in accordance with the time schedule specified in the Fund loan agreement;

19. The recipient shall certify that it and its contractors and subcontractors shall comply with all insurance requirements of the Fund loan agreement and certify, when appropriate, that the insurance is in full force and effect and that the premiums have been paid. The recipient shall include the State and its agencies, employees and officers as additional "named insureds" on any certificate of liability insurance (or other similar document evidencing liability insurance coverage) of the contractor. The recipient shall provide the Department with such certificate of liability insurance (or other similar document evidencing liability insurance coverage) prior to the issuance of the notice to proceed with the project. Such certificate shall be maintained in full force and represent a continuing obligation to include the State and its agencies, employees and officers as additional "named insureds" through the completion of construction. The recipient shall not alter or cancel such certificate without prior notification to the Department, in writing, 15 days in advance of any alteration or cancellation. In addition, when required, the recipient shall acquire or have the contractor acquire, as appropriate, flood insurance made available under the National Flood Insurance Act of 1968 (P.L. 90-448), as amended. Flood insurance coverage must begin with the period of building and continue for the entire period during which the environmental infrastructure facility operates. The insurance must be in an amount at least equal to the allowable improvements or the maximum limit of coverage made available to the recipient under the National Flood Insurance Act of 1968, whichever is less. The recipient shall comply with each requirement of this subsection prior to the release of the initial Fund loan disbursement for building the project;

20. The recipient shall certify that it and its contractors and subcontractors shall comply with the discrimination and affirmative action provisions of N.J.S.A. 10:2-1 through 10:2-4, the New Jersey Law Against Discrimination (N.J.S.A. 10:5-1 et seq.), and the rules and regulations promulgated pursuant thereto, including but not limited to N.J.A.C. 17:27;

21. The recipient shall certify that it has established an affirmative action program for the hiring of minority workers in the performance of any construction contract for that project, consistent with the provisions of the New Jersey Law Against Discrimination (N.J.S.A. 10:5-1 et seq.);

22. The recipient shall designate an officer or employee, who may be an existing officer or employee, to serve as its project compliance officer, pursuant to N.J.A.C. 7:22-9.11;

23. The recipient shall certify that it shall comply with the Rules and Regulations for Awarding Contracts for

State Assisted Projects to Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals (N.J.A.C. 7:22-9);

24. The recipient shall make a good faith effort to award not less than 10 percent of the total amount of all contracts for building, materials or services (including planning, design and building related activities) for a project to small business concerns owned and controlled by socially and economically disadvantaged individuals as defined in the Small Business Act (15 U.S.C. 637(a) and 637(d)), and any regulations promulgated pursuant thereto. Where a local government unit has Minority Business Enterprise/Women's Business Enterprise (MBE/WBE) goals which exceed 10 percent of the total amount of all contracts, the local government unit's goals will take precedence over State goals;

25. For wastewater treatment and stormwater management facilities, the recipient shall pay not less than the prevailing wage rate to workers employed in the performance of any contract for the project, in accordance with the rate determined by the Commissioner of the New Jersey Department of Labor pursuant to N.J.S.A. 34:11-56.25 et seq. or the United States Secretary of Labor pursuant to 29 CFR Part 5, whichever is greater. For water supply and nonpoint source management facilities, the recipient shall pay not less than the prevailing wage rate to workers employed in the performance of any contract for the project, in accordance with the rate determined by the Commissioner of the New Jersey Department of Labor pursuant to N.J.S.A. 34:11-56.25 et seq.;

26. After the award of a contract and prior to the start of work, a preconstruction meeting shall be scheduled by the recipient. The recipient, the responsible engineer, the environmental and construction inspectors, the contractor and one or more representatives of the Department must be present at the preconstruction meeting;

27. Prior to starting construction, the recipient shall provide photographs or videotapes to the Department in conformance with the provisions of N.J.A.C. 7:22-10.11(q);

28. The recipient shall provide inspection coverage of the construction work using qualified personnel on a routine basis as follows:

i. A qualified inspector shall be provided at each construction site. There are times when a qualified individual can cover more than one site; however, this must be governed by on-site conditions which determine rate of progress;

ii. Inspection coverage at a treatment plant site shall be on a full-time basis at all times;

iii. For pipeline construction (including the construction of transmission facilities), full-time construc-

tion inspections shall be provided during the following operations:

- (1) Preparation of trench bottom for placement of bedding and to determine if bottom will support pipe or if additional support must be provided;
- (2) Placing of pipe bedding material where required and in the quantity required in conformance with the approved specifications;
- (3) Alignment and joining of pipe sections;
- (4) Bedding, placement, and alignment of manholes and other appurtenances; and
- (5) Placement and compaction of trench backfill material;

iv. Inspection coverage at pump station and metering station sites shall be sufficient to ensure that the work satisfies specifications. The coverage shall include, but not be limited to, the following:

- (1) Excavation and spoils disposal;
- (2) Checking of all elevations including footings, piles, slabs and equipment pads (this function may be performed by the responsible engineer);
- (3) Installation of all concrete reinforcing bars;
- (4) Installation of all electrical conduit, plumbing and piping; and
- (5) Installation of all equipment;

v. All concrete shall be checked for truck mix time and temperature prior to placing in forms. Periodic slump tests and test cylinders, per good construction practice, shall be taken. Cold weather and hot weather precautions shall be taken as appropriate. Any additions to the specified concrete mix must be approved by the responsible engineer; and

vi. During the construction period, the construction inspector shall keep a job diary in which he will keep a record of progress, problems encountered, and corrective action taken to rectify any problems. The job diary shall be made available to the Department upon request;

29. The recipient shall provide environmental inspection coverage and ensure completion of environmental restoration in conformance with the provisions of N.J.A.C. 7:22-10.12;

30. During the construction phase of the projects, job meetings shall be held at frequent intervals to review construction and restoration progress and to resolve difficulties which might delay completion of the work. Attendees at these meetings shall include the recipient, the responsible engineer, the recipient's inspectors (construction and environmental), the contractor, and one or more representatives of the Department;

31. The recipient shall provide notification, information and conduct visual inspections and testing of projects, as well as disinfection of water system components, as follows:

i. The recipient shall notify the Department one week prior to all final visual inspections, disinfection, and tests of all sewer lines, force mains, transmission facilities, mechanical equipment and treatment plant operation at which time the Department shall notify the recipient if it is necessary that a Department representative be present at the visual inspection or testing activity, a determination that shall be based on the specific project circumstances such as project location, design, construction methods and other factors;

ii. Copies of all final visual inspections and test reports shall be forwarded to the Department;

iii. Copies of record drawings shall be forwarded to the Department prior to the start of visual inspection and testing of all pipeline projects; and

iv. For wastewater treatment facilities, all visual inspections and testing shall be done in accordance with the following:

(1) All manholes and pipelines shall be completed and flushed clean prior to the visual inspection. This inspection must be performed with a representative of the recipient and/or the responsible engineer, the contractor and, if determined necessary under (a)31i above, a representative from the Department present. All discrepancies must be noted and a reinspection performed to verify the corrective action;

(2) All manholes and pipelines shall be visually inspected and accepted prior to testing;

(3) Upon acceptance of the visual inspection by the Department, the necessary infiltration, exfiltration, or low pressure air test and deflection tests when applicable shall be performed by the contractor. The test must be witnessed by the recipient and/or the responsible engineer (or representative), the contractor, and, if determined necessary under (a)31i above, a representative from the Department. Upon completion of the test, a copy of the test results must be forwarded to the Department;

(4) Infiltration tests of gravity lines shall be limited to 2000 linear feet per test;

(5) Force mains shall be tested to two times the maximum operating pressure, but not greater than the pipe pressure rating, whichever is less. The length of pipe tested during a force main pressure test is not restricted; however, it is recommended that it be limited for ease in locating leaks if present;

(6) Testing of all mechanical equipment at treatment plants and pump stations must be witnessed by a representative of the Department; and

(7) If required, actual flow tests must be conducted in accordance with parameters established by the Department and performed in the presence of a representative of the Department; and

v. All disinfection of water system components shall be done in accordance with the Standards for the Construction of Public Community Water Systems at N.J.A.C. 7:10-11.6(d) and 11.10(e)4 and the Standards for the Construction of Public Noncommunity Water Systems and Nonpublic Water Systems at N.J.A.C. 7:10-12.11, as applicable.

vi. All testing of water supply facilities shall be done in accordance with the American Water Works Association (AWWA) standards for testing included in ANSI/AWWA-C600 and C605, incorporated herein by reference, as amended and/or supplemented, or as otherwise approved by the Department. AWWA standards may be obtained from the AWWA, 6666 West Quincy Avenue, Denver, Colorado 80235.

32. The recipient shall forward a letter to the Department upon completion of all construction and restoration of each contract of a project, stating that the project (or contract) is ready for final inspection. No final inspection will be scheduled until formal notification is received. The final inspection will be a joint inspection with the recipient and/or the responsible engineer, the recipient's inspector(s), the contractor, and one or more representatives of the Department in attendance.

33. For land acquisition and conservation projects, the recipient shall also comply with the following:

i. The recipient shall perpetually maintain a fee simple interest in the parcel(s) that excludes future sale considerations or an interest stated in the form of a right, restriction, easement, covenant or condition in any deed, will, or other instrument executed by, or on behalf of the owner of the parcel(s) and the local government unit that does not allow any of the following:

(1) Construction or placing of buildings, roads, signs, billboards or other advertising or other structures in, on or above the ground (except for the project sign required by N.J.A.C. 7:22-3.27(b) or as needed to address public health or safety issues);

(2) Dumping or placing of soil or other substance or material as landfill, or dumping or placing trash, waste or unsightly or offensive materials;

(3) Removal or destruction of trees, shrubs, or other vegetation (except as needed to address public health or safety issues);

(4) Excavation, dredging, or removal of loam, peat, gravel, soil, rock or other mineral substance vegetation (except as needed to address public health or safety issues);

(5) Surface use except for purposes permitting the land or water area to remain predominantly in its natural condition, such as hiking trails for non-motorized vehicles;

(6) Activities detrimental to drainage, flood control, water conservation, erosion control or soil conservation, or fish and wildlife habitat preservation; or

(7) Other acts or uses detrimental to the retention of land or water areas for conservation purposes.

ii. The recipient shall include any parcels acquired pursuant to this subchapter in its Recreation and Open Space Inventory submitted to Green Acres pursuant to N.J.A.C. 7:36-6.4(a)3 when and if the recipient applies for Green Acres funding under N.J.A.C. 7:36.

iii. The recipient shall provide evidence to the Department that a properly executed deed has been recorded with the clerk of the county in which the parcel is located. Said deed shall, at a minimum, prohibit the activities identified in (a)33i above in perpetuity.

(b) The recipient shall certify that it is in compliance with all other requirements and conditions of the Fund loan agreement.

(c) The Department may impose such other conditions as may be necessary and appropriate to implement the laws of the State and effectuate the purpose and intent of the Bond Acts.

(d) Neither the State of New Jersey nor the Trust will be a party to any contracts and subcontracts awarded pursuant to this subchapter. All such contracts and subcontracts shall include the following statement:

"This contract or subcontract is expected to be funded in part with funds from the New Jersey Department of Environmental Protection and the New Jersey Environmental Infrastructure Trust. Neither the State of New Jersey, the New Jersey Environmental Infrastructure Trust nor any of their departments, agencies or employees is, or will be, a party to this contract or subcontract or any lower tier contract or subcontract. This contract or subcontract is subject to the provisions of N.J.A.C. 7:22-3, 4, 5, 9 and 10."

(e) The recipient shall insert into the contracts for building the project EPA Form 5720-4 (5-13), Labor Standards Provisions for Federally Assisted Construction Contracts.

(f) The recipient shall insert into the contracts, and shall ensure that their contractor(s) include within their subcontract(s), the following statement:

"In accordance with the provisions of N.J.S.A. 58:11B-26, N.J.A.C. 7:22-3.17(a)24 and 4.17(a)24, the contractor (subcontractor) shall comply with all of the provisions of N.J.A.C. 7:22-9."

(g) All applicable surety bonds required in connection with the advertisement and award of building contracts or subagreements must be written by a surety company listed on the Federal Treasury List (Department Circular 570-Surety Companies Acceptable on Federal Bonds), incorporated herein by reference. Copies of this document may be obtained from the Department.

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Added (d).

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Changes at (a)2, 3, 4, 5, 8, 13, 16, 19, 21, 22, 23, 24 and 25; (d) deleted and new (d)-(g) added.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 3271(a).

Amended to include specific requirements for the construction of wastewater treatment facilities; also amended to delete the requirement for recipients to provide a Subcontractor Certification Form to the Department.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1997 d.346, effective August 18, 1997.

See: 29 N.J.R. 2207(a), 29 N.J.R. 3723(a).

In (a)31i, inserted "at which time . . . and other factors"; in (a)31ii, deleted "when requested" following "to the Department"; in (a)31iv(1) and (3), inserted ", if determined necessary under (a)31i above,"; in (a)31iv(1), inserted "clean" following "and flushed"; and in (a)31ii and iv(3), deleted reference to a request regarding forwarding results to the Department.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote (a); and in (d), substituted "Environmental Infrastructure" for "Wastewater Treatment" throughout.

Administrative change.

See: 32 N.J.R. 1796(a).

Amended by R.2000 d.284, effective July 3, 2000.

See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

In (a), inserted a reference to permits in the introductory paragraph, changed Federal and State OMB circular references in 2, added exceptions at the beginning of 10 and 16, inserted a reference to nonpoint source management facilities in 25, and added 33.

7:22-3.18 Administration and performance of loan

The recipient bears primary responsibility for the administration and success of the project, including any subagreements made by the recipient for accomplishing the Fund loan objectives. Although recipients are encouraged to seek the advice and opinion of the Department on problems that may arise, the giving of such advice does not shift the responsibility for final decisions from the recipient to the Department.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Deleted sentence regarding the "primary concern of the Department . . .".

7:22-3.19 Project changes and loan modifications

(a) A Fund loan modification means any written alteration of the terms or conditions, budget or project method or other administrative, technical or financial provisions of the Fund loan agreement.

(b) The recipient shall promptly notify the Department in writing (certified mail, return receipt requested) of events or proposed changes which may require a Fund loan modification, including, but not limited to:

1. Rebudgeting;
2. Changes in approved technical plans or specifications for the project;
3. Changes which may affect the approved scope or objectives of the project;
4. Significant, changed conditions at the project site;
5. Acceleration or deceleration in the time for performance of the project or any major phase thereof; and
6. Changes which may increase or substantially decrease the total cost of a project.

(c) If the Department determines that a Fund loan modification by means of a Fund loan agreement amendment is necessary in accordance with N.J.A.C. 7:22-3.20, the recipient shall be notified and a Fund loan agreement amendment shall be processed. If the Department determines that a Fund loan agreement amendment is not necessary, the Department and the recipient shall follow the procedures of N.J.A.C. 7:22-3.21 or 3.22, as applicable.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Deleted (b); recodified (c) to (b) and (d) to (c).

7:22-3.20 Fund loan agreement amendments

(a) The Department shall require a Fund loan agreement amendment to change principal provisions of a Fund loan agreement where the Department determines that project changes substantially alter the objective or scope of the project or time of performance of the project or any major phase thereof, or to change substantially a term or condition of the Fund loan agreement.

(b) In the event that additional moneys are needed due to the low bid building cost being higher than the original Fund loan amount, the recipient may request a supplemental Fund loan. The Department may execute a supplemental Fund loan agreement only after passage of a subsequent legislative appropriations act providing moneys for the specific project of concern. The recipient shall be responsible for all other increased costs.

(c) In the event that additional moneys are needed due to differing site conditions, the recipient may request a post-construction supplemental Fund loan. The Department may execute a post-construction supplemental Fund loan agreement only after passage of a subsequent legislative appropriations act providing moneys for the specific project of concern. The recipient shall be responsible for all other increased costs.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Deleted and replaced (b).

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amendments add provision governing circumstances in which additional money is required for a project as a result of differing site conditions.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (b), substituted "recipient" for "local government unit" throughout.

7:22-3.21 Administrative loan changes

Administrative changes by the Department, such as a change in the designation of key Department personnel or of the office to which a report is to be transmitted by the recipient, or a non-substantial alteration of the disbursement schedule for Fund loans for construction of environmental infrastructure facilities, constitute changes to the Fund loan agreement (but not necessarily to the project work) and do not affect the substantive rights of the Department or the recipient. The Department may issue such changes unilaterally. Such changes shall be in writing and shall generally be effected by a letter (certified mail, return receipt requested) to the recipient.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Substituted "environmental infrastructure" for wastewater treatment" in the first sentence.

7:22-3.22 Other changes

All other project changes, which do not require a Fund loan agreement amendment as stated in N.J.A.C. 7:22-3.20 require written approval of the Department.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Deleted reference to Assistant Director and replaced with Department.

7:22-3.23 Access

(a) The recipient and its contractor and subcontractors shall provide to Department personnel and any authorized representative of the Department access to the facilities, premises and records related to the project.

(b) The recipient shall submit to the Department such documents and information as requested by the Department.

(c) The recipient, and all contractors and subcontractors which contract directly with the recipient or receive a portion of State monies, may be subject to a financial audit.

(d) Records shall be retained and available to the Department until the final Fund loan repayment has been made by the recipient.

7:22-3.24 State disbursement

Disbursement of Fund loan moneys shall be made as indicated in the Fund loan agreement at intervals as work progresses and expenses are incurred by the recipient and as approved by the Department, but in no event will total disbursements at any time exceed the cumulative Fund loan amounts indicated in the disbursement schedule of the Fund loan agreement or the allowable costs which have been incurred at that time. No disbursement shall be made until the Department receives satisfactory cost documentation which must include all forms and information required by the Department and completed in a manner satisfactory to the Department.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Stipulated that total disbursement not exceed the "cumulative Fund loan amounts . . . in the disbursement schedule of the Fund loan agreement," or allowable costs.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Substituted "recipient" for "local government unit" in the first sentence.

7:22-3.25 Assignment

The right of a recipient to receive disbursements from the State under a Fund loan may not be assigned, nor may repayments due under a Fund loan be similarly encumbered, unless such assignment or encumbrance has been approved in writing pursuant to the conditions set forth in the Fund loan agreement.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Reference to assignment or encumbrance approval needs to be in writing.

7:22-3.26 Unused funds

Where the total amount disbursed under a Fund loan due to the low bid building cost is less than the initial Fund loan award, and/or where the total amount disbursed under a Fund loan due to the final building cost is less than the Fund loan amount due to the low bid building cost, the Fund loan shall be adjusted, if necessary, and the difference shall be retained by the Fund to be reallocated, pursuant to the provisions of a legislative appropriations act, to other environmental infrastructure facilities projects and shall not be available for increased costs (including increased costs due to differing site conditions). However, where allowable cost overruns occur, Fund moneys may be used to cover these cost overruns up to the loan amount. Line item adjustments for allowable project costs may be made at the request of the recipient provided the Fund loan amount in the Fund loan agreement is not exceeded and provided all project related contracts have been awarded. However, the Department shall not allow line item adjustments to reallocate funds resulting from cost underruns due to a reduction in project scope.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Provision for line item adjustments added.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amended to specifically state that Fund moneys included in the original Fund loan award which are in excess of the low bid adjusted Fund loan amount are not available to cover a recipient's project cost increases (including cost increases due to differing site conditions). Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Substituted "environmental infrastructure" for "wastewater treatment" in the first sentence and deleted "adjusted due to the low bid building cost" from the end of the second sentence.

7:22-3.27 Publicity and signs

(a) Press releases and other public dissemination of information by the recipient concerning the project work shall acknowledge State loan support.

(b) A project identification sign, at least eight feet long and four feet high, bearing the emblem of the Department shall be displayed in a prominent location at each publicly visible project site and facility. The sign shall identify the project, State loan support, and other information as required by the Department.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Clarified to indicate that the project sign must include the information required by the Department, not the Division, since, as a result of a recent reorganization, the Division of Water Resources no longer exists.

7:22-3.28 Land acquisition

The cost for land may be determined to be an allowable cost by the Department in accordance with N.J.A.C. 7:22-5.7. The recipient shall comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646 (84 Stat. 1894) approved January 2, 1971).

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Deleted and replaced.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Substituted "recipient" for "local government unit" in the third sentence.

Amended by R.2000 d.284, effective July 3, 2000.

See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

Deleted a reference to Federal law requirements in the second sentence and deleted the third sentence.

7:22-3.29 Project initiation

(a) The recipient shall expeditiously initiate and complete the project in accordance with the project schedule contained in the Fund loan agreement. Failure to promptly initiate and complete a project may result in the imposition of sanctions included in this subchapter.

(b) The recipient shall not advertise any contract or any addendum thereto for the building of the project until authorization to advertise the contract or any addendum thereto has been granted by the Department. Further, the recipient shall be required to execute the engineering agreement for building services prior to, or concurrently with, receipt of authorization to advertise. The recipient shall transmit an executed copy of the engineering agreement for building services to the Department immediately upon its execution.

(c) Once bids for building the project are received, the recipient shall not award any subagreement(s) until authorization to award has been given by the Department.

(d) The recipient and the contractor to whom the subagreement(s) has been awarded shall attend a preconstruction conference with Department personnel prior to the issuance of a notice to proceed.

(e) The recipient shall award the subagreement(s) and issue notice(s) to proceed, where required, for building all significant elements of the project no later than 12 months after the loan closing, unless a specific extension has been approved by the Department.

(f) Failure to promptly award all subagreement(s) for building the project shall result in a limitation on allowable costs in accordance with N.J.A.C. 7:22-5.4(d)5.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Requirements added at (b).

Amended by R.2000 d.284, effective July 3, 2000.

See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

In (f), amended the N.J.A.C. reference.

7:22-3.30 Project performance

(a) Within 30 days of the actual date of initiation of operation of the project, the recipient shall, in writing, notify the Department.

(b) On the date one year after the initiation of operation, the recipient shall certify to the Department the performance record of the project. If the Department or the recipient concludes that the project does not meet the environmental infrastructure facilities' performance standards as specified in the Fund loan agreement, the recipient shall submit the following:

1. A corrective action report which includes an analysis of the cause of the project's failure to meet the performance standards and an estimate of the nature, scope and cost of the corrective action necessary to bring the project into compliance;
2. The schedule for undertaking in a timely manner the corrective action necessary to bring the project into compliance; and
3. The scheduled date for certifying to the Department that the project is meeting the specified performance standards.

(c) The recipient shall take corrective action necessary to bring a project into compliance with the specified performance standards at its own expense.

(d) Nothing in this section:

1. Prohibits a recipient from requiring more assurances, guarantees, or indemnity or other contractual requirements from any party performing project work; or

7:22-3.36 Reserve capacity

(a) For wastewater treatment facilities, the Department shall limit the recipient's Fund loan assistance to the cost of the project, to address the wastewater needs for which the planning requirements at N.J.A.C. 7:22-10 have been met, with a capacity based upon flow records, existing unsewered needs and flows anticipated as of the date of initiation of operation as established in the Fund loan agreement. In no case, however, shall the allowable capacity for existing flows exceed 120 gallons per capita per day. Flow projections

shall be calculated in accordance with N.J.A.C. 7:14A-23.3 and 7:15-5.18.

(b) For water supply facilities, the Department shall limit the recipient's Fund loan assistance to the cost of the project, to address the water supply needs for which the planning requirements at N.J.A.C. 7:22-10 have been met, with a capacity based on the existing population and water supply demand anticipated as of the date of initiation of operation as established in the Fund loan agreement.

(c) The incremental costs for any project providing reserve capacity which, for the purposes of this section, includes capacity in excess of that provided by (a) or (b) above shall be unallowable costs under the Fund loan agreement, but may be allowable costs under a Trust loan agreement in accordance with N.J.A.C. 7:22-4.36. Incremental costs include all costs which would not have been incurred but for the reserve capacity (that is, any cost in addition to the most cost effective alternative with allowable capacity as described in (a) or (b) above).

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Editorial change only.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote (a); inserted a new (b); and rewrote and recodified former (b) as (c).

7:22-3.37 Value engineering for wastewater treatment facilities

(a) For wastewater treatment facilities, the applicant shall conduct value engineering if the total estimated building cost exceeds the building cost threshold as established in the Federal Water Pollution Control Act Amendments. As of March 1, 1998, the building cost threshold is \$10 million.

(b) The value engineering recommendations shall be implemented to the maximum extent feasible.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Applicant will be required to conduct value engineering for all projects with building costs greater than \$10 million even if Federal grant assistance has been approved; prior rule exempted those projects receiving Federal grant assistance.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote (a).

7:22-3.38 Fraud and other unlawful or corrupt practices

(a) The recipient shall administer Fund loans, acquire property pursuant to the award documents, and award contracts and subcontracts pursuant to those loans free from bribery, graft, and other corrupt practices. The recipient bears the primary responsibility for the prevention, detection and cooperation in the prosecution of any such conduct. The State shall also have the right to pursue administrative or other legally available remedies.

(b) The recipient shall pursue available judicial and administrative remedies and take appropriate remedial action with respect to any allegations or evidence of such illegality or corrupt practices. The recipient shall immediately notify the Department when such allegation or evidence comes to its attention, and shall periodically advise the Department of the status and ultimate disposition of any related matter.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

“Assistant Director” replaced by “Department” at (b).

7:22-3.39 Debarment

(a) No recipient shall enter into a contract for work on environmental infrastructure facilities with any person debarred, suspended or disqualified from Department contracting pursuant to N.J.A.C. 7:1D-2.

(b) Recipients shall insert in every contract for work on a project a clause stating that the contractor may be debarred, suspended or disqualified from contracting on any project financially assisted by the State or the Department if the contractor commits any of the acts listed in N.J.A.C. 7:1D-2.

(c) The recipient, prior to acceptance of Fund loan moneys, shall certify that no contractor or subcontractor is included on the State Treasurer’s list of debarred, suspended and disqualified bidders as a result of action by a State agency in addition to that of the Department. If Fund loan moneys are used for disbursement to a debarred firm, the Department reserves the right to immediately terminate (N.J.A.C. 7:22-3.44) the Fund loan and/or take such other action pursuant to N.J.A.C. 7:1D-2 as is appropriate.

(d) Whenever a bidder is debarred, suspended, or disqualified from Department contracting pursuant to N.J.A.C. 7:1D-2, the recipient may take into account the loss of Fund loan moneys under these regulations which result from awarding a contract to such bidder, in determining whether such bidder is the lowest responsive and responsible bidder pursuant to laws, and the recipient may advise prospective bidders that these procedures shall be followed.

(e) Any person included on the State Treasurer’s list as a result of action by a State agency, who is or may become a bidder on any contract which is or will be funded by a Fund loan under this subchapter, may present information to the Department why this section shall not apply to such person. If the Department determines that it is essential to the public interest and files a finding thereof with the New Jersey Attorney General, the Department may grant an exception from the application of this section with respect to a particular contract, in keeping with N.J.A.C. 7:1D-2.9. In the alternative, the Department may suspend or debar any such person, or take such action as may be appropriate, pursuant to N.J.A.C. 7:1D-2.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

“Commissioner” replaced by “Department” and stylistic changes in (e).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a), substituted “environmental infrastructure facilities” for “a wastewater treatment project”.

Administrative change.

See: 32 N.J.R. 1796(a).

7:22-3.40 Noncompliance

(a) In addition to any other remedies as may be provided by law or in the Fund loan agreement, in the event of noncompliance with any loan condition, requirement of this subchapter, or contract requirement or specification, the Department may take any of the following actions or combinations thereof:

1. Issue a notice of noncompliance pursuant to N.J.A.C. 7:22-3.41;
2. Withhold Fund loan moneys pursuant to N.J.A.C. 7:22-3.42;
3. Order suspension of project work pursuant to N.J.A.C. 7:22-3.43;
4. Terminate the Fund loan pursuant to N.J.A.C. 7:22-3.44; and/or
5. Issue administrative orders of enforcement pursuant to the New Jersey Water Pollution Control Act (N.J.S.A. 58:10A-1 et seq.) or the Safe Drinking Water Act (N.J.S.A. 58:12A-1 et seq.).

Amended by R.1998 d.407, effective August 3, 1998.
Sec: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a)5, inserted a reference to the Safe Drinking Water Act.

7:22-3.41 Notice of noncompliance

Where the Department determines that the recipient is in noncompliance with any condition or requirement of these rules or with any contract specification or requirement, it shall notify the recipient, its engineer, and/or the contractor of the noncompliance. The Department may require the recipient, its engineer, and/or contractor to take and complete corrective action within 10 working days of receipt of notice. If the recipient, its engineer, and/or contractor fails to take corrective action or if the action taken is inadequate, then the Department may issue a stop-work order or withhold disbursement. The Department may, however, withhold disbursement or issue a stop-work order pursuant to N.J.A.C. 7:22-3.423 and 3.43 without issuing a notice pursuant to this section.

7:22-3.42 Withholding of funds

The Department may withhold, upon written notice to the recipient, a Fund loan disbursement or any portion thereof where it determines that a recipient has failed to comply with any loan condition, provision of this subchapter, or contract specification or requirement.

7:22-3.43 Stop-work orders

(a) The Department may order work to be stopped for good cause. Good cause shall include, but not be limited to, default by the recipient or noncompliance with the terms and conditions of the Fund loan. The Department shall limit use of stop-work orders to those situations where it is advisable to suspend work on the project or portion or phase of the project for important program or Department considerations.

(b) Prior to issuance, the Department shall afford the recipient an opportunity to discuss the stop-work order with Department personnel. The Department shall consider such discussions in preparing the order. Stop-work orders shall contain:

1. The reasons for issuance of the stop-work order;
2. A clear description of the work to be suspended;
3. Instructions as to the issuance of further orders by the recipient for materials or services;
4. Guidance as to action being taken on subagreements; and
5. Other suggestions to the recipient for minimizing costs.

(c) The Department may, by written order to the recipient (certified mail, return receipt requested), require the recipient to stop all, or any part of, the project work for a period of not more than 45 days after the recipient receives the order, and for any further period to which the parties may agree.

(d) The effects of a stop-work order are as follows:

1. Upon receipt of a stop-work order, the recipient shall immediately comply with the terms thereof and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage. Within the suspension period or within any extension of that period to which the parties shall have agreed, the Department shall either:

- i. Rescind the stop-work order, in full or in part;
- ii. Terminate the work covered by such order as provided in N.J.A.C. 7:22-3.44; or
- iii. Authorize resumption of work.

2. If a stop-work order is cancelled or the period of the order or any extension thereof expires, the recipient shall promptly resume the previously suspended work. An equitable adjustment shall be made in the Fund loan period, and/or the project, and the Fund loan agreement shall be modified if necessary. However, additional project costs as a result of this action shall be the responsibility of the recipient.

7:22-3.44 Termination of loans

(a) Termination of loans by the Department shall be conducted as follows:

1. The Department may terminate a Fund loan in whole or in part for good cause. The term "good cause" shall include but not be limited to:

- i. Substantial failure to comply with the terms and conditions of the Fund loan agreement;
- ii. Default by the recipient;

(b) If a project sponsor is awarded a Trust loan in addition to funding from any other Federal or State grant or loan, the total amount of such other funding and the Trust loan shall not exceed the allowable costs of the project. If a project sponsor is awarded funding from any other Federal or State grant or loan after the Trust has awarded a Trust loan to the project sponsor, the Trust shall reduce the loan in the amount of such other funding. If a project sponsor is awarded funding from any other Federal or State grant or loan after the Trust has made disbursement from the Trust loan, the project sponsor shall, within 60 days of notice of the award of such other funding, reimburse the Trust in the amount of such other funding. If both a Trust loan (pursuant to this subchapter) and a Fund loan (pursuant to N.J.A.C. 7:22-3) are received in combination with funding from any other Federal or State grant or loan, the Fund and Trust loans will be proportionally reduced.

Amended by R.1988 d.210, effective May 16, 1988.
See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Substantially deleted text in (b) and (c).

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

New (a); old (a) recodified as (b) and (b) and (c) deleted.

Amended by R.1993 d.242, effective June 7, 1993.
See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Modified to indicate that a project which receives financial assistance from the United States Department of Agriculture's Farmers Home Administration for the same scope of work for which the project receives a Trust loan will have its Trust loan share reduced by an amount equal to the amount of financial assistance provided by the Farmer's Home Administration. If both Fund and Trust loans are received, both loans will be proportionally reduced.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote (b).

7:22-4.9 Project bypassing

(a) Failure of the project sponsor to advise the Department, in writing of the project sponsor's commitment to meet the project document submittal schedule by the deadline identified in the proposed Priority System, Intended Use Plan and Project Priority List will, without further notice by the Department, result in the project becoming ineligible for a Trust loan for the specified State fiscal year(s).

(b) Failure of the project sponsor to submit complete planning documents, design documents and applications within the time periods specified in the Priority System, Intended Use Plan and Project Priority List for the specified State fiscal year(s) will result in the Trust's bypassing of the project sponsor's project unless the Trust, at its discretion approves, for good cause, an extension to these periods.

(c) Written notice of a bypass action shall be forwarded to the project sponsor. As a result of such an action, the project on the Project Priority List shall become ineligible to receive a Trust loan in the specified State fiscal year(s). This may allow the next highest ranked project to fall within the fundable range on the Project Priority List.

(d) The Trust shall bypass a project sponsor's project on the Project Priority List in cases where the Trust has given priority to funding other projects on the Project Priority List in accordance with N.J.A.C. 7:22-4.7(d) or (e).

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Substantially amended and heading was originally "notice of project eligibility".

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Clarification at (b) of necessary documents for submission; new (d) added.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amended to eliminate the concept of contingency projects to be consistent with the provision of the existing rules.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Substituted "project sponsor" for "local government unit" throughout the section.

7:22-4.10 Pre-application procedures

(a) Project sponsors are urged to be familiar with the requirements of this subchapter and to contact the Trust early in the planning process so that their projects are in a position to proceed (that is, planning and design completed) in a timely manner. Project sponsors should be aware that Department approvable plans and specifications are required as part of the application for a Trust loan.

(b) The Trust requires a pre-application conference with potential applicants prior to submission of a formal application for a Trust loan. During the conference the Trust shall identify and explain all loan application documents. This conference is not part of the application procedures and verbal statements made during the conference shall not bind the Trust.

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Deleted "at a time of Notice of Project Eligibility" and substituted "in a timely manner".

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Deleted (c) and address.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a), substituted "project sponsors" for "local government units".

7:22-4.11 Application procedures

(a) Each application for a Trust loan shall be submitted to the trust in conformance with the time period specified in the Proposed Priority System, Intended Use Plan and Project Priority List or otherwise extended by the Trust and must include full and complete documentation and any supplementary materials that the Trust requires an applicant to furnish.

(b) Submissions which do not substantially comply with this subchapter shall not be processed further and the applicant shall be so advised.

(c) Processing of a Trust loan application generally requires 60 calendar days after receipt of a complete application by the Trust.

(d) The following must be submitted when applying for a Trust loan, as applicable:

1. An application (Form LP-2) for a Trust loan pursuant to this subchapter for the construction of environmental infrastructure facilities. Each application constitutes an agreement to accept the requirements of this subchapter;

2. If the applicant is a local government unit, a resolution passed by the local government unit authorizing the filing of an application for a Trust loan and specifying the individual authorized to sign the Trust loan application on behalf of the local government unit. If the applicant is a private entity, a letter from the private entity authorizing the filing of an application and specifying the individual authorized to represent the private entity, as well as evidence of ownership of the water supply system. If two or more project sponsors are involved in the project, a resolution or letter indicating the lead applicant and the authorized representative is required from each;

3. Statement of Assurances (Form LP-3) from each applicant and, if the applicant is a local government unit, an executed Professional Services Affidavit (Form LP-11) for each person or firm whose professional services have been procured by the local government unit for the project for which cost reimbursement will be sought under this chapter. If the professional services for which cost reimbursement will be sought under this chapter have not been procured at the time of loan application, submittal by the local government unit of a letter of commitment to comply with the requirements of the Professional Services Affidavit, and to submit a copy of the executed Professional Services Affidavit to the Trust immediately upon execution of the contract for the professional services, will satisfy this requirement. Submittal of the executed Professional Services Affidavit or letter of commitment is a requirement of the application process so that the Trust will have written confirmation from the local government unit that it has procured or will procure any necessary professional services in conformance with the procurement requirements of the Local Public Contracts Law (N.J.S.A. 40A:11-1 et seq.) or other applicable procurement method authorized under State law and the local government unit has reviewed or will review the proposed costs and activities and finds them acceptable. This Professional Services Affidavit requirement does not apply to professional services obtained for those planning and design activities which are covered through an allowance in accordance with N.J.A.C. 7:22-5.12 or to professional services obtained by private entities;

4. Assurance of compliance with the civil rights requirements of Title VI of the Civil Rights Act of 1964 (P.L. 88-352) and the New Jersey Law Against Discrimination (N.J.S.A. 10:5-1 et seq.) (Form LP-4);

5. A complete Project Report/Facilities Plan, which must include:

i. For all environmental infrastructure facilities, the following items must be submitted:

(1) A description of both the proposed environmental infrastructure facilities and the complete environmental infrastructure system of which it is a part;

(2) Cost information on total capital costs of the project, and annual operation and maintenance costs;

(3) A description of the potential open space and recreation opportunities associated with the project;

(4) Appropriate documentation demonstrating compliance with the Environmental Assessment Requirements for State Assisted Environmental Infrastructure Facilities (N.J.A.C. 7:22-10); and

(5) For the selected alternative, a concise description, at an appropriate level of detail, of at least the following:

(A) Relevant design parameters, including a description of the environmental infrastructure facilities to be built, schematic flow diagrams, hydraulic profiles and preliminary design criteria;

(B) Cost impacts on system users; and

(C) Institutional and management arrangements necessary for successful implementation, such as service agreements, local ordinances, interagency agreements or intermunicipal agreements;

ii. For wastewater treatment and stormwater management facilities, a statement of consistency with the appropriate Water Quality Management Plans in accordance with the provisions of N.J.A.C. 7:15. For wastewater treatment facilities, a description of the Best Practicable Wastewater Treatment Technology or, for stormwater management facilities, a description of the Best Management Practices that will be utilized;

iii. For wastewater treatment, water supply and stormwater management facilities permitted as a municipal separate storm sewer system, a cost effectiveness analysis of the feasible conventional, innovative and alternative technologies capable of meeting the applicable effluent, water quality, or drinking water standards and public health requirements over the design life of the facility while recognizing environmental and other nonmonetary considerations. The planning period for cost effectiveness analysis must be 20 years. The monetary costs to be considered must include the present worth or equivalent annual value of all capital costs and operation and maintenance costs. The population forecasting in the analysis must be consistent with the appropriate Water Quality Management Plan, the New Jersey Statewide Water Supply Plan or current census data. A cost effectiveness analysis must include:

(1) For wastewater treatment facilities, an evaluation of flow reduction methods. If the applicant demonstrates that the existing average daily base flow (ADBF) from the area is less than 70 gallons per capita per day (gpcd), or if the Department determines the area has an effective existing flow reduction program, this evaluation is not required;

(2) A description of the relationship between the capacity of alternatives analyzed and the needs to be served, including capacity for future growth expected after the environmental infrastructure facilities become operational. This includes letters of intent from significant industrial or commercial users and all establishments intending to increase their wastewater flows or water supply demand or relocate in the area documenting capacity needs and characteristics for existing or projected wastewater flows or water supply demand;

(3) An evaluation of improved effluent or drinking water quality attainable by upgrading the operation and maintenance and efficiency of existing facilities as an alternative or supplement to construction of new facilities;

(4) An evaluation of the alternative methods for the reuse or ultimate disposal of treated wastewater and sludge material resulting from the treatment process;

(5) A consideration of systems with revenue generating applications;

(6) An evaluation of opportunities to reduce use of or recover energy; and

(7) Cost information on total capital costs, and annual operation and maintenance costs, as well as estimated annual or monthly costs to residential, commercial and industrial users;

iv. For wastewater treatment facilities, an infiltration/inflow analysis of the sewer system in accordance with N.J.A.C. 7:22-4.35, or for water supply facilities, an analysis of the amount of water withdrawn at the source(s) and not accounted for as being delivered to customers in measured amounts;

v. For land acquisition and conservation projects, the following items shall also be submitted:

(1) An evaluation of the land to be acquired, including a water quality basis for the proposed land purchase that addresses the existing land use patterns, potential threats to water quality, and other existing problems;

(2) A site survey signed and sealed by a land surveyor licensed to practice in the State of New Jersey and the criteria used to select the parcel(s) for purchase;

(3) The appraisal(s) of the parcel(s). For a parcel with an estimated land value of less than \$250,000, the local government unit shall obtain at least one appraisal. For a parcel with an estimated land value of \$250,000 or more, two appraisals shall be obtained. For easement acquisitions, appraisals shall be submitted that identify the fair market value of the parcel with and without the conservation restriction. Any appraisals required herein shall be prepared by a real estate appraiser licensed by the State's Division of Consumer Affairs to perform such appraisals;

(4) If a preliminary assessment report or site assessment prepared under the Technical Requirements for Site Remediation, N.J.A.C. 7:26E identifies potential contamination of the land to be acquired, a letter of no further action issued by the Department under N.J.A.C. 7:26C-2.6 is also required; and

(5) A statement from the local government unit pledging to comply with the loan conditions identified in N.J.A.C. 7:22-3.17(a)33 and identifying the actions the local government unit will take to insure that the applicable restrictions will be incorporated in the deed for the parcel(s) and will apply in perpetuity;

vi. For landfill closure facilities, a copy of the Department's approval of the sanitary landfill's Closure and Post-Closure Plan submitted pursuant to N.J.A.C. 7:26-2A;

vii. For new landfill facilities, a copy of the applicable solid waste facility permit issued pursuant to N.J.A.C. 7:26-2;

viii. For remedial action activities, the following items must also be submitted:

(1) A statement by the applicant whether or not the applicant is currently conducting remediation pursuant to the ISRA or the Underground Storage Tank programs or otherwise conducting a remediation pursuant to an oversight document, including, as applicable, case number, Known Contaminated Site List number and the name of the Department case manager for the case; and

(2) A copy of the applicable Department approvals issued pursuant to N.J.A.C. 7:26E-6.1(b)1 that identifies remedial actions proposed to be implemented at a contaminated site; and

ix. For well sealing projects, a description of the project area, the well(s) proposed to be sealed and a certification that the method proposed to be used to seal the well(s) complies with N.J.A.C. 7:9-9.

6. For sewer rehabilitation projects, a Sewer System Evaluation Survey in accordance with N.J.A.C. 7:22-4.35;

7. Department-approvable plans, specifications and technical design report, including documentation regarding the evaluation of existing site conditions;

8. A description of the public participation process to date. Public participation activities undertaken in connection with the environmental review process should be coordinated with any other applicable public participation program wherever possible;

9. A report on the participation by socially and economically disadvantaged individuals during planning and design as required by N.J.A.C. 7:22-9.12(a);

10. Project cost breakdown for each subagreement;

11. Projected cash flow schedule to be used to establish the Trust loan disbursement schedule;

12. Project construction schedule. A court-sanctioned order or a Department-issued Administrative Consent Order indicating a compliance schedule will be required where applicable;

13. For wastewater treatment facilities, a sewer use ordinance and user charge system acceptable to the Trust;

i. The sewer use ordinance or other legally binding document must include provisions that prohibit any new connections from inflow sources into the treatment facilities and require that new sewers and connections to the treatment facilities are properly designed and constructed. The ordinance or other legally binding document must require the local unit to diligently investigate any existing inflow sources (such as sump pumps) and eliminate such sources within a reasonable time period. The ordinance or other legally binding document must also require that all wastewater introduced into the treatment facilities not contain toxics or other pollutants in amounts or concentrations that endanger public safety and physical integrity of the treatment facilities; not violate effluent or water quality limitations; or not preclude the selection of the most cost effective alternative for wastewater treatment and sludge disposal.

ii. The user charge system shall be designed to produce adequate revenues required for operation and maintenance (including replacement) and, in most cases, to cover debt service costs for the local government unit's wastewater treatment facilities. It must provide that each user which discharges pollutants that cause an increase in the cost of managing the effluent or sludge from the treatment facilities shall pay for such increased cost. Unless otherwise approved by the Department, the user charge system must be based on either actual use under (d)13ii(1) below, ad valorem taxes under (d)13ii(2) below or a combination of the two. It must meet the requirements set forth in (d)13ii(3) through (8) below.

(1) A user charge system based on actual use (or estimated use) of wastewater treatment services must provide that each user (or user class) pays its proportionate share of operation and maintenance (including replacement) costs of treatment facilities within the service area, based on the user's proportionate contribution to the total wastewater loading from all users (or user classes).

(2) A user charge system which is based on ad valorem taxes may be approved if:

(A) On December 27, 1977, the applicant had in existence a system of dedicated ad valorem taxes which collected revenues to pay the cost of operation and maintenance of wastewater treatment facilities within the service area and the applicant has continued to use that system;

(B) The ad valorem user charge system distributes the operation and maintenance costs for all treatment facilities in the applicant's jurisdiction to the residential and small nonresidential user class (including at the applicant's option nonresidential, commercial and industrial users that introduce no more than the equivalent of 25,000 gallons per day of domestic sanitary wastes to the treatment facilities), in proportion to the use of the treatment facilities by this class; and

(C) Each member of the industrial user and commercial user class which discharges more than 25,000 gallons per day of sanitary waste pays its share of the costs of operation and maintenance of the treatment facilities based upon charges for actual use.

(3) Each user charge system must provide that each user be notified, at least annually, in conjunction with a regular bill (or other means acceptable to the Department) of the rate and that portion of the user charges or ad valorem taxes which are attributable to wastewater treatment services.

(4) Each user charge system must include an adequate financial management system that will accurately account for revenues generated by the system and expenditures for operation and maintenance (including replacement) of the treatment system, based on an adequate budget identifying the basis for determining the annual operation and maintenance costs and the costs of personnel, material, energy and administration.

(5) The user charge system must provide that the costs of operation and maintenance for all flow not directly attributable to users (that is, infiltration/inflow) be distributed among all users based upon either of the following:

(A) In the same manner that it distributes the costs for their actual use; or

(B) Under a system which uses one or any combination of the following factors on a reasonable basis:

(I) Flow volume of the users;

(II) Number of hookups or discharges of the users;

(III) Property valuation of the users, if the applicant has an approved user charge system based on ad valorem taxes.

(6) After completion of construction of a project, revenue from the project (for example, sale of a treatment-related by-product, lease of the land, or sale of crops grown on the land purchased under the Trust loan agreement) must be used to offset the costs of operation and maintenance. The applicant shall proportionately reduce all user charges.

(7) One or more municipal legislative enactments or other appropriate authority must incorporate the user charge system. If the project accepts wastewater from other municipalities, the subscribers receiving waste treatment services from the applicant shall adopt user charge systems in accordance with this section. These user charge systems must also be incorporated in appropriate municipal legislative enactments or other appropriate authority of all municipalities contributing wastes to the treatment facilities.

iii. The applicant may establish lower user charge rates for low income residential users as authorized by State law. The total revenue for operation and maintenance, including equipment replacement, of the facilities must not be reduced as a result of establishing a low income residential user class;

14. Certificate (legal opinion) from counsel as to title or mechanism to obtain title necessary for project sites and easements;

15. An affidavit (Form LP-7) certifying that required permits and approvals for building the environmental infrastructure facilities were received from applicable Federal, State and local agencies;

16. A statement from the applicant indicating that it has not violated any Federal, State or local law pertaining to fraud, bribery, graft, kickback, collusion or conflicts of interest relating to or in connection with the planning and design of the project;

17. A statement from the applicant which indicates if it used the services of a person for planning or design of the project whose name appears on the State Treasurer's list of debarments, suspensions and voluntary exclusions;

18. Executed service, joint and/or deficiency or other intermunicipal agreements, if applicable. If the project will serve two or more project sponsors, the applicant shall submit the executed service agreements, contracts

or other legally binding instruments necessary for the financing, building and operation of the proposed environmental infrastructure facilities. At a minimum, these documents must include the basis upon which costs are allocated, the formula by which costs are allocated, and the manner in which the cost allocation system will be administered;

19. Draft engineering agreements for building services;

20. A statement by the applicant indicating whether the project sponsor is currently in default on any State loan. A Trust loan agreement will not be executed between the Trust and the project sponsor unless the Trust determines that repayment of the defaulted loan will be received.

21. A description of how the applicant plans to repay the Trust loan and pay any other expenses necessary to fully complete and implement the project, the steps it has taken to implement this plan, and steps it plans to take before receiving the Trust loan that shall guarantee that at the time of the signing of the Trust loan agreement it shall be irrevocably committed to repay the Trust loan and pay any other expenses necessary to fully complete, implement, operate and maintain the project. The description shall include: pro forma projections of the applicant's financial operations during the construction period of the project and five years thereafter; a summary of the sources and uses of all funds anticipated to be used for the project to be financed by the Trust loan; and a statement of the assumptions used in creating these projections. Applicants shall secure all Trust loans in a manner acceptable to the Trust, pledging to provide funds to repay the debt, even if the Trust loan is terminated pursuant to N.J.A.C. 7:22-4.44. Acceptable security arrangements include, but are not limited to, general obligation bonds of the local government unit, service/deficiency agreement(s) with government units with general taxing power, bond insurance, revenue bonds, debt service reserve funds and surety bonds.

22. For water supply facilities, a description of the technical, managerial, and financial capabilities of the public water system. This description shall include, but is not limited to, financial capability to ensure loan repayment, credit analysis of the applicant, operator licensing in accordance with N.J.A.C. 7:10, Licensing of Water Supply and Wastewater Treatment Operators, and adequacy of infrastructure.

23. Such other information as the Trust may require.

(e) Applicants shall obtain all necessary Federal, State and local permits and approvals prior to the award of a loan unless prior approval for an extension for one or more specific permits has been granted by the Trust that does not significantly affect the loan award. Excluded from prior acquisition are permits and approvals which are impractical

to obtain prior to the loan award (for example, road opening permit, blasting permit, etc.).

(f) The Trust shall not accept a recipient's supplemental Trust loan application for increased allowable costs in instances where the low bid building cost is higher than the original Trust loan award unless bids on all project-related contracts have been received.

(g) The Trust shall only accept a recipient's post-construction supplemental Trust loan application if all of the following actions have occurred:

1. The Trust has approved payment requests whose total equals the Trust loan amount, exclusive of payment requests for construction management services related to project start-up and one-year project performance certification;
2. The project's building activities are complete;
3. All applicable administrative and legal appeals have been resolved;
4. All costs related to differing site conditions for which cost reimbursement is sought have been incurred; and
5. All documentation for the costs in (g)4 above has been submitted to the Trust or submitted concurrently with the post-construction supplemental Trust loan application.

Amended by R.1988 d.210, effective May 16, 1988.
See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Deleted old (d)20 and inserted new.
Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Amended to provide greater detail as to the components of a Project Report/Facilities Plan and as to what constitutes a Department-approved user charge system and sewer use ordinance.
Amended by R.1993 d.242, effective June 7, 1993.
See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Specifically required to evaluate existing site conditions as a component of their application for a Trust loan; added two new provisions (subsections (f) and (g)) which identify those activities which the recipient and the Trust must complete in order for the Trust to process a recipient's supplemental Trust loan application.

Amended by R.1995 d.494, effective September 5, 1995.
See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).
Amended by R.1998 d.407, effective August 3, 1998.
See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote (d).
Amended by R.2000 d.284, effective July 3, 2000.
See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

In (d), rewrote 4 and 5.

7:22-4.12 Use and disclosure of information

All loan applications and other submissions, when received by the Trust, constitute public records. The Trust shall make them available to persons who request their release to the extent required by New Jersey and/or Federal law.

7:22-4.13 Evaluation of application

(a) Each application shall be subject to:

1. Preliminary administrative review to determine the completeness of the application. The applicant will be notified of the completeness or deficiency of the application;

2. Programmatic, technical, and scientific evaluation to determine the merit and relevance of the project to the Trust's program objectives;

3. Budget evaluation to determine whether proposed project costs are reasonable, applicable, and allowable; and

4. Final administrative evaluation.

(b) Upon the completion of a full review and evaluation of each application, the Trust shall either certify the project for funding or bypass the project for funding in the State fiscal year for which the application was submitted.

(c) The Trust shall promptly notify an applicant by certified mail if its project has been bypassed. As a result of a project bypass action, the next highest ranked project on the Project Priority List may fall within the fundable range.

Amended by R.1988 d.210, effective May 16, 1988.
See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Substituted "Project Priority" for "State Funding".
Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Deleted (c), recodified (d) as (c).
Amended by R.1993 d.242, effective June 7, 1993.
See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Clarified to indicate that Trust loan applications will be reviewed to determine if the project scope identified in the application is consistent with the Trust's program's, and not the project's objectives.

7:22-4.14 Supplemental information

At any stage during the evaluation process, the Trust may require supplemental documents or information necessary to complete full review of the application. The Trust may suspend its evaluation until such additional information or documents have been received.

7:22-4.15 Trust loan agreement

(a) The Trust shall prepare and transmit the Trust loan agreement to the applicant. The Trust loan agreement shall set forth the terms and conditions of the Trust loan, approved project scope, allowable and unallowable project costs, estimated Trust loan disbursement schedule, estimated loan repayment schedule and the approved commencement and completion dates for the project or major phases thereof.

(b) The Trust loan agreement shall be executed by the applicant within such period of time and pursuant to such terms and conditions as the Trust may determine.

(c) The Trust, pursuant to such terms and conditions as it may determine, may require the applicant to irrevocably commit itself through a loan commitment letter, escrow agreement or other similar document to borrow the amount for which it has made application under the terms and conditions of the Trust loan agreement transmitted to the applicant.

(d) The Trust loan agreement and/or loan commitment letter, escrow agreement or other similar document shall be executed by a person authorized to obligate the applicant to the terms and conditions of the particular document for the project specified therein. For local government units, a certified copy of the authorizing resolution shall be delivered to the Trust at the time that the executed Trust loan agreement, loan commitment letter, escrow agreement or similar document is delivered to the Trust. If the applicant is a private entity, a letter from the private entity authorizing the execution of the Trust loan agreement and specifying the individual authorized to represent the private entity shall be delivered to the Trust at the time that the executed Trust loan agreement, loan commitment letter, escrow agreement or other similar document is delivered to the Trust.

(e) The Trust loan agreement is deemed to incorporate all requirements, provisions, and information in documents or papers submitted to the Trust in the application process.

(f) The Trust loan agreement shall not be executed by the Trust if the applicant is in current default on any State loan.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Modified to identify the procedures related to the execution of the Trust loan agreement, including the requirements for the applicant to provide a loan commitment letter, escrow agreement or other similar document to irrevocably commit itself to borrow the amount included within the Trust loan agreement, if such commitment is required by the Trust, in accordance with current program practice.

Amended by R.1998 d.407, effective August 3, 1998.
See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (d), inserted "For local government units, a" at the beginning of the second sentence and added a new last sentence.

7:22-4.16 Trust loan award and closing

(a) Upon the execution of the Trust loan agreement by the Trust and the recipient, the Trust loan is awarded and the agreement becomes effective and constitutes an obligation of the Trust in accordance with its terms and conditions. The obligation of the Trust under a Trust loan agreement is contingent upon the availability of funds from which disbursements can be made. The Trust loan is considered closed as indicated in the Trust loan agreement.

(b) The award or closing of the Trust loan does not commit or obligate the Trust to award any continuation or supplemental Trust loan to cover cost overruns of the project. Cost overruns for any project or portion thereof are the sole responsibility of the recipient.

(c) The award or closing of a Trust loan by the Trust shall not be used as a defense by the applicant to any action by any agency for the applicant's failure to obtain all requisite permits, licenses and operating certificates for its respective projects.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Added language regarding contingency upon availability of funds.

7:22-4.17 Loan conditions

(a) The following requirements, in addition to N.J.A.C. 7:22-4.18 through 4.30, as well as such statutes, rules, permits, terms and conditions which may be applicable to particular loans, are conditions to each Trust loan, and conditions to each disbursement under a Trust loan agreement:

1. Local government units shall comply with the Local Public Contracts Law (N.J.S.A. 40A:11-1 et seq.) or other applicable procurement method authorized under State law;

2. The recipient shall certify that it is, and shall assure that its contractors and subcontractors are, maintaining their financial records in accordance with generally accepted accounting principles and auditing standards for governmental institutions. The recipient shall comply with the requirements of the Single Audit Act of 1984 (31 U.S.C. §§ 7501-7507), Federal OMB Circular A-133 and State OMB Circular 98-07-OMB, incorporated herein by reference. Copies of these documents may be obtained from the Department;

3. Local government units shall comply with the Minimum Standards of Conduct for Officers, Employees, Agents and Members of Authorities Participating in State Financial Assistance Programs for Environmental Infrastructure Facilities (N.J.A.C. 7:22-8) and the Local Government Ethics Law (P.L. 1991, c.29; N.J.S.A. 40A:9-22);

4. For wastewater treatment facilities, the recipient shall comply with the requirements of N.J.A.C. 7:14-2, Construction of Wastewater Treatment Facilities, and the provisions of the NJPDES rules at N.J.A.C. 7:14A. For water supply facilities, the recipient shall comply with N.J.A.C. 7:10-11, Standards for the Construction of Public Community Water Systems, or N.J.A.C. 7:10-12, Standards for the Construction of Public Noncommunity Water Systems and Nonpublic Water Systems, as applicable. Water supply facilities shall not conflict with the recommendations of the New Jersey Statewide Water Supply Plan.

5. For wastewater treatment facilities, the recipient shall adopt a sewer use ordinance and implement the user charge system consistent with the provisions of N.J.A.C. 7:22-4.11(d)13;

6. For wastewater treatment facilities, the recipient shall establish an effective regulatory program pursuant to

N.J.S.A. 58:10A-6 and enforce pretreatment standards which comply with 40 CFR Part 403;

7. The recipient shall comply with all applicable requirements of Federal, State and local laws;

8. The recipient shall pay the unallowable costs of the construction of the project (that is, facilities planning, design, building and related costs) and shall pay the allowable costs not covered by the Trust loan, or supplemental Trust loan, if any;

9. The Trust loan agreement or any amendment thereto may include special conditions necessary to assure accomplishment of the project objectives or Trust requirements. The recipient shall comply with any special conditions which the Trust requires in the Trust loan agreement or any amendment thereto;

10. Except for land acquisition and conservation and well sealing projects, the recipient shall retain sufficient qualified operating and management personnel including a qualified chief operating officer or executive director, from the time of completion of construction or initiation of operation, whichever is earlier, until such time as the operation of the facility is discontinued;

11. Construction of the project, including letting of contracts in connection therewith, shall conform to applicable requirements of Federal, State, and local laws, ordinances, rules and regulations and to contract specifications and requirements;

12. No Trust loan moneys shall be disbursed to a recipient who is in current default on any Trust loan. The Trust may, at its discretion, make a Trust loan disbursement where it determines that the recipient will repay the defaulted loan obligation and associated penalties. Nothing in this paragraph shall in any way limit any right or duty of the Trust to demand and collect at any time the total due under any such defaulted loan;

13. (Reserved)

14. The Trust may assess penalties to late loan repayments as appropriate as specified in the Trust loan agreement;

15. (Reserved)

16. Except for land acquisition and conservation and well sealing projects, the recipient shall certify to the Department that a final plan of operation, including an operations and maintenance manual, an emergency operating program, personnel training, an adequate budget consistent with the user charge system, operational reports, laboratory testing needs, and an operation and maintenance (including replacement) program for the complete environmental infrastructure facility has been developed for the project;

17. The recipient shall certify that it has not and shall not enter into any contract with nor has any subcontract been or shall be awarded to any person debarred, suspended or disqualified from Department contracting pursuant to N.J.A.C. 7:1D-2 for any services within the scope of project work;

18. The recipient shall certify that the project or phase of the project was initiated and completed in accordance with the time schedule specified in the Trust loan agreement;

19. The recipient shall certify that it and its contractors and subcontractors shall comply with all insurance requirements of the Trust loan agreement and certify, when appropriate, that the insurance is in full force and effect and that the premiums have been paid. The recipient shall include the State and its agencies, employees and officers as additional "named insureds" on any certificate of liability insurance (or other similar document evidencing liability insurance coverage) of the contractor. The recipient shall provide the Trust with such certificate of liability insurance (or other similar document evidencing liability insurance coverage) prior to the issuance of the notice to proceed with the project. Such certificate shall be maintained in full force and represent a continuing obligation to include the State and its agencies, employees and officers as additional "named insureds" through the completion of construction. The recipient shall not alter or cancel such certificate without prior notification to the Trust, in writing, 15 days in advance of any alteration or cancellation. In addition, when required, the recipient shall acquire or have the contractor acquire, as appropriate, flood insurance made available under the National Flood Insurance Act of 1968 (P.L. 90-448), as amended. Flood insurance coverage must begin with the period of building and continue for the entire period during which the environmental infrastructure facility operates. The insurance must be in an amount at least equal to the allowable improvements or the maximum limit of coverage made available to the recipient under the National Flood Insurance Act, whichever is less. The recipient shall comply with each requirement of this subsection prior to the release of the initial Trust loan disbursement for building the project;

20. The recipient shall certify that it and its contractors and subcontractors shall comply with the discrimination and affirmative action provisions of N.J.S.A. 10:2-1 through 10:2-4, the New Jersey Law Against Discrimination (N.J.S.A. 10:5-1 et seq.), and the rules and regulations promulgated pursuant thereto, including but not limited to N.J.A.C. 17:27;

21. The recipient shall certify that it has established an affirmative action program for the hiring of minority workers in the performance of any construction contract for that project consistent with the provisions of the New Jersey Law Against Discrimination (N.J.S.A. 10:5-1 et seq.);

22. The recipient shall designate an officer or employee, who may be an existing officer or employee, to serve as its project compliance officer, pursuant to N.J.A.C. 7:22-9.11;

23. The recipient shall certify that it shall comply with the Rules and Regulations for Awarding Contracts for State Assisted Projects to Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals (N.J.A.C. 7:22-9);

24. The recipient shall make a good faith effort to award not less than 10 percent of the total amount of all contracts for building, materials or services (including planning, design and building related activities) for a project to small business concerns owned and controlled by socially and economically disadvantaged individuals as defined in the Small Business Act (15 U.S.C. 637(a) and 637(d)), and any regulations promulgated pursuant thereto. Where a local government unit has Minority Business Enterprise/Women's Business Enterprise (MBE/WBE) goals which exceed 10 percent of the total amount of all contracts, the local government unit's goals will take precedence over State goals;

25. For wastewater treatment and stormwater management facilities, the recipient shall pay not less than the prevailing wage rate to workers employed in the performance of any contract for the project, in accordance with the rate determined by the Commissioner of the New Jersey Department of Labor pursuant to N.J.S.A. 34:11-56.25 et seq. or the United States Secretary of Labor pursuant to 29 CFR Part 5, whichever is greater. For water supply and nonpoint source management facilities, the recipient shall pay not less than the prevailing wage rate to workers employed in the performance of any contract for the project, in accordance with the rate determined by the Commissioner of the New Jersey Department of Labor pursuant to N.J.S.A. 34:11-56.25 et seq.;

26. After the award of a contract and prior to the start of work, a preconstruction meeting shall be scheduled by the recipient. The recipient, the responsible engineer, the environmental and construction inspectors, the contractor and one or more representatives of the Trust must be present at the preconstruction meeting;

27. Prior to starting construction, the recipient shall provide photographs or videotapes to the Trust in conformance with the provisions of N.J.A.C. 7:22-10.11(q);

28. The recipient shall provide inspection coverage of the construction work using qualified personnel on a routine basis as follows:

i. A qualified inspector shall be provided at each construction site. There are times when a qualified individual can cover more than one site; however, this must be governed by on-site conditions which determine rate of progress;

ii. Inspection coverage at a treatment plant site shall be on a full-time basis at all times;

iii. For pipeline construction (including the construction of transmission facilities), full-time construction inspections shall be provided during the following operations:

(1) Preparation of trench bottom for placement of bedding and to determine if bottom will support pipe or if additional support must be provided;

(2) Placing of pipe bedding material where required and in the quantity required in conformance with the approved specifications;

(3) Alignment and joining of pipe sections;

(4) Bedding, placement, and alignment of man-holes and other appurtenances; and

(5) Placement and compaction of trench backfill material;

iv. Inspection coverage at pump station and metering station sites shall be sufficient to ensure that the work satisfies specifications. The coverage shall include, but not be limited to, the following:

(1) Excavation and spoils disposal;

(2) Checking of all elevations including footings, piles, slabs and equipment pads (this function may be performed by the responsible engineer);

(3) Installation of all concrete reinforcing bars;

(4) Installation of all electrical conduit, plumbing and piping; and

(5) Installation of all equipment;

v. All concrete shall be checked for truck mix time and temperature prior to placing in forms. Periodic slump tests and test cylinders, per good construction practice, shall be taken. Cold weather and hot weather precautions shall be taken as appropriate. Any additions to the specified concrete mix must be approved by the responsible engineer; and

vi. During the construction period, the construction inspector shall keep a job diary in which he will keep a record of progress, problems encountered, and corrective action taken to rectify any problems. The job diary shall be made available to the Trust upon request;

29. The recipient shall provide environmental inspection coverage and ensure completion of environmental restoration in conformance with the provisions of N.J.A.C. 7:22-10.12;

30. During the construction phase of the projects, job meetings shall be held at frequent intervals to review construction and restoration progress and to resolve difficulties which might delay completion of the work. Attendees at these meetings shall include the recipient, the

responsible engineer, the recipient's inspectors (construction and environmental), the contractor, and one or more representatives of the Trust;

31. The recipient shall provide notification, information and conduct visual inspections and testing of projects, as well as disinfection of water system components, as follows:

i. The recipient shall notify the Trust one week prior to all final visual inspections, disinfection, and tests of all sewer lines, force mains, transmission facilities, mechanical equipment and treatment plant operation at which time the Department shall notify the recipient if it is necessary that a Trust representative be present at the visual inspection or testing activity, a determination that shall be based on the specific project circumstances such as project location, design, construction methods and other factors;

ii. Copies of all final visual inspections and test reports shall be forwarded to the Trust;

iii. Copies of record drawings shall be forwarded to the Trust prior to the start of visual inspection and testing of all pipeline projects; and

iv. For wastewater treatment facilities, all visual inspections and testing shall be done in accordance with the following:

(1) All manholes and pipelines shall be completed and flushed clean prior to the visual inspection. This inspection must be performed with a representative of the recipient and/or the responsible engineer, the contractor and, if determined necessary under (a)31i above, a representative from the Trust present. All discrepancies must be noted and a reinspection performed to verify the corrective action;

(2) All manholes and pipelines shall be visually inspected and accepted prior to testing;

(3) Upon acceptance of the visual inspection by the Trust, the necessary infiltration, exfiltration, or low pressure air test and deflection tests when applicable shall be performed by the contractor. The test must be witnessed by the recipient and/or the responsible engineer (or representative), the contractor, and, if determined necessary under (a)31i above, a representative from the Trust. Upon completion of the test, a copy of the test results must be forwarded to the Trust;

(4) Infiltration tests of gravity lines shall be limited to 2000 linear feet per test;

(5) Force mains shall be tested to two times the maximum operating pressure, but not greater than the pipe pressure rating, whichever is less. The length of pipe tested during a force main pressure test is not restricted; however, it is recommended that it be limited for ease in locating leaks if present;

(6) Testing of all mechanical equipment at treatment plants and pump stations must be witnessed by a representative of the Trust; and

(7) If required, actual flow tests must be done in accordance with parameters established by the Trust and performed in the presence of a representative of the Trust; and

v. All disinfection of water system components shall be done in accordance with the Standards for the Construction of Public Community Water Systems at N.J.A.C. 7:10-11.6(d) and 11.10(e)4 and the Standards for the Construction of Public Noncommunity Water Systems and Nonpublic Water Systems at N.J.A.C. 7:10-12.11, as applicable.

vi. All testing of water supply facilities shall be done in accordance with the American Water Works Association (AWWA) standards for testing included in ANSI/AWWA-C600 and C605, incorporated herein by reference as amended and/or supplemented, or as otherwise approved by the Department. AWWA standards may be obtained from the AWWA, 6666 West Quincy Avenue, Denver, Colorado 80235.

32. The recipient shall forward a letter to the Trust upon completion of all construction and restoration of each contract of a project, stating that the project (or contract) is ready for final inspection. No final inspection will be scheduled until formal notification is received. The final inspection will be a joint inspection with the recipient and/or the responsible engineer, the recipient's inspector(s), the contractor, and one or more representatives of the Trust in attendance.

33. For land acquisition and conservation projects, the recipient shall also comply with the following:

i. The recipient shall perpetually maintain a fee simple interest in the parcel(s) that excludes future sale considerations or an interest stated in the form of a right, restriction, easement, covenant or condition in any deed, will, or other instrument executed by, or on behalf of the owner of the parcel(s) and the local government unit that does not allow any of the following:

(1) Construction or placing of buildings, roads, signs, billboards or other advertising or other structures in, on, or above the ground (except for the project sign required by N.J.A.C. 7:22-4.27(b));

(2) Dumping or placing of soil or other substance or material as landfill, or dumping or placing trash, waste or unsightly or offensive materials;

(3) Removal or destruction of trees, shrubs, or other vegetation (except as needed to address public health or safety issues);

(4) Excavation, dredging, or removal of loam, peat, gravel, soil, rock or other mineral substance vegetation (except as needed to address public health or safety issues);

(5) Surface use except for purposes permitting the land or water area to remain predominantly in its natural condition, such as hiking trails for non-motorized vehicles;

(6) Activities detrimental to drainage, flood control, water conservation, erosion control or soil conservation, or fish and wildlife habitat preservation; or

(7) Other acts or uses detrimental to the retention of land or water areas for conservation purposes.

ii. The recipient shall include any parcels acquired pursuant to this subchapter in its Recreation and Open Space Inventory submitted to Green Acres pursuant to N.J.A.C. 7:36-6.4(a)3 when and if the recipient applies for Green Acres funding under N.J.A.C. 7:36.

iii. The recipient shall provide evidence to the Trust that a properly executed deed has been recorded with the clerk of the county in which the parcel is located. Said deed shall, at a minimum, prohibit the activities identified in i. above in perpetuity.

(b) The recipient shall certify that it is in compliance with all other requirements and conditions of the Trust loan agreement.

(c) The Trust may impose such other conditions as may be necessary and appropriate to implement the laws of the State and effectuate the purpose and intent of the Trust Act.

(d) Neither the State of New Jersey nor the Trust will be a party to any contracts and subcontracts awarded pursuant to this subchapter. All such contracts and subcontracts shall include the following statement:

“This contract or subcontract is expected to be funded in part with funds from the New Jersey Department of Environmental Protection and the New Jersey Environmental Infrastructure Trust. Neither the State of New Jersey, the New Jersey Environmental Infrastructure Trust nor any of their departments, agencies or employees is, or will be, a party to this contract or subcontract or any lower tier contract or subcontract. This contract or subcontract is subject to the provisions of N.J.A.C. 7:22-3, 4, 5, 9 and 10.”

(e) The recipient shall insert into the contracts for building the project EPA Form 5720-4(5-13), Labor Standards Provisions for Federally Assisted Construction Contracts.

(f) The recipient shall insert into the contracts, and shall ensure that their contractor(s) include within their subcontract(s), the following statement:

“In accordance with the provisions of N.J.S.A. 58:11B-26, N.J.A.C. 7:22-3.17(a)24 and 4.17(a)24, the contractor (subcontractor) shall comply with all of the provisions of N.J.A.C. 7:22-9.”

(g) All applicable surety bonds required in connection with the advertisement and award of building contracts or subagreements must be written by a surety company listed on the Federal Treasury List (Department Circular 570-Surety Companies Acceptable on Federal Bonds), incorporated herein by reference. Copies of this document may be obtained from the Department.

Amended by R.1988 d.210, effective May 16, 1988.
See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Added (d).
Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Modified to conform with Federal requirements as a result of the deposit of Federal monies into the Wastewater Treatment Financing Program and amended to incorporate standards regarding auditing and to ensure consistent practices by local government units receiving a loan pursuant to this subchapter.

Amended by R.1993 d.242, effective June 7, 1993.
See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amended to include specific requirements for the construction of wastewater treatment facilities; also amended to delete the requirement for recipients to provide a Subcontractor Certification form.
Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).
Amended by R.1997 d.346, effective August 18, 1997.
See: 29 N.J.R. 2207(a), 29 N.J.R. 3723(a).

In (a)31i, inserted “at which time ... and other factors”; in (a)31iv(1) and (3), inserted “, if determined necessary under (a)31i above;”; in (a)31iv(1), inserted “clean” following “and flushed”; and in (a)31ii and iv(3), deleted reference to a request regarding forwarding results to the Department.

Amended by R.1998 d.407, effective August 3, 1998.
See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Rewrote (a); and in (d), substituted “Environmental Infrastructure” for “Wastewater Treatment” throughout.
Administrative change.

See: 32 N.J.R. 1796(a).
Amended by R.2000 d.284, effective July 3, 2000.
See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

In (a), inserted a reference to permits in the introductory paragraph, changed Federal and State OMB circular references in 2, added exceptions at the beginning of 10 and 16, inserted a reference to nonpoint source management facilities in 25, and added 33.

7:22-4.18 Administration and performance of loan

The recipient bears primary responsibility for the administration and success of the project, including any subagreements made by the recipient for accomplishing the Trust loan objectives. Although recipients are encouraged to seek the advice and opinion of the Trust on problems that may arise, the giving of such advice does not shift the responsibility for final decisions from the recipient to the Trust.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Last sentence, non-regulatory language deleted.

7:22-4.19 Project changes and loan modifications

(a) A Trust loan modification means any written alteration of the terms or conditions, budget or project method or other administrative, technical or financial provisions of the Trust loan agreement.

(b) The recipient shall promptly notify the Trust in writing (certified mail, return receipt requested) of events or proposed changes which may require a Trust loan modification, including but not limited to:

1. Rebudgeting;
2. Changes in approved technical plans or specifications for the project;
3. Changes which may affect the approved scope or objectives of the project;
4. Significant, changed conditions at the project site;
5. Acceleration or deceleration in the time for performance of the project or any major phase thereof; and
6. Changes which may increase or substantially decrease the total cost of a project.

(c) If the Trust determines that a Trust loan modification by means of a Trust loan agreement amendment is necessary in accordance with N.J.A.C. 7:22-4.20, the recipient shall be notified and a Trust loan agreement amendment shall be processed. If the Trust decides a Trust loan agreement amendment is not necessary, the Trust and the recipient shall follow the procedures of N.J.A.C. 7:22-4.21 or 4.22, as applicable.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

(b) and (d) deleted; (c) and (e) recodified.

7:22-4.20 Trust loan agreement amendments

(a) The Trust shall require a Trust loan agreement amendment to change principal provisions of a Trust loan agreement where the Trust determines that project changes substantially alter the objective or scope of the project or time of performance of the project or any major phase thereof or to change substantially a term or condition of the Trust loan agreement.

(b) In the event that additional moneys are needed due to the low bid building cost being higher than the original Trust loan amount, the recipient may request a supplemental Trust loan. The Trust may execute a supplemental Trust loan agreement only after passage of a subsequent legislative act providing moneys for the specific project of concern. The recipient shall be responsible for all other increased costs.

(c) In the event that additional moneys in excess of any existing Trust loan award(s) are needed due to differing site conditions, the recipient may request a post-construction supplemental Trust loan. The Trust may execute a post-construction supplemental Trust loan agreement only after passage of a subsequent legislative act providing moneys for the specific project of concern. The recipient shall be responsible for all other increased costs.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Clarified operating procedures and the parameters under which a recipient may request a line item adjustment within a Trust loan agreement.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Added a provision governing circumstances in which additional money is required for a project as a result of differing site conditions.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (b) and (c), substituted "recipient" for "local government unit" throughout.

7:22-4.21 Administrative loan changes

Administrative changes by the Trust, such as a change in the designation of key Trust personnel or of the office to which a report is to be transmitted by the recipient, or a nonsubstantial alteration of the disbursement schedule for Trust loans for construction of environmental infrastructure facilities, constitute changes to the Trust loan agreement (but not necessarily to the project work) and do not affect the substantive rights of the Trust or the recipient. The Trust may issue such changes unilaterally by written notice to the recipient.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Substituted "environmental infrastructure" for "wastewater treatment" and rewrote the last sentence.

7:22-4.22 Other changes

All other project changes, which do not require a Trust loan agreement amendment as stated in N.J.A.C. 7:22-4.20, require written approval of the Trust.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Stylistic change.

7:22-4.23 Access

(a) The recipient and its contractor and subcontractors shall provide to Trust personnel and any authorized representative of the Trust access to the facilities, premises and records related to the project.

(b) The recipient shall submit to the Trust such documents and information as requested by the Trust.

(c) The recipient, and all contractors and subcontractors which contract directly with the recipient or receive a portion of Trust moneys, may be subject to a financial audit.

(d) Records shall be retained and available to the Trust until the final Trust loan repayment has been made by the recipient.

7:22-4.24 Trust disbursement

Disbursement of Trust loan moneys shall be made as indicated in the Trust loan agreement at intervals as work progresses and expenses are incurred by the recipient and as approved by the Trust, but in no event shall total disbursements at any time exceed the cumulative Trust loan amounts indicated in the disbursement schedule of the Trust loan agreement or the allowable costs which have been incurred at that time. No disbursement shall be made until the Trust receives satisfactory cost documentation which must include all forms and information required by the Trust and completed in a manner satisfactory to the Trust.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Added language regarding the Trust loan agreement.
Amended by R.1998 d.407, effective August 3, 1998.
See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Substituted "recipient" for "local government unit" in the first sentence.

7:22-4.25 Assignment

The right of a recipient to receive disbursements from the Trust under a Trust loan may not be assigned, nor may repayments due under a Trust loan be similarly encumbered unless such assignment or encumbrance shall have been approved in writing pursuant to the conditions set forth in the Trust loan agreement.

7:22-4.26 Unused funds

Where the total amount disbursed under a Trust loan due to the low bid building cost is less than the initial Trust loan award, and/or where the total amount disbursed under a Trust loan due to the final building cost is less than the Trust loan amount due to the low bid building cost, the difference shall be retained by the Trust to be used for making a recipient's debt service payments until exhausted or for any other purpose as determined by the Trust in accordance with the applicable Trust loan agreement and Trust bond resolution. The difference may also be used to cover a recipient's increased costs due to differing site conditions, as approved by the Trust. Line item adjustments for allowable project costs may be made at the request of the recipient as long as the Trust loan amount in the Trust loan agreement is not exceeded and provided all project related contracts have been awarded. The Trust may allow line item adjustments to reallocate funds resulting from cost underruns due to a reduction in project scope in order to cover costs due to differing site conditions.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Clarified operating procedures and the parameters under which a recipient may request a line item adjustment within a Trust loan agreement.

Amended by R.1993 d.242, effective June 7, 1993.
See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amended to clarify that increased allowable costs due to differing site conditions may be funded from a recipient's initial or supplemental Trust loan in instances where cost underruns have occurred.

7:22-4.27 Publicity and signs

(a) Press releases and other public dissemination of information by the recipient concerning the project work shall acknowledge Trust loan support.

(b) A project identification sign, at least eight feet long and four feet high, bearing the emblem of the Trust, shall be displayed in a prominent location at each publicly visible project site and facility. The sign shall identify the project, Trust loan support, and other information as required by the Trust.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

7:22-4.28 Land acquisition

The cost for land may be determined to be an allowable cost by the Department in accordance with N.J.A.C. 7:22-5.7. The recipient shall comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646 (84 Stat. 1894) approved January 2, 1971).

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(b), 24 N.J.R. 246(a).

Deleted and replaced entire text.

Amended by R.1998 d.407, effective August 3, 1998.
See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

Substituted "recipient" for "local government unit" in the first sentence.

Amended by R.2000 d.284, effective July 3, 2000.
See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

Deleted a reference to Federal law requirements in the second sentence and deleted the third sentence.

7:22-4.29 Project initiation

(a) The recipient shall expeditiously initiate and complete the project in accordance with the project schedule contained in the Trust loan agreement. Failure to promptly initiate and complete a project may result in the imposition of sanctions under this subchapter.

(b) The recipient shall not advertise any contract or any addendum thereto for the building of the project until authorization to advertise the contract or any addendum thereto has been granted by the Department.

(c) Once bids for building the project are received, the recipient shall not award any subagreement(s) until authorization to award has been given by the Department.

(d) The recipient and the contractor to whom the subagreement(s) has been awarded shall attend a preconstruction conference with Department personnel prior to the issuance of a notice to proceed.

(e) The recipient shall award the subagreement(s) and issue notice(s) to proceed, where required, for building all significant elements of the project no later than 12 months after the loan closing, unless a specific extension has been approved by the Trust.

(f) Failure to promptly award all subagreement(s) for building the project shall result in a limitation on allowable costs in accordance with N.J.A.C. 7:22-5.4(d)5.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(b), 24 N.J.R. 246(a).

Required the Department's approval of addenda to project-related contracts prior to their issuance by a recipient or prospective recipient and eligible entities required to execute the Department-approved engineering agreement for building services prior to, or concurrently with, the receipt of authorization to advertise their first project-related building contract.

Amended by R.1993 d.242, effective June 7, 1993.
See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Editorial change only.

Amended by R.2000 d.284, effective July 3, 2000.
See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

In (f), amended N.J.A.C. reference.

7:22-4.30 Project performance

(a) Within 30 days of the actual date of initiation of operation of the project the recipient shall, in writing, notify the Trust.

(b) On the date one year after the initiation of operation, the recipient shall certify to the Trust the performance record of the project. If the Trust or the recipient concludes that the project does not meet the environmental infrastructure facilities' performance standards as specified in the Trust loan agreement, the recipient shall submit the following:

1. A corrective action report which includes an analysis of the cause of the project's failure to meet the performance standards and an estimate of the nature, scope and cost of the corrective action necessary to bring the project into compliance;
2. The schedule for undertaking in a timely manner the corrective action necessary to bring the project into compliance; and
3. The scheduled date for certifying to the Trust that the project is meeting the specified performance standards.

(c) The recipient shall take corrective action necessary to bring a project into compliance with the specified performance standards at its own expense.

(d) Nothing in this section:

1. Prohibits a recipient from requiring more assurances, guarantees, or indemnity or other contractual requirements from any party performing project work; or
2. Affects the Trust's right to take remedial action, including enforcement, against a recipient that fails to carry out its obligations.

(e) At a minimum, unless further specified, the project performance standards for wastewater treatment facilities consist of the effluent discharge limitations in the NJPDES permit (if applicable) and the design criteria in the Department-approved Engineer's Technical Design Report submitted by the local government unit for the project, including the quantity of excessive infiltration and inflow which the project is designed to eliminate. The project performance standards for water supply projects consist of N.J.A.C. 7:10-11, Standards for the Construction of Public Community Water Systems, or N.J.A.C. 7:10-12, Standards for the Construction of Public Noncommunity Water Systems and Nonpublic Water Systems, as applicable. The project performance standards for landfill closure facilities consist of the landfill's approved Closure and Post-Closure Plan submitted in accordance with N.J.A.C. 7:26-2A.9. The project performance standards for new landfill facilities consist of the solid waste facility permit issued pursuant to N.J.A.C. 7:26-2. The project performance standards for remedial action activities consist of the Technical Requirements for Site Remediation, N.J.A.C. 7:26E, approved by the Department. The project performance standards for well sealing projects consist of N.J.A.C. 7:9-9.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Modified to clearly indicate that, at a minimum, project performance standards will include the NJPDES permit effluent discharge limitations as well as the design criteria within the Technical Design Report for the wastewater treatment facilities project.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (b), substituted "environmental infrastructure" for "wastewater treatment" in the introductory paragraph; and rewrote (e).

Amended by R.2000 d.284, effective July 3, 2000.

See: 32 N.J.R. 363(a), 32 N.J.R. 2426(b).

In (e), added the third through sixth sentences.

7:22-4.31 Allowable project costs

(a) Project costs shall be determined allowable to the extent permitted by N.J.A.C. 7:22-5, Determination of Allowable Costs: Fund and Trust.

(b) Notwithstanding (a) above, the Trust shall not provide Trust loan moneys for costs of work that the Trust determines is not in compliance with specifications or requirements of project contracts or Trust loan agreements. Costs for work not in compliance with the contracts or agreement unallowable.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1997 d.346, effective August 18, 1997.

See: 29 N.J.R. 2207(a), 29 N.J.R. 3723(a).

In (a), amended N.J.A.C. reference.

7:22-4.32 Preaward costs

(a) The Trust shall not consider allowable those costs incurred for building performed prior to closing the loan for the project, unless the project sponsor has met the requirements as specified in (a)1, 2 or 3, below:

1. The project sponsor has submitted items required at N.J.A.C. 7:22-4.11(d)3 through 19 to the Department prior to the advertisement of any contract for which cost reimbursement is being sought; the project sponsor has not advertised any contract or any addendum thereto, for which cost reimbursement is being sought, without the authorization to advertise the contracts or any addendum thereto being given by the Department in writing; the project sponsor has not awarded any contract for which cost reimbursement is being sought without the authorization to award the contracts being given by the Department and the Trust in writing; and the project sponsor has taken all required actions consistent with applicable Internal Revenue Service laws, rules and regulations, and provided evidence of such actions in a manner acceptable to the Trust.

2. The project sponsor has submitted items required at N.J.A.C. 7:22-4.11(d)3 through 19 to the Department and has received the Department's and the Trust's written approval thereof prior to the issuance of a notice to proceed with building the project and has met the provisions of the New Jersey Wastewater Treatment Privatization Act (N.J.S.A. 58:27-1 et seq.), the Water Supply Privatization Act (N.J.S.A. 58:26-1 et seq.) or other applicable procurement method authorized under State law.

3. In emergencies or instances where delay could result in significant cost increases or significant environmental impairment, the Trust may approve preliminary building activities such as procurement of major equipment requiring long lead times, minor sewer rehabilitation or rehabilitation of transmission facilities, acquisition of allowable land or advance building of minor portions of the environmental infrastructure facilities. However, advance approval shall not be given until after the Department reviews and approves an environmental assessment and the Trust approves any specific documents necessary to adequately evaluate the proposed action, including compliance with (a)1 or 2 above.

(b) If the Trust approves preliminary building activities, such approval is not an actual or implied commitment of Trust loan moneys and the project sponsor proceeds at its own financial risk. Except for interim loans, the project sponsor shall receive cost reimbursement of approved activities only upon receiving legislative approval in the form of an appropriations act and closing a Trust loan for the project.

(c) Any procurement is subject to the requirements of applicable State law.

Amended by R.1988 d.210, effective May 16, 1988.
See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Substantially amended (a)1 and substituted "Trust" for "Department".

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Cross references corrected and references made to Priority System and Intended Use Plan.

Amended by R.1993 d.242, effective June 7, 1993.
See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amended to allow the top 100 (previously limited to the top 70) projects on the Project Priority List to be considered eligible for preaward approval, also modified to indicate that all items necessary to satisfy Internal Revenue Service requirements must be reviewed by the Trust in order to ensure that the Trust will be able to reimburse these costs under current tax law and documents must be reviewed and approved by the Department and the Trust.

Amended by R.1995 d.494, effective September 5, 1995.

See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a), inserted "in writing" in 1, inserted "the Water Supply Privatization Act" in 2, and inserted "or rehabilitation of transmission facilities" and "substituted "the environmental infrastructure" for "wastewater treatment" in 3; and substituted "project sponsor" for "local government unit" throughout the section.

Amended by R.2002 d.259, effective August 5, 2002.

See: 34 N.J.R. 1373(a), 34 N.J.R. 2803(a).

In (b), added "Except for interim loans," to the beginning of the second sentence.

7:22-4.33 Force account work

(a) A recipient must secure the Trust's prior written approval for use of force account work for construction, construction-related activities or for repairs or improvements to a facility where costs exceed \$25,000.

(b) The recipient shall demonstrate that:

1. The work can be accomplished cost effectively by the use of force account; or
2. Emergency circumstances necessitate its use.

7:22-4.34 Planning and design

(a) For projects for which a Level 1 or Level 2 environmental review is required in accordance with N.J.A.C. 7:22-10.4 and 10.5, respectively, the costs associated with the planning and design of environmental infrastructure facilities are not allowable for reimbursement from the Trust. However, an allowance to assist in defraying the planning and design costs will be provided to a project as a percentage of the allowable building cost in accordance with N.J.A.C. 7:22-5.12. Projects which have received financial assistance through a Federal grant, Pinelands Infrastructure Trust funding, or the Sewage Infrastructure Improvement Act for costs associated with any portion of the project scope or for costs to address the project need, will not be eligible to receive an allowance for planning and/or design as appropriate in accordance with N.J.A.C. 7:22-5.12. An allowance for planning and/or design costs will not be provided as part of a post-construction supplemental Trust loan to address differing site conditions.

(b) For projects for which a Level 3 environmental review is required in accordance with N.J.A.C. 7:22-10.6, the recipient's costs actually incurred for planning and design activities and for which financial assistance has not been received from the sources of funding cited in (a) above are allowable for a Trust loan.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Ineligibility to receive allowance for planning and/or design described.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Modified to indicate that an adjustment in the planning and/or design allowance will not be made for increased building costs to address differing site conditions.

Amended by R.1997 d.346, effective August 18, 1997.

See: 29 N.J.R. 2207(a), 29 N.J.R. 3723(a).

Subdivided section; in (a), inserted "For projects for which . . . 10.5, respectively,"; and added (b).

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a), substituted "environmental infrastructure" for "wastewater treatment"

7:22-4.35 Infiltration/inflow for wastewater treatment facilities

(a) An infiltration/inflow analysis is required for sanitary sewer rehabilitation projects as part of the Project Report/Facilities Plan.

(b) The applicant shall demonstrate to the Department's satisfaction that each sewer system discharging into the wastewater treatment facility is not or will not be subject to excessive infiltration/inflow. For combined sewer overflow projects, in no case shall inflow be considered excessive.

(c) If the rainfall induced peak inflow rate results or will result in chronic operational problems or system surcharging during storm events or the rainfall induced total flow rate exceeds 275 gallons per capita per day during storm events, the applicant shall perform a sewer system evaluation survey including a cost effectiveness analysis to determine the quantity of excessive inflow and shall propose a rehabilitation program to eliminate the excessive inflow.

(d) If the flow rate at the existing wastewater treatment facility is less than 120 gallons per capita per day during periods of high groundwater, the applicant shall design the project including sufficient capacity to transport and treat any existing infiltration. If the applicant demonstrates that its sewer system is subject to excessive infiltration of 120 gallons per capita per day or more during periods of high groundwater, the applicant shall perform a sewer system evaluation survey including a cost effectiveness analysis and shall propose a rehabilitation program to eliminate the excessive infiltration.

(e) The provisions of (a) through (d) above are not intended to apply to stormwater runoff collection systems. However, a similar analysis regarding the quality and quantity of infiltration/inflow into a stormwater runoff collection system may be required.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Amended to reflect that an infiltration/inflow analysis is required for all wastewater treatment facilities project, and to clarify that the capacity necessary to transport and treat existing infiltration where wastewater flow rates of less than 120 gallons per capita per day during periods of high groundwater are involved must be used as a basis for design by the local government unit and identified that an infiltration/inflow analysis may be required for stormwater management facilities projects.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

In (a), inserted "for sanitary sewer rehabilitation projects".

7:22-4.36 Reserve capacity

(a) For those wastewater treatment facilities eligible for Trust loans in State fiscal year 1993 and beyond whose project sponsor indicates in its initial loan application that it does not want to exercise its option to receive Trust loan assistance for those costs related to reserve capacity that the Department determines to be unallowable under the provisions of N.J.A.C. 7:22-3.36, the Trust shall limit the recipient's Trust loan assistance to the cost of the project, to address the wastewater needs for which the planning requirements at N.J.A.C. 7:22-10 have been met, with a capacity based upon flow records, existing unsewered needs and flows anticipated as of the date of initiation of operation as established in the Trust loan agreement.

1. The cost of developing an approvable municipal pretreatment program when performed solely for the purpose of seeking an allowance for removal of pollutants under 40 C.F.R. Part 403 and N.J.S.A. 58:10A-6 et seq.;

2. The cost of monitoring equipment used by industry for sampling and analysis of industrial discharges to municipal wastewater treatment facilities;

3. All incremental costs for sludge management incurred as a result of the recipient providing removal credits to industrial users beyond those sludge management costs that would otherwise be incurred in the absence of such removal credits.

4. The cost of interceptor or collector sewers constructed exclusively, or almost exclusively, to serve industrial users; and

5. The cost for control or removal of pollutants in wastewater introduced into the wastewater treatment facilities by industrial users, unless the local government unit is required to remove such pollutants introduced from nonindustrial users.

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Modified to provide additional detail regarding unallowable costs related to industrial and Federal users.

Amended by R.1998 d.407, effective August 3, 1998.

See: 30 N.J.R. 1144(a), 30 N.J.R. 2863(a).

7:22-5.10 Infiltration/inflow and reserve capacity

(a) Allowable costs related to infiltration/inflow and reserve capacity include:

1. The cost of the wastewater treatment facilities' capacity adequate to transport and treat nonexcessive infiltration/inflow under N.J.A.C. 7:22-3.35 or 4.35, as applicable, and reserve capacity in accordance with N.J.A.C. 7:22-3.36 or 4.36, as applicable.

2. The cost of sewer system rehabilitation necessary to eliminate excessive infiltration/inflow as determined in a sewer system evaluation survey under N.J.A.C. 7:22-3.35 or 7:22-4.35, as applicable.

(b) Unallowable costs related to infiltration/inflow and reserve capacity include:

1. For loan awards made in State Fiscal Year 1996 and later, the incremental cost of the wastewater treatment facilities capacity which is more than 120 gallons per capita per day for existing flows and flow projections calculated in accordance with N.J.A.C. 7:14A-23.3 or 7:15-5.18. The incremental cost of wastewater treatment facility capacity for future flows beyond the original date of initiation of operation as specified in the Fund loan agreement is also an unallowable cost under a Fund loan agreement.

2. All costs related to reserve capacity are unallowable except as provided for under the provisions of N.J.A.C. 7:22-4.36.

Amended by R.1992 d.42, effective January 21, 1992.
See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Amended to reflect the allowability and unallowability of costs related to reserve capacity to clarify operating procedures as well as address the reserve capacity funding provisions at N.J.A.C. 7:22-4.36.
Amended by R.1995 d.494, effective September 5, 1995.
See: 27 N.J.R. 1536(a), 27 N.J.R. 3403(a).

7:22-5.11 Miscellaneous costs

(a) Allowable miscellaneous costs include:

1. For loan awards made in State Fiscal Year 1996 and later and for loan awards made in State Fiscal Year 1995 and earlier for which final payment has not been received under Fund or Trust loan agreements, the costs of salaries, benefits and expendable materials the recipient incurs for the project. However, the allowable portion of these administrative costs, including the administrative costs listed in (a)3, 4, 5 and 6 below, will be limited to three percent of the low bid building cost. If a project receives a post-construction supplemental Fund or Trust loan for costs arising from differing site conditions, the allowable administrative costs for the portion of the project funded by the post-construction supplemental Fund or Trust loan is limited to three percent of the allowable building costs due to differing site conditions. The three percent limit may be exceeded only in instances where the Department, in the case of a Fund loan, and the Trust, in the case of a Trust loan, approve a greater amount

through line item adjustments in accordance with N.J.A.C. 7:22-3.26 or 4.26. For loan awards made prior to State Fiscal Year 1996 and for which final payment has been made to the project sponsor, administrative cost funding for this paragraph and (a)3 and 4 below for up to one percent is allowable.

2. The costs of additions to environmental infrastructure facilities that were assisted under the Federal Water Pollution Control Act Amendments, the Federal Safe Drinking Water Act Amendments, the Trust Act, the Pinelands Infrastructure Trust Bond Act of 1985 (P.L. 1985, c.302) or its amendments and/or the Bond Acts and that fail to meet the performance standards as specified in the Fund or Trust loan agreement, provided:

i. The project is identified on the Project Priority List as a project for additions to environmental infrastructure facilities that have received previous State or Federal funds;

ii. The loan application for the additions includes an analysis of why the environmental infrastructure facilities cannot meet the specified performance standards; and

iii. The additions could have been included in the original grant or loan award; and

(1) Are the result of one of the following:

(A) A change in the specified performance standards required by the State or the United States Environmental Protection Agency (EPA);

(B) A written understanding between the Regional Administrator of EPA and grantee prior to or included in the original Federal grant award;

(C) A written understanding between the Department and the recipient prior to or included in the original Fund loan award;

(D) A written understanding between the Trust and the recipient prior to or included in the original Trust loan award;

(E) A written understanding between the Pinelands Commission and the recipient prior to or included in the original Pinelands grant or loan award;

(F) A written direction by the Regional Administrator of EPA or the Department or the Pinelands Commission or the Trust to delay building part of the environmental infrastructure facilities; or

(G) A major change in the environmental infrastructure facilities' design criteria that the recipient cannot control; or

(2) Meet all of the following conditions:

(A) The environmental infrastructure facilities have not completed their first full year of operation;

(B) The additions are not caused by the recipient's mismanagement or the improper actions of others;

(C) The costs of rework, delay, acceleration or disruption that are a result of building the additions are not included in the loan; and

(D) The loan does not include an allowance for facilities planning or design of the additions.

iv. This provision applies to failures that occur either before or after the initiation of operation. This provision does not cover environmental infrastructure facilities that fail at the end of their design life.

3. Costs of royalties for the use of or rights in a patented process or product with the prior approval of the Department or the Trust, as appropriate.

4. Costs of recipient's employees attending training workshops/ seminars that are necessary to provide instruction in administrative, fiscal or contracting procedures required to complete the construction of the environmental infrastructure facilities, if approved in advance by the Department or the Trust, as appropriate.

5. Costs of bond counsel, financial advisor, bond issuance and other expenses incidental to the approval, preparation and sale of bonds, notes or obligations of the project sponsor that are necessary to finance the project and the interest on the bonds, notes or obligations.

6. Costs of fees for permits required for the building of the project.

7. Costs for the construction of that portion of the house connection (service lateral) owned by the project sponsor and to which the project sponsor has access by easement for maintenance and repair.

(b) Unallowable miscellaneous costs include:

1. Ordinary operating expenses of the recipient including salaries and expenses of elected and appointed officials and preparation of routine financial reports and studies;

2. Preparation of applications and permits required by Federal, State or local regulations or procedures;

3. Administrative, engineering and legal activities associated with the establishment of special departments, agencies, commissions, regions, districts or other units of government;

4. Costs of fees for permits required for the operation of the project, including the NJPDES permit pursuant to N.J.A.C. 7:14A;

5. The costs of replacing, through reconstruction or substitution, environmental infrastructure facilities that were assisted under the Federal Water Pollution Control Act Amendments, the Federal Safe Drinking Water Act, the Trust Act, the Pinelands Infrastructure Trust Bond Act of 1985 (P.L. 1985, c.302) or its amendments and/or the Bond Acts and that fail to meet their performance standards. This provision applies to failures that occur either before or after the initiation of operation but does not apply to environmental infrastructure facilities that fail at the end of their design life;

6. Personal injury compensation or damages arising out of the project;

7. Fines and penalties due to violations of, or failure to comply with, Federal, State or local laws, regulations or procedures;

8. Costs outside the scope of the approved project;

9. Costs for which grant or loan payment has been or will be received from another federal or State agency for the project;

10. The cost of environmental infrastructure facilities that would provide wastewater treatment capacity or water supply service for new habitation or other establishments to be located on environmentally sensitive land (See N.J.A.C. 7:22-10.5(b)7);

11. The costs of preparing a corrective action report required by N.J.A.C. 7:22-3.30(b)1 or 4.30(b)1, as applicable;

12. The cost of the construction of dams or rehabilitation of dams for water supply purposes;

13. The cost of purchasing water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy in accordance with the Federal Safe Drinking Water Act Amendments;

14. The cost of building reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the water treatment facility is located; and

15. Laboratory fees for monitoring and other routine operation and maintenance expenses.

Amended by R.1988 d.210, effective May 16, 1988.

See: 19 N.J.R. 1600(a), 20 N.J.R. 1076(a).

Substituted "Project Priority" for "State Funding".

Amended by R.1992 d.42, effective January 21, 1992.

See: 23 N.J.R. 3282(a), 24 N.J.R. 246(a).

Revised to reflect the policy of limiting the allowable costs for salaries, benefits and expendable materials (including legal, fiscal and administrative costs) to one percent of the low bid building cost.

Amended by R.1993 d.242, effective June 7, 1993.

See: 24 N.J.R. 4310(b), 25 N.J.R. 2271(a).

Amended to allow project sponsors to receive up to one percent of the allowable costs due to differing site conditions for their own administrative expenses associated with the project.

Amended by R.1995 d.494, effective September 5, 1995.