NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FINANCING PROGRAM

STATE FISCAL YEAR 2024 PRIORITY SYSTEM AND PROJECT PRIORITY LIST

DISASTER RELIEF EMERGENCY FINANCING PROGRAM REPORT AND PROJECT PRIORITY LIST

Submitted to the State Legislature by

- The New Jersey Department of Environmental Protection
- The New Jersey Infrastructure Bank

JANUARY 2023

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Report to the Legislature
Pursuant to

P.L. 1985, Chapter 334
New Jersey Infrastructure Trust Act

Presented by

Shawn M. LaTourette, Commissioner
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NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION

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TO: Members of the New Jersey State Legislature

FROM: Shawn M. LaTourette, Commissioner, New Jersey Department of Environmental Protection

Robert A. Briant, Jr., Chairperson, New Jersey Infrastructure Bank

DATE: January 27, 2023

SUBJECT: State Fiscal Year 2024 New Jersey Environmental Infrastructure Financing Program

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Introduction

In accordance with N.J.S.A. 58:11B-9(d), 20 and 20.1, the Department of Environmental Protection ("DEP") in consultation with the New Jersey Infrastructure Bank ("I-Bank"), is transmitting the attached annual report ("Report" or "January Report") which summarizes, as required:

(i) The ranking system and funding policies ("Priority System") for projects to be funded in the State Fiscal Year ("SFY") 2024 New Jersey Environmental Infrastructure Financing Program ("NJEIFP" or "Water Bank");

(ii) The initial SFY2024 Project Priority List (to be updated quarterly);

(iii) The Disaster Relief Emergency Financing Program (Statewide Assistance Infrastructure Loan Program, or SAIL) Project Priority List;

(iv) A comprehensive report on Clean Water and Drinking Water projects that received funding in SFY2022;

(v) A comprehensive report on SAIL projects funded in the SFY2022.

Background

Across New Jersey, the need for investments in water infrastructure is currently estimated to exceed $30 billion. Investments in drinking water and wastewater infrastructure are critical to promote economic growth, protect public health, and ensure clean waterways that support commerce, recreation, public enjoyment, and the ecosystem. Included in this estimate are drinking water projects that address treatment and conveyance of clean water, the abatement of lead, and the removal of emerging contaminants such as synthetic "forever chemicals." Also included are wastewater and stormwater projects that address the discharge of raw sewage into waterways and communities through legacy combined sewer overflows ("CSOs") and reduce the risk of harmful algal blooms that infect our water supplies and recreational waters.

The Water Bank is an essential financing program that, with the proper financial resources, will play a leading role in addressing these critical water infrastructure needs. DEP and the I-Bank together administer the Water Bank program, which provides funds to local government units ("LGUs") and private water systems to ensure that water infrastructure improvements are financially feasible and properly constructed to state and federal standards. The Water Bank leverages state and federal funds with publicly issued bonds or through borrowing under the federal WIFIA program, allowing the program to maximize the number of projects funded while simultaneously focusing on cost and operational efficiencies.

As of June 30, 2022:

- The Water Bank has issued more than **$8.11 billion** in low-interest long term loans and has an additional $1.31 billion in short-term construction loans outstanding;
- New Jersey's ratepayers have saved more than **$2.92 billion** from reduced interest costs and through Principal Forgiveness loans; and
- Total loan spending has generated over 151,500 direct construction jobs throughout the State[1].

SFY2024 - Initial Project List **714 projects / $7.89 billion**

This Report identifies a pool for the SFY2024 Water Bank consisting of 714 projects with an estimated value of $7.89 billion, continuing to demonstrate the Water Bank's importance and commitment to meeting the State's environmental infrastructure needs. Please refer to:

- ***Appendix A*** *for those* ***Clean Water*** *projects identified on the Combined Base SFY2024 Interim Clean Water Base / Clean Water BIL Supplemental and Clean Water BIL Emerging Contaminants / Superstorm Sandy Environmental Financing Program Project Priority List and Updated Statewide Assistance Infrastructure Loan Program (Disaster Relief Emergency Financing Program) Project Priority List (SFY2024 CW Priority List); and*
- ***Appendix B*** *for those* ***Drinking Water*** *projects identified on the Combined Base SFY2024 Interim Drinking Water / Drinking Water BIL Supplemental, Drinking Water BIL Lead and Drinking Water BIL Emerging Contaminants / Superstorm Sandy Environmental Financing Program Project Priority List (SFY2024 DW Priority List)*.

SFY2024 Financing Program

With added federal support from the 2021 Infrastructure Investment and Jobs Act ("IIJA"), or Bipartisan Infrastructure Law ("BIL") as it is commonly known, and continued state investments by Governor Phil Murphy and the Legislature, the Department launched the Water Infrastructure Investment Plan ("WIIP") in early 2022 to spark community investments in upgrading drinking water and wastewater infrastructure.

The BIL alone is estimated to provide more than $1 billion to New Jersey over the five years of federal appropriation for water infrastructure investments in communities and utilities across the state. In addition, New Jersey's SFY2023 budget allocated $300 million of American Rescue Plan Act ("ARPA") funds to the Department to make transformative investments in critical water infrastructure upgrades, $168 million of which is expected to remain available in the SFY2024 Financing Program. The purpose of the WIIP is to make certain we optimize the use of these resources to help all communities, water and sewer utilities and local governments in delivering reliable, clean drinking water to every home and business and to ensure the water that we use and the rainwater that runs off of all our paved roads does not flood our homes and our businesses or pollute our rivers and streams.

[1] According to the White House Council of Economic Advisors estimates: 20 direct construction job-years were created per $1M spent up through 2011; and 12 direct construction job-years per $1M spent from 2012 on.

The proposed SFY2024 Intended Use Plans ("IUPs") set the project priorities and the funding packages that will accomplish the goals of the WIIP by utilizing state funds and federal funds awarded to the Department by the US Environmental Protection Agency ("USEPA") Clean Water and Drinking Water State Revolving Fund ("SRF") programs. New Jersey's Water Bank program anticipates an allocation of approximately $189.6 million under BIL for Federal Fiscal Year ("FFY2023") grants for use in SFY2024. This includes $92.8 million in BIL funding for the Clean Water SRF and $96.8 million for the Drinking Water SRF. The FFY2023 annual base and BIL Drinking Water SRF and Clean Water SRF capitalization grants are anticipated to be awarded to the Department in September 2023 or sooner, for use in the SFY2024 Financing Program (July 1, 2023, to June 30, 2024). The award date does not impede the pace of projects as the majority of Water Bank projects are initially financed through the Short-Term Loan Financing Program (the "Short-Term Loan Program" or "STLP") which offers low-interest financing through the construction phase of a project.

The SFY2024 IUPs for the Drinking Water and Clean Water SRF Programs continue the policies that were developed through the WIIP for the SFY2023 IUPs. The Department engaged in extensive public outreach during calendar year 2022 to develop and amend the SFY2023 documents. Multiple public engagement sessions were held since January 2022 to update the public on the direction of the SFY2023 IUP draft documents and allow interested parties to provide input on priorities, affordability criteria, funding packages, project types that qualify for principal forgiveness, and disadvantaged community determination criteria. The engagement sessions included discussions with elected officials, potential applicants, professional organizations, environmental justice advocates, non-governmental organizations, and members of the public on topics including separate monies allocated for principal forgiveness, as well as funding to address lead, Per- and Polyfluoroalkyl Substances ("PFAS"), climate change and sea-level rise. The proposed SFY2024 IUPs were published on January 18, 2023 and are undergoing a public participation process that includes a public hearing scheduled for February 1, 2023 and a public comment period that runs through February 17, 2023. The final IUPs and "response to comment" documents will be published in March 2023. The final documents must be approved by the USEPA as a prerequisite to receiving the annual capitalization grants and additional BIL funding.

SFY2024 – Highlights

Enhanced Assistance to Environmental Justice and Disadvantaged Communities

Principal Forgiveness – The NJ Water Bank will continue to use the Affordability Criteria developed last year which better aligns the Clean Water Affordability Criteria with the Drinking Water Disadvantaged Community criteria and the State's 2020 Environmental Justice Law's economic criteria for overburdened communities. Approximately $190 million in principal forgiveness or grant like funding will be reserved in SFY2024 for communities that meet the Water Bank's Affordability Criteria.

Technical Assistance - The Water Bank Program has developed technical assistance programs designed to deploy early engineering and engagement assistance to disadvantaged communities to help them refine their water infrastructure needs, facilitate communications within their communities, and navigate the Water Bank application process.

45-Year Loan Terms for CSO Projects

EPA has approved extended term financing to CSO projects for up to 45 years and projects financed with proceeds of a USEPA Water Infrastructure Finance and Innovation Act (WIFIA) loan for up to 35 years. Offering extended term financing for these projects addresses affordability concerns by reducing each repayment amount.

Climate Change

New Jersey is already experiencing many of the impacts of climate change such as increasing temperatures, rising sea levels, and more frequent and intense storms. The Department is developing new **Infrastructure Resilience and Best Practices Guidance** to establish standards which will be required elements for new projects seeking State funding through the Water Bank. Resilience measures for drinking water, wastewater, and stormwater infrastructure projects must apply the best available and most geographically relevant climate information, projections, and standards.

Clean Water State Revolving Fund (CWSRF) Program

Clean Water projects eligible for financing include a wide variety of wastewater treatment works, stormwater management, land acquisition, and certain water quality protections attendant to landfills. In SFY2024, the Program will continue to offer attractive low-cost financing packages, including principal forgiveness and low interest loans.

The Department plans to use approximately $60 million of unallocated CWSRF funds available for principal forgiveness or grant like funding carried over at the end of SFY2023 as principal forgiveness in SFY2024 for categories set forth in this Report. The Department will supplement the carried over principal forgiveness funds with approximately $20 million projected to be available under the FFY2023 Clean Water SRF Base grant ("CW Base FFY2023"). In addition to the FFY2023 CW Base grant, the Department anticipates that it will award approximately $50 million in additional principal forgiveness made available by the BIL including approximately $41 million for eligible general clean water projects and approximately $9 million for projects that address emerging contaminants. Available funds and principal forgiveness from the grant awards are expected to be blended with carryover principal forgiveness authority from prior grants, Clean Water SRF repayments and state match funds, and other sources of Clean Water SRF funds to provide funding to eligible projects.

In addition to the CWSRF principal forgiveness described above, $248 million of ARPA funds that were allocated to the Department in SFY2023 for water infrastructure will be used to provide principal forgiveness loans to applicants sponsoring capital improvement projects listed on an applicant's CSO Long Term Control Plans ("LTCP") submitted to the Department. The Department expects to award approximately $100 million of the ARPA funds in SFY2023 and carry over approximately $148 million for award in SFY2024.

The Department plans to reserve SFY2024 Clean Water principal forgiveness funds as follows:

ARPA (non-SRF), CW Base, and CW BIL

- $148 million (ARPA) for CSO Long Term Control Plan Projects
- $36 million for Eligible Clean Water Projects sponsored by borrowers meeting the Clean Water Affordability Criteria
- $60 million for CSO Abatement Projects, $30 million of which will be reserved for borrowers that meet the Clean Water Affordability Criteria

- $18 million for Water and Energy Efficiency Projects
- $9 million for projects that address Emerging Contaminants
- $6 million for Water Quality Restoration Projects
- $1 million to projects awarded Overflow and Stormwater Grants (OSG)

Drinking Water State Revolving Fund (DWSRF) Program

The main objective of drinking water funding is to protect the public health in conformance with the objectives of the Safe Drinking Water Act. Eligible projects include those that address treatment of source water, conveyance of clean water, lead abatement, violations of the maximum contaminant levels, unregulated contaminants, and issues related to acute health effects (e.g. Surface Water Treatment Rule requirements).

The Department anticipates authority to award approximately $55 million in additional principal forgiveness made available by the FFY2023 BIL capitalization grants in addition to $5 million principal forgiveness authority anticipated under the base FFY2023 base capitalization grant. Anticipated BIL principal forgiveness includes $17 million for eligible general drinking water projects, $13 million for projects that address emerging contaminants and $25 million for projects that address lead in drinking water. Funds and principal forgiveness authority available from the grant awards are expected to be blended with $4 million carryover principal forgiveness authority from prior grants (DW Base Prior), Drinking Water SRF repayments and state match funds, and other sources of Drinking Water SRF funds to provide funding to eligible projects.

In addition to the Drinking Water State Revolving Fund principal forgiveness described above, $45 million of American Rescue Plan Act ("ARPA") funds were allocated to the DEP in SFY2023 for water infrastructure and will be used to provide principal forgiveness loans to eligible drinking water applicants in communities that meet the affordability criteria. Eligible applicants must be sponsoring capital improvement projects that address climate change or provide for public health protection from multiple contaminants. The Department expects to award approximately $25 million of the ARPA funds in SFY2023 and carry over approximately $20 million for award in SFY2024.

SFY2024 Drinking Water SRF principal forgiveness funds will be reserved as follows:

ARPA (non-SRF), DW Base, and DW BIL

- $4 million for Nano projects for systems serving 10,000 or fewer customers
- $5 million for projects at very small water systems with populations of 1,000 of fewer customers
- $35 million for lead service line replacement projects
- $20 million (ARPA) for Climate Change/ Resilience or Projects to comply with Multiple MCLs
- $13 million for projects that address Emerging Contaminants, at least 25% of which will be directed to disadvantaged communities that meet New Jersey's affordability criteria outlined in the IUP or small systems serving fewer than 25,000
- $7 million for high-ranking affordability projects from the DWSRF General Supplemental Grant

SFY2022 – Recap **Net New Funding: 80 Projects / $299 million**

- **Short-Term Loans – 44** projects received initial short-term financing totaling **$218.0 million**.
- **Adjustments to Prior Short-Term Loans – 24** projects received short-term loan increases totaling **$93.3 million**.
- **Adjustments to Prior Short-Term Loans – 62** short-term loans were converted to long-term loans totaling a net decrease of $11.9 million as project costs were finalized.
- **Long-Term Loans – 62** projects, mentioned above, were converted to long-term loans for **$376.7 million.**

Note: There were no new short-term SAIL loans in SFY2022. The total SAIL loans issued to-date for Superstorm Sandy is $205.5 million, representing eleven (11) projects for five (5) Borrowers to address immediate cash flow needs in advance of federal disaster reimbursement grants from FEMA.

SAIL Borrowers have benefited from I-Bank involvement in the compliance of FEMA requirements and processing submissions of reimbursement requests to FEMA resulting in 90% of all approved costs (the maximum allowable under FEMA's reimbursement cap for Sandy) in an average time of just 40 days.

The Water Bank's upcoming **May Report** will set forth the plan and terms by which those projects participating in the SFY2024 Financing and SAIL Programs will receive either short- or long-term financing, as well as the Project Eligibility List of those projects eligible for long-term funding in SFY2024.

We look forward to meeting with you to discuss the upcoming year's financing program. We and our staff remain available to answer any questions you may have regarding projects on the attached lists or any of the Water Bank's initiatives contained within this Report.

Thank you for your time and continued support.

Shawn M. LaTourette
Commissioner,
NJ Department of Environmental Protection

Robert A Briant, Jr.
Chairperson,
NJ Infrastructure Bank

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PRIORITY SYSTEM AND PROJECT PRIORITY LIST REPORT

FOR STATE FISCAL YEAR 2024
PRIORITY SYSTEM AND PROJECT PRIORITY LIST

FINANCING PROGRAM BACKGROUND

INTRODUCTION

This Priority System and Project Priority List Report (Report) is submitted to the New Jersey State Legislature (Legislature) pursuant to N.J.S.A. 58:11B-1 et seq., specifically, N.J.S.A. 58:11B-9(d), 20 and 20.1. It has been prepared by the New Jersey Department of Environmental Protection (Department or DEP) in consultation with the New Jersey Infrastructure Bank (NJIB or I-Bank), which together administer the New Jersey Environmental Infrastructure Financing Program (NJEIFP, Financing Program or Water Bank) to provide short and long-term loans for the planning and construction of environmental infrastructure projects.

This Report summarizes and includes:

(i) The method employed to prioritize projects and establish project rankings for the State Fiscal Year (SFY), beginning July 1, 2023 (SFY2024)

(ii) The NJEIFP's initial SFY2024 Interim Financing Program Project Priority List (Project Priority List) identifying projects to be considered for short-term funding in SFY2024

(iii) A List of projects financed in the most recently completed fiscal year, SFY2022, in compliance with the requirements set forth in the I-Bank Enabling Act N.J.S.A. 58:11B-20(d) and 20.1(d), including the project name, project description, loan type, and loan amount.

(iv) The Disaster Relief Emergency Financing Program Project Priority List identifying projects eligible for short-term loans pursuant to the Disaster Relief Emergency Financing Program **(SAIL)** for projects to improve resiliency in future natural disasters

(v) A comprehensive report on SAIL funded projects financed through December 31, 2022

In May, the I-Bank, in consultation with the Department, will publish the Financial Plan (also known as the "May Report"). The May Report will summarize the Water Bank's available loan programs, financing terms, and the loan closing process for projects to be funded in SFY2024.

Federal requirements regarding funds appropriated under the federal Clean Water Act (CWA) and federal Safe Drinking Water Act (SDWA) necessitate the NJEIFP's development of an annual Clean Water Priority System, Intended Use Plan, and Project Priority List (together the CW Plan) and a Drinking Water Priority System,

Intended Use Plan, and Project Priority List (together the DW Plan). In January 2023 the DEP issued the proposed SFY2024 CW Plan and proposed SFY2024 DW Plan. The proposed CW Plan and DW Plan for projects to be financed in SFY2024 were issued pursuant to the DEP's obligations under the CWA and SDWA. The policies articulated in these publications are consistent with those stated in this January Report.

GOALS

The main objectives of the NJEIFP are to:

- Provide capital for water and wastewater infrastructure projects to protect public health and the environment for multiple generations of New Jersey citizens;
- Continue serving as the Garden State's premier source of environmental infrastructure financing through self-sustaining, efficient, and transparent programs;
- Establish and efficiently manage a permanent source of funding for clean water and drinking water infrastructure projects within the State;
- Provide project financing at a much lower cost than program participants could achieve individually thereby passing substantial savings on to New Jersey's taxpayers and rate payers; and
- Increase access to capital markets for those participants that find it difficult or more expensive to finance on their own, due to lower credit ratings or a lack of familiarity with debt financing.

SFY2022 NJEIFP SUMMARY

PROJECTS

LONG-TERM FINANCING

Bond Pool Projects: A total of **thirty-nine (39)** Borrowers representing **sixty-two (62)** clean water and drinking water projects received long-term NJEIFP financing in the amount of **$376,673,663** in SFY2022. Most of these projects were funded as part of bond pools through a combination of bond proceeds and state and federal funding sources. Most loans received an interest rate equivalent to 25% to 50% of the I-Bank AAA all-in Market Interest Rate.

SHORT-TERM LOAN PROJECTS

In the SFY2022 Financing Program, **fifty-two (52)** Borrowers representing **sixty-eight (68)** clean water and drinking water projects received short term construction loans in the amount of **$311,348,508**.

TOTAL SFY2022 PROJECTS

In SFY2022, the Water Bank provided approximately $299.4 million in net new funding through a combination of new short-term loans, short-term loan increases and/or loan adjustments at long-term loan conversion.

See Appendix E for a Summary of these projects.

NJEIFP FINANANCING PROGRAM STRATEGY

ELIGIBLE PROJECTS / BORROWERS

The NJEIFP provides funding for environmental infrastructure projects with a primary focus on clean water and drinking water construction, rehabilitation and repair of systems which are owned and or operated by local government units and public water systems (entities possessing a permit for the delivery of Safe Drinking Water).

Projects eligible for Clean Water funding include wastewater management, storm water management and non-point source pollution control projects, landfill closures, open space land acquisition, brownfield remediation and well sealing. Owners of publicly-owned treatment works (towns, boroughs, municipal utilities authorities, counties, regional water authorities, other local government units, etc.) with projects to improve water quality are eligible for the Financing Program. Private entities are eligible through public conduit Borrowers. The NJEIFP also opened up project eligibility to private colleges and universities that are interested in sponsoring nonpoint source pollution projects to help address water quality concerns under the Clean Water SRF.

Projects eligible for Drinking Water funds include the rehabilitation or development of sources to replace contaminated drinking water sources, treatment and storage facilities transmission/ distribution pipes and appurtenances to prevent contamination or improve water pressure to safe levels, and upgrades to security measures. Detailed information regarding eligible projects is set forth below. Public community water systems, both privately and publicly owned, and nonprofit non-community water systems (as defined by the National Primary Drinking Water Regulations) are eligible for NJEIFP assistance. Public community water systems owned by water commissions, water supply authorities, and water districts are also eligible. Federally owned systems and State-owned system (State agencies, such as State Police, Parks and Forestry, and Corrections) are not eligible to receive NJEIFP assistance.

In addition to the project types listed above, project sponsors are encouraged to propose any projects to the NJEIFP that have energy efficiency, water efficiency or clean air aspects that may not typically be viewed as a clean water or drinking water project. These activities are likely to be eligible for NJEIFP assistance as USEPA has indicated their support for these sustainability initiatives and the construction of Green Infrastructure.

Applicants must demonstrate an ability to meet repayment obligations and satisfy the Program's credit worthiness standards, which requires an investment grade credit rating or a suitable credit enhancement with exceptions provided for very small loans. Approximately 88% of the Financing Program's current Borrowers provide a municipal general obligation pledge.

ELIGIBLE PROJECT ACTIVITIES

CLEAN WATER

Base SFY2024 NJEIFP Loans are available for all traditional project activities fundable under the NJEIFP as set forth below, such as improvements to wastewater and stormwater systems. Pursuant to USEPA requirements, Sandy NJEIFP loans are limited to a subset of the traditional project activities that improve the resiliency of a system adversely impacted during Superstorm Sandy. SFY2024 Base and Sandy NJEIFP Loans are also subject to the availability of funds.

CLEAN WATER BASE SFY2024 NJEIFP PROJECTS

i. Wastewater:

Most projects associated with sewage collection, treatment, or disposal are eligible for financing, including correction of inflow/infiltration problems, sludge management and combined sewer overflows. Eligible projects include:

- Secondary and advanced wastewater treatment
- Well sealing
- Flood resiliency
- Sludge handling facilities
- Infiltration and inflow (I/I) correction
- Interceptors, pumping stations and force mains
- Sewer system rehabilitation
- New collection systems
- Correction of Combined Sewer Overflows (CSOs)
- Solutions for malfunctioning septic systems
- Wastewater reuse and conservation projects
- Combined Heat and Power (CHP) facilities
- Emergency Repair Projects that have been reported to the NJDEP Hotline to replace, in kind, the failure of an essential portion of a wastewater system and poses a substantial threat to the public health, safety, and welfare. A record of NJDEP Hotline contact is required to maintain project eligibility.

- Climate Resilience for Treatment Works
    - Relocation/elevation of certain assets or entire facility above current/projected flood stage
    - Installation of flood attenuation, diversion, or retention infrastructure within or beyond the footprint of a treatment works that protects the treatment works including floodwater channels/culverts, green infrastructure, and natural systems capable of mitigating a storm surge (e.g., barrier beach and dune systems, tidal wetlands, and living shorelines)
    - Saltwater resistant equipment/components
    - Backup generators and fuel transport and storage tanks
    - Portable pumps
    - Physical hardening of electrical systems/equipment
    - Dry floodproofing of structures
    - Elevated walls/caps for treatment tanks
    - Installation of redundant equipment/components
    - Overflow tanks/tunnels

ii. Stormwater:

Eligible projects include construction, expansion, or replacement of stormwater management systems, including the following:

- Non-point Source Pollution/Stormwater management
- Construction of regional basins
- Major stormwater system rehabilitation
- Replacement of existing storm drains
- Rehabilitation of tide gates
- Extension of outfall points
- Runoff control (manure/feedlots and stream bank stabilization/ restoration)
- Stream/lake embankment restoration
- Salt dome construction

iii. Equipment:

Equipment that provides a water quality benefit can be financed under the NJEIFP including, but not limited to:

- street sweepers
- generators

- sewer flushing and cleaning equipment
- dump trucks
- crawler loaders
- skimmer boats
- aquatic weed harvesters
- outfall netting

iv. Security Monitoring:

Projects designed to improve security at otherwise funding eligible wastewater and drinking water facilities are eligible for funding, including but not limited to fencing, lighting, motion detectors, cameras, secure doors, and alternative auxiliary power sources.

v. Green:

Green projects are those clean water and drinking water projects that incorporate Green Infrastructure and water or energy efficiency improvements* (those that reduce greenhouse gas emissions, for example). “Green infrastructure” includes such practices as replacing existing pavement with porous pavement, utilizing bioretention, renewable energy, constructing green roofs, creating rain gardens, and other practices that mimic natural hydrology and increase effective perviousness.

*Water Bank eligibility for energy efficiency improvements is limited to the pro rata share of capital costs that provide power to a publicly owned treatment works.

vi. Brownfields:

The cleanup of abandoned and contaminated industrial sites is eligible for financing provided a local or county government assumes the repayment obligation for the loan. The NJEIFP will finance the removal of contaminated soil, site-capping, and the installation of stormwater controls.

Returning Brownfield sites to productive use protects the environment and preserves open space. Every acre of Brownfield redevelopment spares 4.5 acres of pristine land from development. Brownfield redevelopment also boosts local tax revenue, creates jobs, revitalizes New Jersey's cities and towns, and improves the quality of life for area residents.

The NJEIFP provides loans to municipalities, counties, and public authorities to support a wide range of cleanup and remediation activities necessary to restore the Brownfield site for re-use.

vii. Landfills:

Construction activities at landfills that have a water quality benefit are eligible for Water Bank financing. Examples include:

- Capping systems
- Liners
- Leachate collection systems
- Treatment systems
- Sewer connections
- Barge shelters
- Containment booms
- Litter fences
- Gas collection and treatment systems
- Monitoring wells
- Reclamation or reduction activities

viii. Land Preservation:

The NJEIFP provides financing for the preservation of open space and farmland given the water quality benefit achieved through such acquisitions. The Program funds preservation with regard to properties protecting stream headwaters and corridors, wetlands, and aquifer recharge areas. Financing for land is compatible with the Green Acres Program, the Garden State Preservation Trust, and Open Space programs financed by local and county Open Space taxes.

While lands purchased through the NJEIFP for preservation as part of Open Space cannot be developed, they may be used for passive recreational activities, such as hiking, fishing, and horseback riding. Placement of conservation easements on funded parcels is a requirement which assures that the water quality benefits are preserved in perpetuity. Farmland preservation and best management practices are also eligible.

The NJEIFP will coordinate with the Green Acres Program, when appropriate, to maximize a community's limited open space funds for land acquisition. Through this partnership, municipalities can receive the additional resources to facilitate the purchase of larger and/or more expensive parcels.

ix. Allowable Ancillary Costs:

Additional costs that are eligible within a project include:

- Pavement restoration
- Utility relocation
- Site grading

- Purchasing land for stormwater use

x. Asset Management Plans:

Projects to develop and implement asset management plans (AMP) are eligible for financing. The AMP loans must be rolled into a Water Bank capital improvement project or repaid in 2 years. Long-term financing terms are established consistent with the Intended Use Plan operative at the time of certification of the construction contract(s).

xi. Planning and Design:

The Program offers short-term loans to cover the costs associated with planning and design of a water infrastructure project. Eligible costs include engineering fees, surveys, environmental or geological studies, and other costs related to project plan preparation. Short-term loans for Planning and Design must be rolled into a Water Bank capital improvement project or repaid in 2 years. Long-term financing terms are established consistent with the Intended Use Plan operative at the time of certification of the construction contract after the closing of a short-term loan, or at the time of short-term loan closing if the contract certification precedes the short-term loan.

CLEAN WATER SANDY SFY2024 NJEIFP PROJECTS

Although NJEIFP staff is working to award all of the Sandy CWSRF funds in the SFY2023 Program, there is the possibility that not all Sandy Funds will be committed in the current fiscal year. Given this possibility, the Program will continue to accept application submittals under the Sandy CWSRF Program for SFY2024, which includes a principal forgiveness component of approximately 19% of the allowable costs.

Clean Water Projects may qualify for Sandy NJEIFP funding if they fall within one of the following categories:

- Projects that prevent interruption of collection system operation in the event of a flood or natural disaster;
- Projects that prevent floodwaters from entering a treatment works;
- Projects that maintain the operation of a treatment works and the integrity of the treatment train in the event of a flood or natural disaster;
- Projects that preserve and protect treatment works equipment in the event of a flood or natural disaster; and
- Planning projects that assess a treatment works' vulnerability to flood damage or that analyze the best approach to integrate system and community sustainability/resiliency priorities in the face of a variety of uncertain futures including natural disasters and more frequent and intense extreme weather events, provided the planning work is reasonably expected to result in a capital project.

DRINKING WATER

DRINKING WATER BASE SFY2024 NJEIFP PROJECTS

Public community water systems (as defined by the National Primary Drinking Water Regulations), both privately and publicly owned, and nonprofit non-community water systems are eligible for NJEIFP Loans. Other types of water systems – both public and nonpublic – are not eligible. The main objective of DWSRF funding is to protect the public health in conformance with the objectives of the SDWA. Federally owned systems and State-owned systems (State agencies, such as state police, parks and forestry, and corrections) are not eligible to receive NJEIFP Loans. However, State authorized systems (water commissions, water supply authorities, and water districts) are eligible to receive NJEIFP Loans.

NJEIFP drinking water projects may qualify for funding based on the following criteria:

i. Compliance and Public Health:
   - General Guidelines

     NJEIFP Drinking Water Loans are only available for projects (not including monitoring, operation, and maintenance expenditures) that will facilitate compliance with National Primary Drinking Water

Regulations and applicable USEPA guidance, so that water systems may further achieve the health protection objectives of the SDWA. These include projects to maintain compliance with existing regulations for contaminants with acute health effects (e.g., the Surface Water Treatment Rule, the Revised Total Coliform Rule, Ground Water Rule, and nitrate standard) and existing regulations for contaminants with chronic health effects (e.g., Lead and Copper Rule, regulated inorganics, volatile organics and synthetic organics, disinfection by-products, and radiological contaminants). In addition, projects that address the exceedance of a recommended upper limit for secondary contaminants and contaminants that exceed Department guidance levels are DWSRF eligible. Certain types of projects that address water supply issues related to public health protection are also eligible.

- Projects to Replace Aging Infrastructure

  Replacement projects are also eligible if they are needed to maintain compliance or further the public health protection goals of the SDWA. Examples of these include projects to:

  - Rehabilitate or develop sources (excluding reservoirs, dams, dam rehabilitation, and water rights) to replace contaminated sources;
  - Install or upgrade treatment facilities, if the project would improve the quality of drinking water to comply with primary or secondary drinking water standards;
  - Install or upgrade storage facilities, including finished water reservoirs, to meet minimum system storage requirements or prevent the introduction of microbiological contaminants to the water system;
  - Install or replace transmission and distribution pipes to prevent contamination caused by leaks or breaks in the pipe, or improve water pressure to safe levels; and
  - Install and enhance security at drinking water systems, including fencing, lighting, motion detectors, cameras, and alternative auxiliary power sources.

- Projects to Consolidate Water Supplies

  Consolidation projects are eligible for NJEIFP Loans, as follows: 1) extension of water mains by a community water supply system to individual homes with contaminated wells; or 2) purchase or consolidation (i.e., restructure) of a water system that is unable to maintain compliance for technical, financial, or managerial reasons only if the financial assistance will ensure that the system returns to and maintains compliance with SDWA requirements and the owner or operator of the water system agrees to undertake feasible and appropriate changes in operations necessary to ensure the system has the technical, managerial, and financial capability to maintain long-term viability and compliance with SDWA requirements.

ii. Green Project Reserve (GPR):

GPR Projects are defined by USEPA as projects that address Green Infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. Projects meeting this definition will follow the same process as all other NJEIFP drinking water projects. Certain projects, associated with the drinking water system improvements, are considered by USEPA as categorically eligible projects; such as solar power, wind turbines, geothermal or hydroelectric power, green roofs, bio-retention, porous pavements, grey water use, US Building Code LEED certified facilities, installing water efficient devices, new meters for an unmetered area, replacing existing meters with an automated meter reading system and pressure reducing valves. Certain projects may be eligible but need extra justification under a business case review; such as cleaning and lining of water mains, replacing water meters with traditional meters, replacement of water mains or storage tanks to reduce water losses, energy efficient upgrades to pump stations or treatment plants and installation of SCADA systems.

Further clarification on GPR is available at:

https://www.epa.gov/cwsrf/green-project-reserve-guidance-clean-water-state-revolving-fund-cwsrf.

iii. Small Drinking Water System Loan Projects:

Nano Loan Program

The Small Systems loan program is designed to facilitate small system access to DWSRF financing. Qualified Borrowers are existing publicly-owned and privately-owned community water systems and non-profit, non-community water systems serving populations of 10,000 persons or less. These loans consist of principal forgiveness financing for 50% of project costs and a loan with a Blended Interest Rate of 50% of I-Bank's AAA all-in Market Interest Rate for 50% of project costs. Projects are capped at $1 million. Additional financing is available at the applicable base rates for amounts greater than the $1 million cap. These projects are selected based on priority ranked order. In addition, the DEP intends to prioritize projects that have secured federal/non-profit grants to be leveraged with SRF funding.

iv. Multi-Year Projects / New Wells:

The construction of a new well presents challenges due to the extended length of time required to satisfy all permit requirements and obtain permit approvals. In order to provide a greater number of financing options and to get funds to water systems earlier in the well construction process, the NJEIFP offers more than one loan for new well projects.

A Short-Term loan is available for the **installation** of a well. Under this process, a project sponsor will apply for a loan to drill a well (new or replacement). The project sponsor would be eligible for loan award after DWSRF programmatic requirements are met and a Bureau of Water System Engineering (BWSE) permit to construct is issued and appropriate well permitting conditions are met. In the case of a test well, a well drilling permit is required only. In this scenario, the well could be constructed but not

operated until a final permit is issued. If in the event of unforeseen conditions in which the well could not be utilized or re-designated from a test well to a production well, the project sponsor would be eligible for an additional Short-Term loan to construct a second well. However, the project sponsor will be required to submit documentation describing the failure of the first well and adequate technical analysis supporting the construction of the second well. The project sponsor would remain liable for both loans for both wells. The intent of this program is to ensure that the project sponsor has a usable well that will perform as intended over the life of the loan(s) and to provide the project sponsor with viable financing alternatives.

After a major modification for the Water Allocation diversion permit is issued, if applicable, the project sponsor could apply for an additional Short-Term loan to construct the necessary **appurtenances**, such as a well house, pump, associated treatment, etc. If the project sponsor does not pursue an additional loan for the construction of well appurtenances, the project sponsor must still commit to finalizing the project such that the result is a fully functioning, permitted production well.

An overview that details the process and duration of the new well funding process, such as the steps to obtain the Bureau of Water System Engineering and Bureau of Water Allocation and Well Permitting permits, obtain loan approvals, and submit all required DWSRF loan documents is summarized in a timetable, a copy of which is available by contacting the DWSRF staff at (609) 292-5550.

PRIORITY SYSTEM, INTENDED USE PLAN (IUP), AND PROJECT PRIORITY LIST

BASE SFY2024 NJEIFP LOANS

The CW and DW Intended Use Plans detail the State's proposal to expend federal capitalization grants to finance the NJEIFP's Clean Water and Drinking Water project loans in the ensuing State fiscal year. The proposed CW and DW Plans for SFY2024 were published in January 2023. This Report, in part, reflects the contents of the proposed CW Plan for the SFY2024 (CW Base, CW BIL Supplemental and CW BIL Emerging Contaminants) and Sandy Financing Programs and proposed DW Plan for both the SFY2024 (DW Base, DW BIL Supplemental, DW BIL Lead and DW BIL Emerging Contaminants) and Sandy Financing Programs.

Sources of funding for Superstorm Sandy projects for FFY2023/SFY2024 will come from the unused portion of FFY2017 Disaster Relief Appropriations Act ("DRAA"), and authorized funds from the DEP and the I-Bank. Although the Department is working to award all the Sandy CWSRF and Sandy DWSRF funds in the SFY2024 Program, there is the possibility that not all of the available funds will be utilized by the end of the fiscal year. Therefore, the Department will continue to accept application submittals under the Sandy CWSRF Program, which generally includes a principal forgiveness component of approximately 19% of the allowable costs. If all the Sandy CWSRF funds are awarded in SFY2024, new application submittals will still be eligible for financing under the Base Loan Program's loan structure.

Consistent with the SFY2024 Intended Use Plan, the DEP is reserving 4% of the Sandy capitalization grants for program administration expenses and reserving an amount equal to the 20% State Match to ensure that the source funding for the State Match is used in a manner compatible with its origination.

PRIORITY SYSTEM

A single priority system is utilized for both the CW-(CW Base, CW BIL Supplemental and CW BIL Emerging Contaminants) SFY 2024 and CW-Sandy SFY 2024 Financing Programs and a separate priority system is utilized for both the DW-(DW Base, DW BIL Supplemental, DW BIL Lead and DW BIL Emerging Contaminants) SFY2024 and DW-Sandy SFY 2024 Financing Programs. The CW Plan and DW Plan each include a priority system that identifies the project activities that are eligible to be financed in each year's Financing Program.

The CW Plan and DW Plan priority systems set forth the methodology utilized to rank projects. The principal elements of the CW proposed priority system are local environmental enhancement planning activities, project discharge category, water use/water quality, smart growth approvals and population. The highest-ranking systems are those that address discharges of raw, diluted or inadequately treated sewage to the State's waters during wet weather.

The DW proposed priority system describes the ranking methodology for eligible drinking water projects. Project ranking within the DW SFY2024 Financing Programs priority system is based on criteria pertaining to compliance

and public health, smart growth approvals, affordability, and population. The current priority system ranking methodology used for ranking CW and DW projects is set forth below.

PROJECT PRIORITY LISTS

Upon receipt of a project sponsor's project information page through H2LOans, the Department determines project eligibility, ranks the project pursuant to the CWA or SDWA priority system, and places the project in ranked order on the Project Priority Comprehensive List and on the appropriate Project Priority List. Identification of a project on a Project Priority List is a prerequisite to NJEIFP loan eligibility.

A Project is eligible to apply for a Short-Term loan upon the submission of the Project Priority List with the legislature, the applicant's satisfaction of program application requirements and DEP's approval of a project contract (initially for engineering planning and design and later construction). Upon completion of construction, a Project on a Project Priority List will be designated eligible for long-term funding and placed, with other like projects, onto a sub-list referred to as the "Project Eligibility List." Upon enactment of the appropriations law identifying such project for long-term financing, and subsequent long-term loan closing, a project is removed from the Project Priority List. The projects eligible to participate in the SFY2024 Financing Program and their relative rank are set forth in the SFY2024 Project Priority List.

For DW projects, the Department will continue to provide authorizations to advertise and award contracts to allow an applicant to remain eligible to receive funding from the program if funds become available and the project is within the fundable range in accordance with the IUP. Applicants who proceed with bid advertisement and contract award do so without any commitment from the Department that funds will be provided and with an understanding the project sponsor is proceeding at its own risk and at its own costs until a determination of available Water Bank funds is completed.

The combined CW and DW projects on the Project Priority List for the SFY2024 -(CW Base, CW BIL Supplemental, CW BIL Emerging Contaminants, DW Base, DW BIL Supplemental, DW BIL Lead, DW BIL Emerging Contaminants) Financing Program and Sandy Financing Program include a pool of seven hundred fourteen (714) Clean Water and Drinking Water projects at a total estimated cost of $7.89 billion. The SFY2024 Clean Water Interim Financing Program Project Priority List set forth in *Appendix A* includes environmental infrastructure projects eligible for financing pursuant to the Clean Water SFY2024 NJEIFP and Superstorm Sandy financing programs and consists of four hundred twenty-eight (428) Clean Water projects at a total estimated cost of $5,189,330,370, inclusive of Clean Water Pinelands projects. The SFY2024 Drinking Water Interim Financing Program Project Priority List *set forth in Appendix B* includes projects eligible for financing pursuant to the SFY2024 Drinking Water Financing Program and consists of two hundred eighty-six (286) Drinking Water projects at a total estimated cost of $2,702,136,016.

The Project Priority Lists for the Clean Water and Drinking Water Programs reflect information provided by the individual project sponsors and the Department's project ranking. A Project Priority List is an inaccurate

indicator of projects to be funded in a given Fiscal Year. Projects are included with little effort by the project sponsor (submission of project information). Moreover, project cost information is generally inaccurate due to its calculation prior to project design and frequent revisions during the application process to reflect changes in scope and other circumstances. Changes are subject to DEP review and approval and may result in a change to project ranking. Finally, applicants routinely defer or withdraw projects from funding for myriad business reasons. As such, the project type descriptions and loan amounts should be relied upon only for general information.

PROJECT RANKING METHODOLOGY

CLEAN WATER RANKING CRITERIA

(CW Base, CW BIL SUPPLEMENTAL, CW BIL EMERGING CONTAMINANTS - SFY2024 NJEIFP and Sandy NJEIFP)

The Department assigns points to each project using the Project Priority System and ranks all eligible projects according to the total number of points each project receives. All projects are subsequently placed on the Project Priority Comprehensive List according to their ranking. Projects with more points are ranked above those with fewer points. The addition of new projects to the Project Priority Comprehensive List, periodic revisions to the Priority System, or the identification of new information regarding a project, may result in changes to an individual project ranking. Updated rankings based on changes to the priority ranking system will be reflected in the next amendment to the project Priority List.

The prospective applicant must notify the Department of any changes to project scope or any other circumstance that may affect the calculation of priority points. The Department recalculates, if appropriate, the prospective applicant's ranking utilizing the new information submitted and revises the priority ranking accordingly.

The Department's Priorities List provide a strategic foundation for structural changes and include objectives to implement projects that will help to protect, maintain, and improve water quality in and around the Barnegat Bay while determining the best long-term approach for restoring the ecological health of the Bay. To support these efforts to improve the water quality of the Bay, the project ranking methodology for the SFY2024 Financing Program provides an additional 300 priority points to nonpoint source and stormwater runoff control projects that are intended to benefit the Barnegat Bay. The additional 300 points will also be assigned to wastewater reuse projects that are intended to offset the loss of freshwater flows caused by the regionalization of sewage treatment plants and the use of ocean outfalls.

In addition to Barnegat Bay projects, projects receive points under seven categories. These are (**i**) Sustainable Community Planning Activities, (**ii**) Project Discharge Category, (**iii**) Water Use/Water Quality, (**iv**) Smart Growth Approvals, (**v**) Environmental Justice Economic Overburdened Community Criteria (**vi**) Population, and (**vii**) Established Local Employment Program. Points are assigned for each of the 7 priority categories, as applicable, and are discussed in more detail below.

i. Sustainable Community Planning Activities:

The purpose of the provisions in this section is to encourage and facilitate implementation of environmentally sustainable practices at the local government level. Prudent environmental planning that incorporates sustainability measures is necessary to achieve cost-effective and environmentally sound water quality improvement within the watershed. Additional priority points will be awarded to projects located in or benefiting municipalities that have implemented programs and actions that go beyond compliance with existing regulatory requirements and incorporate the following environmental enhancement planning strategies.

Watershed-Based Implementation Plans: Watershed-Based Implementation Plans address impairment(s) found on Sublists 4 or 5 of the New Jersey Integrated Water Quality Monitoring and Assessment Report. Prudent watershed planning is necessary to achieve cost-effective and environmentally sound water quality improvement within the watershed. To provide an incentive for project sponsors to complete watershed-based plans that promote the implementation of point and nonpoint source pollution control projects that are consistent with Department goals, projects located in or benefiting municipalities that demonstrate implementation of watershed-based plans will be given an additional 50 priority points.

Implementation of Regional Stormwater Management Plans: Regional stormwater management plans are voluntary local analyses that provide targeted protection to a specific area based on local issues and conditions. Regional stormwater management plans are adopted into Water Quality Management Plans and may include specific implementation projects that address existing impacts of stormwater runoff. Projects located in or benefiting municipalities with adopted regional stormwater management plans will be provided an additional 50 priority points.

Sustainable Community Planning: Sustainable communities develop and adopt master plans and ordinances that improve the overall quality of life for citizens of today as well as generations of tomorrow by planning within natural resource capacity constraints and providing for a healthy economy, environment, and society. Projects located in or benefiting municipalities where sustainable community strategies have been developed and master plans and/or ordinances adopted will be awarded an additional 100 priority points. These strategies/ordinances must include but are not limited to the following:

- A plan to reduce water consumption and increase water efficiency and re-use.
- Policies that require consideration of green design in municipal construction projects and redevelopment projects, such as green roofs, green streets, tree filters, rain gardens, rain barrels, porous pavements, etc.

The SFY2024 Priority System reflects the Department's priorities to encourage sustainable growth in communities by incorporating consistent criteria for the protection of natural resources and implementation of smart growth and green design principles.

Green design principles include green building practices that increase energy and water efficiency; use renewable energy; use environmentally friendly building materials that are made with recycled materials, are durable, sustainably harvested or produced locally; improve indoor air quality; and make appropriate site selection and minimize site disturbance to reduce environmental impacts.

ii. Project Discharge Category Points:

All projects receive ranking points based on the project discharge category. In case of multiple purpose proposals, projects qualify for the discharge category that represents the major scope of the project. If a project has aspects that can be described by more than one category, the project may be broken into separate projects. Tables IA and IB show the project discharge categories and their corresponding ranking points.

Table IA. Ranking Points Related to Project Discharge Category for Wastewater Treatment Facilities

Project Discharge Category	Description	Points
Combined Sewer Overflow (CSO) & Sanitary Sewer Overflow (SSO)	This category includes projects that involve combined sewer system (CSS) rehabilitation/repair, the construction of treatment and/or storage facilities within CSS, at discharge locations or at STPs that reduce or eliminate CSOs, or the separation of combined sewer systems by the consolidation and elimination or sealing of CSO discharge points. Also included are projects that implement corrective measures to fix overloaded conveyance systems that experience chronic overflows.	600
Sewage Treatment Plant (STP) Improvements	STP improvements include upgrades or other improvements to a treatment process or the elimination of an existing STP and the connection to an alternative treatment facility to meet applicable treatment levels. This category also includes the purchase and installation of security and energy efficiency measures at the STP.	500
Sanitary Sewer System Rehabilitation	This category includes a wide variety of corrective measures to sanitary sewer collection and conveyance systems that do not experience chronic overflows, such as the rehabilitation, repair, or replacement of sanitary sewers, pump stations, interceptors, or the purchase of equipment to properly maintain the sanitary sewer system.	450
Sludge Treatment/Disposal Facilities	Included in this category are projects involving the construction of facilities to manage sludge from STPs or from potable water treatment activities, such as the installation of dewatering equipment, or the implementation of land application or	350

	composting activities. Also, included in this category of projects are improvements or repairs to sludge incinerators.	
Wastewater Reuse	Wastewater reuse includes the construction of facilities that promote the reclamation of water for beneficial reuse such as the use of treated effluent for agricultural or other purposes. This category includes the construction of conveyance and distribution systems to allow for reuse activities.	300
Septic System Repair/Replacement	Under this category are projects that involve repairs, improvements, and/or replacement of individual or small community, on-site septic systems.	275
New Systems	This category includes projects that involve the expansion of a STPs' treatment capacity, and the construction of new facilities to provide collection, conveyance, or treatment of sanitary sewage.	250

Table IB. Ranking Points Related to Project Categories for Stormwater and Nonpoint Source Pollution Management Facilities

Project Category	Description	Points
Stormwater Management and Other NPS activities	This category includes the construction or rehabilitation of stormwater basins, sewer systems or storm drains, the extension of outfall pipes, green roofs, green streets, tree filters, rain gardens, rain barrels, porous pavement, or the purchase of maintenance equipment (such as street sweepers, aquatic weed harvesters and skimmer boats). Also, included in this category are projects that stabilize streambanks, restore lakes or address runoff from salt storage facilities and the implementation of measures to address pollution concerns from agricultural cropland activities and manure runoff management and feedlot operations.	225
Landfill Closure, Open Space Land Acquisition and Conservation and Well Sealing	Included in this category is the implementation of measures to prevent and control pollutants from entering groundwater at non-operating landfill sites that are publicly owned and at abandoned well locations. The category also includes open space land acquisition and conservation projects that help to protect or maintain water quality.	150
Landfill Construction and Remedial Action Activities	This category includes the construction of facilities to collect, convey and/or treat leachate and runoff from new publicly-owned landfill cells or from publicly-owned contaminated sites.	75
Projects sponsored by Conduit Borrowers/ Private Activity	This category generally includes environmental infrastructure projects where a developer, LLC, partnership, or other private party is involved in the project. Also, included in this category are landfill closure measures and remedial action activities where the project site is privately owned. If a local government unit that sponsors a project on behalf of a private entity commits to providing a general obligation pledge (including its unlimited taxing power or municipal guarantee) as security for the DEP and I-Bank	50

	loans, the project is considered exempt from the conduit financing classification and corresponding funding limitations.	

In addition to the point assignments above, projects that implement green infrastructure, water, or energy efficiency improvements (including projects that are designed to reduce greenhouse gas emissions) will receive an additional 50 priority points. Green infrastructure includes such practices as replacing existing pavement with porous pavement, bio-retention, green roofs, blue roofs, and other practices that mimic natural hydrology and reduce effective imperviousness. Water and energy efficiency activities that can qualify for the additional points include the installation of digester or landfill gas recovery/reuse systems, photovoltaic cells, wind turbines, wastewater reuse, etc. Projects that are a mix of traditional and green technologies are only assigned the points if the green components represent a significant amount of the overall project activities.

Projects implementing climate resilience measures will receive an additional 100 priority points if the resilience components represent a significant amount of the overall project activities. Resilience measures for wastewater, and stormwater infrastructure projects must apply the best available and most geographically relevant climate information, projections, and standards.

iii. Water Use/Water Quality Points:

Points are awarded based on the designated water uses of the receiving water as well as the existing water quality conditions in comparison to the ambient water quality standards. The assignment of points for "public nuisance" is given to on-site system projects where failures have been identified. Table II below shows the breakdown of the ranking points for water use; in general, the highest values are given for projects that discharge to water bodies with potable, recreational, and fishing uses.

Table II. Ranking Points Related to Water Use (Existing and Potential)

Water Use		Basis/Description	Points
Public Potable Water Supply		Wastewater treatment plant discharges likely to have adverse impacts on an existing downstream potable surface water supply intake. Projects are evaluated based on relative distance between STP discharge and public potable water intake locations.	200
Recreation ("Primary Contact")		Waters with bathing areas monitored routinely as public beaches as well as the Delaware River upstream of Trenton (north of East Bridge Street at the Lower Trenton Bridge).	125
Fishing	Shellfish	State water bodies that are designated as shellfish growing waters by *N.J.A.C.* 7:12.	125
	Trout	State freshwater bodies designated for trout production or maintenance by the NJ Water Quality Standards (*N.J.A.C.* 7:9B).	75
	Non-trout	State freshwater classifications not designated trout production or maintenance by *N.J.A.C.* 7:9B (see Trout description above), including all Delaware River freshwater zones above mile-point 85 as defined by the Delaware River Basin Commission.	25

Public Nuisance	Indirect water use impacts; applies to areas with identified on-site wastewater treatment system failures.	50
Agriculture	Surface water for agricultural use, such as irrigation and farm ponds, based on Department diversion permit (permits required for >70 gal/min diversion).	25
Industry	Surface water known to be used for industrial use such as cooling.	25

Table III shows the points for not meeting, or marginally meeting, certain water quality parameters. The points reflect the impact the parameters have on meeting the State's goal to protect and enhance surface water resources, quality criteria, and designated water uses. The magnitude of the contribution that municipal sewerage facilities have on each of the conditions is reflected in the points awarded under these categories. Dissolved oxygen and fecal coliform have the highest points because of their immediate and direct impact on the fishable/swimmable water use, coupled with the fact that inadequate municipal treatment facilities can be a major cause of contravening water quality standards.

Nutrients reflect the presence of phosphorus/phosphates and nitrates/nitrites in a water body. Excessive nutrient levels in freshwater streams and lakes may result in impacts on water uses, including algal blooms, depleted oxygen levels, odor, taste, and increased treatment costs for purveyors, impacts on aquatic populations, and esthetic concerns. Points are given for nutrients only if the surface waters involved significantly impact existing potable water reservoirs, surface water impoundments or lakes, public bathing areas, or shellfish growing waters. Since there are no nutrient standards for coastal and estuarine waters, no points were assigned for discharges to those water bodies.

Points for toxics address the relative magnitude of ammonia, metals, pesticides, and organic chemicals in the water body. Toxics were also given lower points since in most cases the significant contributions of toxic substances come from industrial sources that are better controlled through pretreatment and are only incidentally abated by municipal treatment facilities. In the case of the toxicity of ammonia, municipal facilities are usually the main source, but the most significant impact is associated with streams designated for trout production/maintenance, which already receive a high number of points under the water use category.

Table III. Ranking Points Related to Water Quality

Water Quality		**Points for Water Quality that**		
		Meet	**Marginally Meet**	**Do Not Meet**
		The Water Quality Standard*		
Parameter	Dissolved Oxygen	0	50	100
	Fecal Coliform	0	50	100
Parameter	Nutrients	0	25	50
Category	Toxics	0	25	50

*The Surface Water Quality Standard for the applicable parameter or category.

iv. Smart Growth Approvals:

The Department seeks to coordinate and enhance the efforts to encourage smart growth through the implementation of the State Development and Redevelopment Plan. The Department assigns ranking points to projects that serve municipalities that have been approved under the Center Designation or Plan Endorsement Process.

For a project serving more than one municipality, the points were included for ranking purposes if the designated center or the endorsed plan is a significant component of the overall project. For further information regarding the State Development and Redevelopment Plan, contact the Office of Planning Advocacy in the NJ Department of State at (609) 292-7156.

Table IV. Ranking Points Related to State Planning Commission Approvals

Community Type	Points
Urban Centers and Complexes	50
Regional Centers	25
Existing Designated Towns	15
Existing Villages	10
Hamlets	5

In addition, projects located in or benefiting areas designated as Brownfield Development Areas, TDR receiving areas or Transit Villages also receive 10 points, so that these projects will rank higher than similar projects that are not located in, or provide benefit to, these smart growth areas.

v. Environmental Justice Economic Overburdened Community Criteria:

Projects are assigned 80 Environmental Justice Economic Overburdened Community Criteria points if at least 35% of the households served by the project, on a municipal basis, qualify as low-income households (at or below twice the poverty threshold in accordance with the most recent United States Census as determined by the United States Census Bureau). A weighted economic OBC criteria is calculated for a project sponsor whose water system serves more than one municipality as shown in the example below. Population served is based on the permanent population of the service area. Consideration will be given for projects with a qualifying service area population within a municipality that does not meet the 35% threshold.

Example:

Municipalities Served	% low-income households	Populations Served	Fraction of total population served	Weighted % of low income households
Lancaster	30%	5,000	0.167	5.01%
Mayberry	40%	10,000	0.333	13.32%
Hometown	35%	15,000	0.500	17.50%%
Total		**30,000**	**1.00**	**35.83%**

Please note for applicants that service more than 10 municipalities, the 10 municipalities that have the highest populations served will be considered in the above table for the Environmental Justice Economic Overburdened Community Criteria.

vi. Population Points:

Projects are also assigned points based on the population of the area served by the project. One point is given for every million-people living in the project area on a year-round basis. Thus, if projects have the same number of ranking points after having received all eligible points, population points become the tiebreaker, with higher priority given to the project serving the higher population.

vii. Established Local Employment Program

Projects are assigned one point to applicants that have an established program to employ at the project facility, or at related offices or facilities, persons who reside in the municipality in which the project is located, the service area of the project, or in surrounding municipalities that meet the criteria for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et seq.)".

Emergency Repair Projects:

The Department recognizes that environmental infrastructure emergencies may occur that endanger public health and welfare and can result in substantial environmental damage. Such circumstances require an immediate response for which a complete technical and environmental review in advance of construction to address the emergency situation is not necessary or feasible. The Department has developed a process to respond expeditiously when emergencies occur, obtain basic project information, make an eligibility determination, and issue a pre-award approval so that

owners/operators can expeditiously undertake the needed repairs and maintain eligibility for those expenditures through the NJEIFP.

Qualifying emergency conditions would be limited to those where failure has occurred or where failure is imminent and unless corrected, will result in substantial pollution of the environment (such as collapse of a wastewater line) and/or substantial curtailment of the functions of the infrastructure.

See the Emergency Loan Program Guidance Document in Appendix D for further information on eligibility and application requirements for emergency repair projects.

CW Order of Priority:
The SFY2024 CW program continues the project prioritization methodology first utilized in SFY2015. Funds available at the time of project approval (authorization to award a final construction contract), will be allocated to the approved project. CW projects are prioritized for funding based on the following criteria.

a. Emergency Projects

Emergency projects are considered a public health hazard and will receive funding priority over other new projects on the Project Priority List both for interim as well as long-term financing.

b. Supplemental Loans

Projects which have received loans to date which require additional funds due to the award of all project related contracts or for increased costs due to differing site conditions. Priority between projects that are eligible to receive Supplemental Loans and that received their original loans in the same funding cycle will be determined according to each project's ranking on the respective funding year's priority list.

c. Current Year Project Submissions

CLEAN WATER AND DRINKING WATER AFFORDABILITY CRITERIA

The 1996 amendments to the Safe Drinking Water Act (SDWA) established the Drinking Water State Revolving Fund (DWSRF) to help water systems finance infrastructure improvements needed to ensure compliance with drinking water standards or otherwise advance the public health protection objectives of the SDWA. To achieve this goal, DWSRF financing is subsidized through below-market interest rates and extended loan terms. However, this subsidized financing may still be insufficient for some water systems that face greater challenges to finance and implement critical drinking water infrastructure improvements. To assist these water systems, the SDWA requires that each state establish affordability criteria to define "disadvantaged communities" (DACs)

in the state. Under the SDWA, a "disadvantaged community" is defined as "the service area of a public water system that meets affordability criteria established after public review and comment by the State in which the public water system is located.

Section 603(i)(2) of WRRDA requires States to develop affordability criteria that will assist in identifying CWSRF applicants that would have difficulty financing projects without additional subsidization. The law requires that states establish affordability criteria by September 30, 2015, after providing notice and an opportunity for public comment.

The Department has elected to use the identical factors to determine the Drinking Water Affordability Criteria and the Clean Water Affordability Criteria. In New Jersey, those applicants that meet either of the following two criteria are considered to have satisfied the State's **Clean Water and Drinking Water Affordability Criteria**:

1. **Project Affordability Score** of 80 or less; or
2. The project is eligible to receive 80 **Environmental Justice Economic Overburdened Community Criteria** CWSRF ranking points.

Project Affordability Score = **Project Median Household Income (MHI) Factor** – **Project Unemployment** (**UE) Factor** – **Project Population Trend (PT) Factor**

Project MHI Factor =100 x (Project MHI/State MHI)

Project UE Factor = 1 if Project Unemployment Rate > State Unemployment Rate

Project UE Factor = 0 if Project Unemployment Rate < or = State Unemployment Rate

Project PT Factor = 1 if Project Population Trend < State Population Trend

Project PT Factor = 0 if Project Population Trend > or = State Population Trend

Project Unemployment Rate is equal to weighted unemployment rate of the project service area using service area populations and county unemployment data. Calculation is similar to weighted MHI example below.

Project Population Trend is equal to the weighted population trend for the project service area using service area populations and municipal population trend data. Calculation is similar to weighted MHI example below.

Consideration will be given for projects with a qualifying service area population within a municipality that does not meet the Clean Water and Drinking Water Affordability Criteria.

NOTE: Population trend data and Municipal MHI data is from DCA's MRI worksheet, found at: https://nj.gov/dca/home/MuniRevitIndex.html, State MHI is from https://www.census.gov/quickfacts/NJ. Unemployment data is from https://www.nj.gov/labor/lpa/employ/uirate/fmth_2010-2020.xlsx.

A weighted MHI is calculated for a project sponsor whose clean water system serves more than one municipality, as shown in the example below. Population served is based on the permanent population of the water system service area.
Example:

Municipalities Served	MHI	Populations Served	Fraction of total population served	Weighted municipal MHI
Lancaster	30,000	5,000	0.167	5,000
Mayberry	20,000	10,000	0.333	6,660
Hometown	25,000	15,000	0.500	12,500
Total		**30,000**	**1.00**	**24,160**

Please note for applicants that service more than 10 municipalities, the 10 municipalities that have the highest populations served will be considered in the above table for the affordability factor.

A weighted unemployment rate for use in the UE Factor is calculated for a project sponsor whose clean water system serves more than one municipality/county, as shown in the example below. Population served is based on the permanent population of the water system service area.
Example:

Municipalities Served	County Unemployment Rate	Populations Served	Fraction of total population served	Weighted Municipal Unemployment Rate
Lancaster, County A	4.0%	5,000	0.167	0.668%
Mayberry, County A	4.0%	10,000	0.333	1.332%
Hometown, County B	6.5%	15,000	0.500	3.250%
Total		**30,000**	**1.00**	**5.25% (Project Unemployment Rate)**

Please note for applicants that service more than 10 municipalities, the 10 municipalities that have the highest populations served will be considered in the above table for the affordability factor.

A weighted population trend for use in the Population Trend Factor is calculated for a project sponsor whose clean water system serves more than one municipality/county, as shown in the example below. Population served is based on the permanent population of the water system service area.
Example:

Municipalities Served	Municipal Population Trend	Populations Served	Fraction of total population served	Weighted Municipal Population Trend
Lancaster	2.0%	5,000	0.167	0.334%
Mayberry	2.0%	10,000	0.333	0.660%
Hometown	-1.0%	15,000	0.500	-0.500%
Total		**30,000**	**1.00**	**0.494% (Project Population Trend)**

Please note for applicants that service more than 10 municipalities, the 10 municipalities that have the highest populations served will be considered in the above table for the affordability factor.

DRINKING WATER RANKING CRITERIA

(DW BASE, DW BIL SUPPLEMENTAL, DW BIL LEAD, AND DW BIL EMERGING CONTAMINANTS - SFY2024 NJEIFP)

DEP assigns points to each project using the Project Priority System and ranks all eligible projects according to the total number of points each project receives. All projects are subsequently placed on the Project Priority Comprehensive List (see *Appendix B*) according to their ranking. Projects with more points are ranked above those with fewer points. The addition of new projects to the Project Priority Comprehensive List, periodic revisions to the Priority System, or the identification of new information regarding a project, may result in annual changes to an individual project ranking.

Projects receive points under five principal elements of the Priority System: (**i**) Compliance and Public Health Criteria, (**ii**) Environmental Justice Economic Overburdened Community Criteria, (**iii**) Smart Growth Approvals, (i**v**) Population, (**v**) Established Local Employment Program, and (**vi**) emergency projects. Points are assigned for each of the six priority categories and are discussed in more detail below.

Category (**i**) includes the types of projects listed below that are eligible for DWSRF funding. A project must be assigned points from Category (**i**) to be eligible for ranking; points assigned from the remaining categories are in addition to the points received in Category (**i**). Priority points are assigned only if the project scope includes actual repair, rehabilitation, or correction of a problem or improvement clearly related to priority Category (**i**). Projects that include multiple elements, as listed in priority Category (**i**), are separately listed by the elements involved and priority points assigned for each element.

The order of project priority for funding in the proposed DW IUP is as follows:

1. Emergency Projects are considered a public health hazard and receive funding over other projects on the Comprehensive Priority List;
2. Surface Water Treatment Rule violations including uncovered finished water reservoirs;
3. MCL and Lead Action Level Exceedances;
4. Lead Service Line replacements in communities with an MHI less than the MHI for the State for water systems without a Lead Action Level Exceedance;
5. Unregulated contaminants (contaminants of emerging concerns);
6. Small Systems serving less than 10,000 persons, up to 15 % of DWSRF Funds;
7. Corrosion control and lead service line replacement in communities serving a population ≤1,000 that have an MHI less than the MHI for the State;
8. Projects that have secured federal/non-profit grants to be leveraged with SRF funding,
9. Other projects currently on the comprehensive list.

The prospective applicant must notify DEP of any changes to project scope or any other circumstance that may affect the calculation of priority points. DEP recalculates, if appropriate, the prospective applicant's ranking

utilizing the new information submitted and revises the priority ranking accordingly. Points are assigned for each of the four priority categories discussed below, as applicable:

i. Compliance with the SDWA and Protection of Public Health:

DWSRF funds are utilized to address contamination problems and to ensure compliance with the SDWA requirements. Priority is given to water systems in non-compliance with the surface water treatment requirements and those incurring acute primary maximum contaminant level (MCL) violations, or action level exceedances as defined in the National Primary Drinking Water Regulations and the New Jersey Safe Drinking Water Regulations (N.J.A.C. 7:10). Table I describes the project elements that are eligible for DWSRF funds:

Table I. Project Elements Eligible for Project Priority Ranking in the Drinking Water State Revolving Fund Program [2]

Priority Order	Project Description	Points
1.	Systems that use surface water that are not in compliance with the surface water treatment technique requirements or have had any acute violations (either E. coli or nitrates) and have been issued an administrative order or directive by DEP requiring the correction of any noncompliance of its treatment facilities to address an immediate public health threat.	500
2.	Systems that use groundwater under the direct influence of surface water, that are not in compliance with the surface water treatment technique requirements or have had any acute violations (either E. coli or nitrates) and have been issued an administrative order or directive by DEP requiring the correction of any noncompliance of its treatment facilities to address an immediate public health threat.	350
3.	Systems that use groundwater that have had any acute violation (either E. coli or nitrates).	300
4.	Systems that have had, or DEP reasonably expects to have, any primary maximum contaminant level (MCL) violations (except acute violations) or exceedance of action levels (Lead and Copper Rule).	250
5.	Systems that have, or DEP reasonably expects to have, exceeded a groundwater quality criterion, or other guidance or advisory (such as a recommended MCL for unregulated contaminants) as deemed applicable by the DEP.	200
6.	Systems that were classified as vulnerable, as a result of a 2007 DEP Interconnection Study	200
7.	Replacement of lead services lines or installation of corrosion control treatment for systems without a lead action level exceedance.	175

[2] A project must be assigned points from Category (i) to be eligible for Project Priority List ranking; points assigned from Categories (**ii**) through (**vi**) supplement the points received in Category (**i**).

8.	Systems that are under an Administrative Consent Order or other formal enforcement action based on a notice of noncompliance by DEP for reasons other than water quality; i.e. inadequate storage, inadequate source, lack of emergency power, etc.	170
9.	Purchase and/or consolidation of a water system to comply with the SDWA for capacity development.	165
10.	Extension of water mains, including associated appurtenances and water system facilities, to private wells that have had any maximum contaminant level exceedances or have exceeded lead and copper action levels.	165
11.	Existing treatment facilities that need to be rehabilitated, replaced, or repaired to ensure compliance with the SDWA.	160
12.	Systems that are proposing improvements to address resiliency and impacts of climate change, including drought or other related water supply management initiatives, as identified, or designated by the State.	150
13.	Systems that have lost well capacity due to saltwater intrusion and a solution is needed to preserve the aquifer as a viable aquifer.	150
14.	Existing transmission or distribution mains with appurtenances that need to be rehabilitated, replaced, repaired, or looped to prevent contamination caused by leaks or breaks in the pipe or improve water pressures to maintain safe levels or to ensure compliance with the SDWA.	75
15.	Existing pump stations or finished water storage facilities that need to be rehabilitated or replaced to maintain compliance with the SDWA.	60
16.	New finished water storage facilities or pump stations that are needed to maintain pressure in the system and/or prevent contamination.	50
17.	Addition or enhancement of security measures at drinking water facilities, including but not limited to fencing, lighting, motion detectors, cameras, secure doors and locks, cybersecurity, and auxiliary power sources.	45
18.	Green Infrastructure: renewable energy generation such as solar panels, hydroelectric, geothermal or wind turbines or infrastructure built at the water system facilities such as green roofs, porous pavement, bioretention or grey water reuse.	45
19.	Systems which have had any exceedance of any secondary drinking water regulations that have received notification issued by DEP that exceedance of a secondary drinking water regulation causes adverse effects on the public welfare, and for which the system has received a directive issued by the DEP requiring correction of the exceedance.	40
20.	Installation of new water meters and/or other water conservation devices, including but not limited to retrofit plumbing fixtures.	35
21.	Construction of new or rehabilitation of existing interconnections between water systems to improve water pressures to maintain safe levels, promote availability of alternative source of supply, or to ensure compliance with the SDWA.	30
22.	Replacement of water meters.	25
23.	Redevelop wells, construct new wells, or construct or rehabilitate surface water sources with associated treatment facilities to meet the New Jersey Safe Drinking Water Act (SDWA) rules for required pumping capacity.	15
24.	Other project elements, not including items 1 through 23 above, that ensure compliance with the SDWA and protect public health, as approved by DEP.	1

ii. Environmental Justice Economic Overburdened Community Criteria:

Signed into law by Governor Phil Murphy on September 18, 2020, New Jersey's groundbreaking Environmental Justice Law, N.J.S.A. 13:1D-157, (Law) requires the New Jersey Department of Environmental Protection (NJDEP) to evaluate the contributions of certain facilities to existing environmental and public health stressors in overburdened communities when reviewing certain permit applications. The law also directs the NJDEP to publish a list of overburdened communities and provide notice to the 331 municipalities in which those communities are located.

Projects are assigned 80 Environmental Justice Economic Overburdened Community Criteria points if at least 35% of the households served by the project, on a municipal basis, qualify as low-income households (at or below twice the poverty threshold in accordance with the most recent United States Census as determined by the United States Census Bureau). A weighted economic OBC criteria is calculated for a project sponsor whose water system serves more than one municipality as shown in the example below. Population served is based on the permanent population of the service area. Consideration will be given for projects with a qualifying service area population within a municipality that does not meet the 35% threshold.

Example:

Municipalities Served	% low-income households	Populations Served	Fraction of total population served	Weighted % of low income households
Lancaster	30%	5,000	0.167	5.01%
Mayberry	40%	10,000	0.333	13.32%
Hometown	35%	15,000	0.500	17.50%%
Total		**30,000**	**1.00**	**35.83%**

Please note for applicants that service more than 10 municipalities, the 10 municipalities that have the highest populations served will be considered in the above table for the affordability factor.

iii. Smart Growth Approvals:

1. State Development and Redevelopment Plan

DEP seeks to coordinate and enhance the efforts to encourage smart growth through the implementation of the State Development and Redevelopment Plan. DEP assigns ranking points to eligible clean water projects consistent with an approved Water Quality Management Plan that serve municipalities that have been approved under the Center Designation or Plan Endorsement Process.

For a project serving more than one municipality, the points were included for ranking purposes if the designated center or the endorsed plan is a significant component of the overall project. For further information regarding the State Development and Redevelopment Plan, contact the Office of Planning Advocacy in the New Jersey Department of State at (609) 292-7156.

Table IV. Ranking Points Related to State Planning Commission Approvals

Community Type	Points
Urban Centers and Complexes	50
Regional Centers	25
Existing Designated Towns	15
Existing Villages	10
Hamlets	5

Projects located in or benefiting areas designated as Brownfield Development Areas, Transfer of Development Rights receiving areas or Transit Villages receive 10 points, so that these projects will rank higher than similar projects that are not located in, or provide benefit to, these smart growth areas.

2. Green Project Reserve (GPR)

DEP promotes green infrastructure, water and energy efficiency, and environmental innovation in its water improvement projects. Therefore, DEP provides 15 additional priority points to any project that is a categorically eligible project.

Please note that the points from these four items of Category C can be cumulative. Please note for water systems that service more than one municipality; the municipality that has the highest population served will be counted for this category.

iv. Population:

As a tiebreaker, projects are assigned points based on the permanent population of the water system service area. For a resort community where the summer and winter populations vary greatly, the permanent population will be calculated by taking the sum of twice the winter population and once the summer population and dividing by three (see below). For water systems that service more than one municipality, a total of all the permanent population served in the multiple service areas is used. Priority points are calculated as the permanent population served by the water system divided by 100,000, expressed as a decimal. In the event that projects remain tied, the project which serves a greater proportionate population in the water system's area is given higher priority.

Population served for resort communities will be calculated by the following equation:

[(2 x Winter Population) + Summer Population] / 3 = Weighted Permanent Population

v. Established Local Employment Program

Projects are assigned one point to applicants that have an established program to employ at the project facility, or at related offices or facilities, persons who reside in the municipality in which the project is located, the service area of the project, or in surrounding municipalities that meet the criteria for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et seq.)".

vi. Drinking Water Emergency Projects:

The following factors are also considered in project ranking: (i) Emergency Projects, (ii) Surface Water Treatment Rule violations including uncovered finished water reservoirs, (iii) MCL and Lead Action Level Exceedances, (iv) Lead Service Line replacements in communities with an MHI less than the MHI for the State for water systems without a Lead Action Level Exceedance; (v) Unregulated contaminants (contaminants of emerging concerns), (vi) Small Systems serving less than 10,000 persons, up to 15 % of DWSRF Funds, (vii) Corrosion control and lead service line replacement in communities serving a population ≤1,000 that have an MHI less than the MHI for the State; (viii) Projects that have secured federal/non-profit grants to be leveraged with SRF funding, (ix) Other projects currently on the comprehensive list.

Emergency Projects - Given the limited response time to emergency projects, the following procedure has been developed to ensure rapid response while also maintaining funding eligibility:

Drinking Water Emergency Repair Projects will be defined as, and limited to, projects that replace, in kind, the failure of an essential portion of a public water system that will disrupt water service to any number of the public water system's customers for a minimum of 24 hours total and/or poses a substantial threat to the public health, safety, and welfare. Only projects satisfying the following three

criteria are eligible to qualify for emergency funds: (i) the project will repair the actual or impending failure of one or more components of a drinking water or wastewater system caused by structural or mechanical failure, sabotage or act of God; (ii) the actual or impending failure of the system could not have reasonably been foreseen; and (iii) the project is necessary and limited to correct the failure of an essential portion of the environmental infrastructure system to restore service. The DWSRF only funds the portion of any repair that is necessary to restore lost service to the affected population under the emergency loan provisions. A water purveyor may only receive emergency funding for a specific Emergency Repair Project ONCE. Any long-term solutions, modifications, and/or upgrades to prevent future emergency occurrences must be addressed in future financing cycles as a project and published on the Project Priority List.

The DEP recognizes that environmental infrastructure emergencies may occur that endanger public health and welfare and can result in substantial environmental damage. Such circumstances require an immediate response for which a complete technical and environmental review in advance of construction is not possible. On July 15, 2005, the DEP issued a generic Environmental Decision Document (EDD) for environmental emergency response projects and on January 3, 2006, amendments to the program's rules at N.J.A.C. 7:22 were adopted to allow the NJEIFP to fund certain emergency projects. The generic EDD and the rule changes identify the specific types of projects and conditions that must exist to qualify under the emergency project provisions of the Financing Program. With the EDD and the rules as guidelines, the DEP has developed a process to respond rapidly when emergencies occur, obtain basic project information, make an eligibility determination, and issue a pre-award approval so that owners/operators can undertake the needed repairs and maintain eligibility for those expenditures through the NJEIFP. For ranking purposes, projects that qualify as emergency projects will receive funding priority over all other projects on the Project Priority List. All program requirements must be met to the DEP’s satisfaction prior to the water system being reimbursed for the emergency repair.

PROGRAM LOAN TERMS AND CONDITIONS

The Program Loan Terms and Conditions, including Program Fees, Program Requirements for loan closing including certification and other financing considerations will be set forth in the Financial Plan which will be submitted to the Legislature on or before May 15, 2023, in accordance with terms of the I-Bank Enabling Act.

BORROWER BENEFITS

Specific financing terms for the upcoming fiscal year are set by the I-Bank in the May Report. In general, Program participants realize significant cost-saving measures through the following program features:

DOLLAR SAVINGS

- Low-Interest Funds during Construction – The I-Bank Board annually determines the interest rate methodology to be applied to short term loans. Any interest charges incurred by participants pursuant to a Short term loan are accrued and may be capitalized through the term of the loan;

- Interest Cost Savings Substantial interest savings are available through a financing package that includes a portion of loan funds at zero-percent interest from the State through the Department resulting in grant-like savings of approximately 20% for borrowers with AAA ratings and even more for Borrowers with credit ratings less than AAA;

- Earnings Credits – Investment earnings from all bond funds, such as the project fund, revenue fund and, when applicable, debt service reserve funds, are distributed to Borrowers as credits toward their debt service payments;

- No bond insurance required - The Program's financial structure produces the highest possible credit rating without the expense or requirement for Borrowers of purchasing costly bond insurance;

- No reserve – Borrowers in the Financing Program are exempt from the Division of Local Government Services requirement of posting a 5% reserve prior to bond issuance;

- Minimized cost of financing – Borrowers are charged a flat 0.10 percent fee for cost-of-issuance of I-Bank bonds on the I-Bank portion of their total project loan (i.e. excluding DEP's loan funds). The remainder of the cost-of-issuance of the bonds is subsidized and paid by the I-Bank;

- No front-loading requirement – LGUs issuing their own general obligation debt are often required to "front load" their repayment schedule. This ensures that debt service payments are larger in the early years of the loan and decline over time. The Financing Program provides for level debt service throughout the life of the loan normalizing annual payments for rate payers;

- Refunding – The I-Bank continually monitors market conditions to assess when interest rates meet the State's savings threshold for refunding prior bonds. All savings realized from prior bond refundings (a total of $185 million since the Financing Program's inception), are passed on to Borrowers, further lowering their loan costs; and

- Debt service reserve fund – Investment grade rated Borrowers are relieved of their obligation to commit a portion of loan funds to debt service reserve due to the Program's Master Program I-Bank collateralization structure that supports all borrowers.

CASH FLOW FLEXIBILITY

- Upfront Cash – The disbursement of funds is expedited based on a rapid requisition approval process relieving Borrowers from utilizing cash-on-hand to pay contractors and vendors up front;
- Capitalized interest –Borrowers may capitalize interest on the long-term loan as allowable by the IRS guidelines;
- Deferred Principal and interest Repayment – During the Short-Term loan period no principal or interest repayments are due. Additionally, to better align a project's cash flow dynamics, Borrowers may defer principal repayment as allowable by the IRS guidelines;
- Generous allowable costs – Associated project costs, including planning and design, engineering, local financing, and right-of-way restoration may be financed through the program. An eligible project's reserve capacity costs such as excess project capacity may be financed through an I-Bank-only loan; and
- Flexible Term - Shorter term financing is available for Borrowers who wish to minimize the repayment period of their loan.

ADMINISTRATIVE

- No Arbitrage Worries - The I-Bank manages federal IRS arbitrage rebate requirements, relieving Borrowers of the cost and administration of this obligation;
- No Secondary Disclosure Requirements – Due to the size of the Financing Program, presently no single Borrower is a Material Obligated entity. As a result, Financing Program Borrowers are not required to fulfill secondary disclosure requirements for the S.E.C.; and
- Timely Decisions – The Department prioritizes Financing Program project reviews.

SFY2024 NJEIFP

HIGHLIGHTS

The NJEIFP is continuing initiatives developed and enacted in recent years for SFY2024.

i. Bipartisan Infrastructure Law (BIL): New Jersey will receive an additional $189.6 million in federal funding for the Clean Water and Drinking Water State Revolving funds from the BIL in SFY 2024.

ii. Principal Forgiveness for Environmental Justice and Disadvantaged Communities: The Water Bank will continue to use the Affordability Criteria developed last year which aligns the Clean Water Affordability Criteria with the Drinking Water Disadvantaged Community criteria and the Environmental Justice Law's economic criteria for overburdened communities. Approximately $190 million in principal forgiveness or grant like funding will be reserved in SFY2024 for communities that meet the Water Bank's Affordability Criteria.

iii. Technical Assistance for Environmental Justice and Disadvantaged Communities: The Water Bank has developed technical assistance programs designed to deploy early engineering and engagement assistance to disadvantaged communities to help them refine their water infrastructure needs, facilitate communications within their communities, and navigate the Water Bank application process.

iv. Extended Term Financing for CSO Projects: The Water Bank has received EPA approval to offer extended term financing to CSO projects for up to 45 years and projects financed with proceeds of a WIFIA loan with a term up to 35 years. Offering extended term financing for these projects addresses affordability concerns by reducing each repayment amount.

v. Climate Change: New Jersey is already experiencing many of the impacts of climate change such as increasing temperatures, rising sea levels, and more frequent and intense storms. The Department is developing new Infrastructure Resilience and Best Practices Guidance to establish standards which will be required elements for new projects seeking State funding through the Water Bank. Resilience measures for drinking water, wastewater, and stormwater infrastructure projects must apply the best available and most geographically relevant climate information, projections, and standards.

vi. Lead Abatement: The existence of lead service lines in some of our aging drinking water infrastructure poses potential risk to public health. This risk can be significantly reduced through the identification and replacement of lead service lines. The Financing Program is reserving funds and providing a minimum of $35 million in principal forgiveness loans in SFY2024 for lead service line replacement projects.

SHORT-TERM FINANCING

Short-term loans are available for up to 5 full fiscal years, or up to the statutorily permitted term, to finance the cost of (i) environmental planning and engineering design activities incurred, and (ii) project construction upon application approval. A planning design and construction loan shall mature no later than the last day of the fifth succeeding fiscal year following the closing date of the line of credit loan, or the last day of the third succeeding fiscal year following the date of construction certification following the closing date of the line of credit loan, whichever is sooner provided that planning or engineering design activities shall not exceed two years from the

closing date of the loan. Short-term Loans for Combined Sewer Overflow Long-Term Control Plans (LTCPs), recognized by the Financing Program, offer terms of up to five (5) full fiscal years (inclusive of up to two years for planning and design) beyond the date when their LTCP is accepted by the Department. Legislative amendments in 2020 authorize the issuance of one short-term supplemental loan for residual project expenses upon certification by the Department that the time required by the project sponsor to complete construction of the project exceeds the maximum maturity date of the project sponsor's outstanding short-term loan. Such residual loans are only available one time for any given project for up to three full fiscal years. Terms for short-term residual loans are further explained in the I-Bank's May Report.

The Department charges a 2% loan origination fee to cover its costs for the technical review of each project. Borrowers are able to include the portion of the 2% DEP loan origination fee due at short-term closing (1% of project costs or 50% of the total DEP loan origination fee) in their short-term loan. Short-term loans are only issued for activities likely to lead to, or the construction of, an environmental infrastructure project. Terms of the long term-financing, including principal forgiveness, are established pursuant to the terms of the Program year of each construction contract certification, or if closing the short term loan after certification, upon short term loan closing. They are contingent upon a project receiving long-term financing. These terms vary primarily with the nature of the project activities or populations served as detailed in the Specific Incentivized Programs section.

Short-term loans are also available under the SAIL Program for environmental infrastructure projects for the repair to systems adversely impacted during natural disasters and/or to improve the resiliency of systems. In addition, short-term loans are available for environmental infrastructure projects necessary to respond immediately to emergencies (other than SAIL) that endanger public health and welfare that are likely to result in substantial environmental damage.

In an effort to reduce transaction costs, each project's short term loan can be for the entire estimated cost of the project, but funds are committed only to the project components approved by the Department (e.g., planning and design costs and/or initial construction operable segment(s)) Loan sizing and repayment terms may be found in the May Report.

The SFY2024 Interim Financing Program Clean Water Project Priority List and the SFY2024 Interim Financing Program Drinking Water Project Priority List, set forth in Appendices A and B respectively, identify environmental infrastructure projects eligible for short-term financing pursuant to N.J.S.A. 58:11B-9.

LONG-TERM FINANCING

Long-Term Loans are generally issued upon completion of project construction (demonstrated through submitted requisitions). Long-term loans are largely mechanisms to refinance previously issued short-term loans for construction and P&D activities. With limited exception, all relevant Program terms and conditions are established at the time of issuance of short-term financing: for example, credit worthiness approval; Division of

Local Government Services approval; the State's commitment of long-term funding at the time of certification of each operable project segment; and the applicability of all program benefits (e.g., principal forgiveness). Long-Term Loans provide certainty as to the interest rate which is fixed for periods of up to 30 years. However, for program participants financing CSO projects, a maturity terms of up to 45 years are now available. For Borrowers with a project included on the WIFIA portfolio loan list, maturity terms of the corresponding loan may extend to the terms of those available in the WIFIA Program. In any event, maturity terms shall not exceed a project's useful life which determination may include federal or state official data on climate change including sea level rise.

Long-term loan terms are established in accordance with the following criteria:

For Projects financed through a Water Bank Short-Term Loan:

Loan Issued Upon	**Applicable Financing Term Year**
Certification of engineering contract	Date of certification of construction contract*
Certification of construction contract	Date of Short-Term Loan closing

*If a project has multiple operable segments, various financing year terms may apply to a single project loan which are set at the time of each contract certification. The date of closing of a refinancing of an outstanding Short-Term Loan to increase the loan amount of an existing certified construction contract does not impact the applicable financing term year.

Applicants financing the cost of construction through non-Water Bank sources or self-funding, long-term financing terms apply at the time of long-term loan closing.

FINANCING PROGRAM OFFERINGS

The **Water Bank** offers two loan formats: short-term and long-term loans. Together, they provide funding for all aspects, phases, and components of designing and building environmental infrastructure projects. NJEIFP Loans are issued, upon approval of applicable Financing Program requirements, for costs incurred for designing and constructing projects that enhance and protect ground and surface water resources, ensure the safety of drinking water, and facilitate responsible, sustainable economic development (each, an Environmental Infrastructure Project). Each loan is funded from one or more of the sources identified in the I-Bank's soon to be submitted May Report.

SFY2024 Funding Packages (Long-Term Loans)

CLEAN WATER

Clean Water Funding Packages	PF Share	PF Cap per Applicant	Projected PF Available	DEP Share[7] (Loan + PF)	I-Bank Share[7]
CSO LTCP ARPA Projects[1]	80%	No Cap	$148M	90%[8]	10%[8]
CSO Abatement	50%	$5M	$30M[6]	75%[8]	25%[8]
CSO Abatement/ Affordability Criteria[2]	100%	$5M	$30M[6]	75% Min[8]	25% Max[8]
Water Quality Restoration	50%	$2.5M	$6M	75%[8]	25%[8]
Affordability Criteria[3]	100%[5]	$2M	$36M	75% Min[8]	25% Max[8]
Energy and Water Efficiency Projects	50%	$2M	$18M	75%[8]	25%[8]
Overflow and Stormwater Grant (OSG) CW SRF PF Loans[4]	20%	$0.2M	$1M	-	-
Emerging Contaminants	100%	$2M	$9 M	75% Min[8]	25% Max[8]
Base CWSRF	-	-	-	50%	50%
Brownfield Redevelopment (Conduit/PPP)	-	-	-	25%	75%

1. When CSO LTCP ARPA principal forgiveness funds are exhausted, applicants may access financing available under other applicable CWSRF principal forgiveness and funding categories
2. CSO Abatement/Affordability project costs from $10 million to $20 million may be financed under the Affordability Criteria package. Costs over the caps may be financed under the Base CWSRF package.
3. CSO Abatement and CSO Abatement/Affordability cannot be stacked. CSO Abatement/Affordability and Affordability Criteria can be stacked, totaling the PF Cap at $7M
4. OSG CW SRF PF Loans will be awarded to CWSRF projects that receive an Overflow and Stormwater Grant. The OSG will cover 80% of the project costs (capped at $1 million) and the OSG CW SRF PF Loan will cover 20% of the project costs. OSG/OSG CW SRF PF Loan project costs are capped at $1 million. Costs over $1 million may be eligible for funding and PF under the CSO Abatement or CSO Abatement/Affordability Criteria categories.
5. The first $5 million of CSO Abatement/Affordability projects, the first $2 million of Affordability Criteria projects, and the first $2 million of Emerging Contaminants project will receive 100% principal forgiveness to the extent principal forgiveness funds are available.
6. $5M set aside for CSO Green Infrastructure Projects
7. I-Bank share may be higher and DEP share lower if I-Bank is able to source below market interest rate funds through the Water Infrastructure Finance and Innovation Act (WIFIA) from USEPA. The effective interest rate will be no greater than would have resulted from financing with I-Bank's AAA bond funds at market interest rates and Department interest-free loan funds at shares shown in table.

8. DEP/I-Bank shares are for first for first $10 million of project costs for CSO, CSO/Affordability, Water Quality Restoration, Affordability, Energy & Water Efficiency and Emerging Contaminants funding packages. Shares on ARPA principal forgiveness funding packages applies to extent principal forgiveness is available.

DRINKING WATER

Drinking Water Funding Packages	PF Share	PF Cap per Applicant	Projected PF Available	DEP Share[3] (Loan + PF)	I-Bank Share[3]
Base DWSRF- Public	-	-	-	50%	50%
Base DWSRF- Investor-Owned	-	-	-	25%	75%
Affordability Projects	-	-	-	75%[4]	25%[4]
High Rank Affordability Projects	100%	$2M	$7M	75% Min[4]	25 Max[4]
Nano (serving 10,000 customers or less)	50%	$500,000	$4M	75%[4]	25%[4]
Very Small Water Systems (serving 1,000 or less)[1]	100%	$1M	$5M	-	-
Lead Line Replacement	50%	$5M	$25M	75%[4]	25%[4]
Emerging Contaminants (including PFAS)	100%	$2M	$13M	-	-
General Supplemental PF (Lead)2	50%	$5M	$10M	75%[4]	25%[4]
Climate Change/ Resilience or Projects to comply with Multiple MCLs (ARPA)	80%	$20M	$45M	90%[4]	10%[4]

1. In addition to the $3M PF set aside, $3M in state appropriation funds will be set aside to provide direct grants (capped at $750,000 per applicant) to very small water systems that do not meet credit eligibility requirements of the Water Bank Financing Program credit policy to qualify for a loan.
2. Once the principal forgiveness funds for emerging contaminants ($13 million) and lead line replacement ($25 million) have been allocated to higher ranked projects, $10 million in principal forgiveness from the DWSRF Supplemental Funds will be directed in priority ranked order to qualifying lead or PFAS projects in other disadvantaged communities that meet NJ's affordability criteria in Appendix 2.
3. I-Bank share may be higher and DEP share lower if I-Bank is able to source below market interest rate funds through the Water Infrastructure Finance and Innovation Act (WIFIA) from USEPA. The effective interest rate will be no greater than would have resulted from financing with I-Bank's AAA bond funds at market interest rates and Department interest-free loan funds at shares shown in table.
4. DEP/I-Bank shares are for first $1 million or project costs for Nano funding package; first $10 million of project costs for affordability, high-rank affordability, LSLR, and Gen Sup LSLR funding packages; and first $25 million (to the extent PF is available) for ARPA funding package.

Drinking Water SRF Financing Options

The DWSRF base program offers a financing package that results in an equivalent interest rate of a blend of 50% of I-Bank's AAA all-in Market Interest Rate for publicly owned water systems and an equivalent interest rate of a blend of 75% of I-Bank's AAA all-in Market Interest Rate for private investor-owned water systems.

In addition to water system ownership (publicly-owned vs. privately-owned), water system loan rates will be impacted by the affordability criteria. For the purposes of the DWSRF Program, a project service area that meets the affordability criteria is a Disadvantaged Community. Publicly-owned water systems serving Disadvantaged Communities will receive a funding package that results in an interest rate equivalent to a blend of 25% of I-Bank's AAA all-in Market Interest Rate.

Project sponsors that meet affordability criteria can apply the affordability package to any project costs over the initial cap. The remainder of project costs are financed at the applicable base rate.

Drinking Water SRF Funding Caps

All DW project applicants for both investor-owned and publicly owned systems are capped at $40 million per applicant per year including any portion of the project financed at the base rate and financed at an enhanced subsidization rate (Nano, affordability, PFAS, Lead). Costs over the cap may be financed by the I-Bank at 100% of the I-Bank's AAA all-in Market Interest Rate as capacity allows. The DEP is maintaining this funding cap for SFY2024 to ensure that multiple high priority drinking water projects receive funding.

The DEP is actively pursuing additional funding sources to address the increasing drinking water infrastructure financial needs and reserves the right to modify or waive the cap requirement should efforts be successful.

Drinking Water SRF Financing Timeline

For the DWSRF SFY2024 program, funding decisions will be based on the DWSRF Project Priority List, as determined by the DWSRF Project Ranking methodology. DEP will be determining financing availability and loan terms in priority ranked order based on available funds as follows:

- All DW projects that are in the fundable range as of the date of certification by DEP will be allowed to proceed to a short-term loan closing on a readiness to proceed basis. DW projects that are not in the fundable range will be given a conditional authorization to award which will allow those projects to proceed and maintain program eligibility if future funds become available. The Department establishes the fundable range by deducting and reserving estimated costs for projects listed in rank order on the current fiscal year Water Bank Project Priority List as amended until the available unobligated drinking water funds are exhausted. Note that the actual number of projects in the fundable range could expand or contract as loan construction bids are received, and total low bid allowable project costs are evaluated.

- Projects in the fundable range that do not receive Authorization to Award by April 1, 2024, will be bypassed for the SFY2024 funding cycle and the fundable range will be extended accordingly.

- Applications will be accepted any time of the year. There are no submission deadlines.

SPECIFIC INCENTIVIZED PROGRAMS

The Department expects to maximize the amount of principal forgiveness (PF) funds available from SRF monies subject to federal restrictions. The Department plans to utilize unallocated principal forgiveness or grant like funding carried over at the end of SFY 2023 as principal forgiveness in SFY 2024. The Department will supplement the carried over principal forgiveness funds with the following principal forgiveness projected to be available under the FFY 2023 USEPA grants:

CWSRF Base grant - $20 million

CWSRF General Supplemental grant - $41 million

CWSRF Emerging Contaminants grant - $9 million

DWSRF Base grant - $5 million

DWSRF General Supplemental grant - $17 million

DWSRF Emerging Contaminants grant - $13 million

DWSRF Lead Service Line Replacement grant - $25 million

Funds and principal forgiveness authority available from the grant awards will be blended with carryover principal forgiveness authority from prior grants, repayments state match funds, and other sources of SRF funds to provide funding to eligible projects.

In addition to the SRF, the Department may increase any amounts identified in the IUP reserved for principal forgiveness and adjust any caps if additional SRF or non-SRF funds (including Natural Resource Damages (NRD) recovered by the State, Corporation Business Tax (CBT) funds, and state appropriations) become available to supplement principal forgiveness or low-cost loan funding. In addition, the Department may bank any non-SRF financing towards future State Match requirements subject to EPA approval. The Department anticipates implementing the following incentivized programs under its proposed CW and DW IUPs:

CLEAN WATER

i. CSO Long Term Control Plan Projects (American Rescue Plan Act (ARPA) Funds): $248 million of American Rescue Plan Act (ARPA) funds allocated to the Department in SFY 2023 were reserved to provide principal forgiveness loans to applicants sponsoring capital improvement projects listed on Combined

Sewer Overflow (CSO) Long Term Control Plans (LTCP) submitted to the Department. The Department expects to award approximately $100 million of the ARPA funds in SFY 2023 and carry over approximately $148 million for award in SFY 2024. The DEP is allocating the $148 million in ARPA carry-over funds to help off-set the substantial costs communities face to implement Combined Sewer Overflow (CSO) Long Term Control Plans (LTCP). The DEP will use ARPA funds to provide project sponsors principal forgiveness loans for up to 80% of allowable costs and low interest loan funding with a blended interest rate of 50% of the I-Bank AAA Market Interest Rate for the balance of allowable project costs. Due to the high costs associated with these projects there will not be a forgiveness cap for projects in this category. Principal forgiveness funds will be allocated to CSO LTCP projects on a readiness to proceed basis. . In the event that a sufficient number of CSO LTCP projects are not able to proceed to contract award and project certification by December 31, 2024, the Department may use the remaining ARPA funds to finance portions of other principal forgiveness loan funding packages described in the Intended Use Plan in order to utilize the entire amount of Clean Water ARPA allocation.

ii. Water Quality Restoration: The Department is reserving funds and providing principal forgiveness loans for capital improvement projects, including equipment purchases, that will eliminate, prevent, or reduce documented occurrences of water quality advisories, beach closings and shellfish bed downgrades due to the presence of harmful algal blooms (HABs). Priority for principal forgiveness funds will be given to eligible projects that address HABs (HAB Projects) and principal forgiveness funds will be allocated to HAB projects on a readiness to proceed basis. If there is insufficient demand from eligible HAB projects in SFY 2024, unallocated principal forgiveness funds may be used for projects that address shellfish bed downgrades, beach closings and advisories due to the presence of pathogens.

Projects would eliminate such potential sources as failing on-site wastewater systems or cross-connections between storm sewers and sanitary sewers. Eligible projects also include the expansion or replacement of stormwater management systems as well as the purchase of skimmer boats, aquatic weed harvesters and equipment to maintain stormwater management facilities. There is a $2.5 million cap of principal forgiveness per applicant for Water Quality Restoration (WQR) projects in SFY 2024. Project sponsors are eligible to receive principal forgiveness for up to 50% of allowable costs and loan funding with a blended interest rate of 50% of the I-Bank AAA all-in Market Interest Rate for the balance for the first $5 million of allowable costs. Allowable project costs between $5 million and $10 million will receive loan funding with a blended interest rate of 25% of the I-Bank AAA all-in Market Interest Rate and project costs over $10 million will receive loan funding at the Base CWSRF rate. A total of $6 million in principal forgiveness funds will be available for Water Quality Restoration projects in SFY 2024.

When the PF funds allocated to Water Quality Restoration projects in SFY24 are no longer available, the CWSRF funding package for Water Quality Restoration projects will consist of loan funding with a

blended interest rate of 25% of the I-Bank AAA Market Interest Rate for the first $10 million in allowable costs. Costs in excess of $10 million will be financed under the Base CWSRF financing package.

iii. CSO Abatement: The Department is reserving funds and providing principal forgiveness loans for Combined Sewer Overflow (CSO) Abatement projects utilizing grey and/or green practices (such as green roofs, rain gardens, porous pavement, and other activities that maintain and restore natural hydrology by treating stormwater runoff through infiltration into the subsoil, treatment by vegetation or soil, or stored for reuse). Principal forgiveness funds will be allocated to CSO Abatement projects on a readiness to proceed basis. Project sponsors are eligible to receive principal forgiveness for up to 50% of allowable costs and loan funding with a blended interest rate of 50% of the I-Bank AAA all-in Market Interest Rate for the balance for the first $10 million of allowable project costs. Allowable project costs over $10 million will receive loan funding at the Base CWSRF rate. A total of $30 million in principal forgiveness will be available for CSO Abatement projects in SFY 2024 of which $5M will be reserved exclusively for green infrastructure. If there is insufficient demand from eligible green infrastructure projects, in SFY 2024, unallocated funds may be used for CSO abatement projects that do not employ green infrastructure.

When the PF funds allocated to CSO Abatement projects in SFY24 are no longer available, the CWSRF funding package for CSO Abatement projects will consist of loan funding with a blended interest rate of 25% of the I-Bank AAA Market Interest Rate for the first $10 million in allowable costs.

iv. CSO Abatement/Affordability: The Department is reserving additional funds and providing additional principal forgiveness loans exclusively for CSO abatement projects in communities that meet the CWSRF Affordability Criteria. Principal forgiveness funds will be allocated to CSO Abatement/Affordability (CSO/A) projects on a readiness to proceed basis. Project sponsors are eligible to receive 100% principal forgiveness for the first $5 million of allowable project costs and loan funding with a blended interest rate of 50% of the I-Bank AAA all-in Market Interest Rate for allowable project costs between $5 million and $10 million. The DEP Fee is waived for the principal forgiveness portion of CSO/Affordability loans. A total of $30 million in principal forgiveness will be available for CSO Abatement/Affordability projects in SFY 2024 of which $5M will be reserved exclusively for Green Infrastructure. If there is insufficient demand from eligible green infrastructure projects, in SFY 2024, unallocated funds may be used for grey infrastructure.

Applicants under this category that meet the CWSRF Affordability Criteria will also qualify for principal forgiveness and financing under the Affordability Category. For SFY 2024, eligible borrowers will be able to stack the Affordability principal forgiveness package (subject to availability and the applicable Affordability cap) on top of the CSO Abatement/Affordability package for allowable project costs

between $10 million and $20 million. Allowable project costs over $20 may receive loan funding at the Base CWSRF rate.

> *Note: There is a total applicant principal forgiveness cap of $5 million for CSO Abatement projects and CSO Abatement/Affordability projects in SFY 2024. For example, if an applicant is awarded $5 million under the CSO Abatement/Affordability category, they would be limited by the cap and not eligible for additional principal forgiveness under the CSO Abatement principal forgiveness category in SFY 2024.*

When the PF funds allocated to CSO Abatement/Affordability projects in SFY24 are no longer available, the CWSRF funding package for CSO Abatement/Affordability projects will consist of loan funding with a blended interest rate of 25% of the I-Bank AAA Market Interest Rate for the first $10 million in allowable costs.

v. Clean Water Affordability: The Department is reserving funds and providing principal forgiveness loans for any eligible clean water project sponsored by applicants that meet the Clean Water Affordability Criteria. There is a $2 million cap of principal forgiveness per applicant for Affordability projects in SFY 2024. Principal forgiveness funds will be allocated to Affordability projects on a readiness to proceed basis. Project sponsors are eligible to receive principal forgiveness for up to 100% of allowable costs for the first $2 million of allowable projects costs and loan funding with a blended interest rate of 50% of the I-Bank AAA all-in Market Interest Rate for the next $2 million of allowable project costs. Allowable project costs between $4 million and $10 million will receive loan funding with a blended interest rate of 25% of the I-Bank AAA all-in Market Interest Rate and project costs over $10 million will receive loan funding at the Base CWSRF rate. The DEP Fee is waived for the principal forgiveness portion of Affordability loans. A total of $36 million in principal forgiveness will be available for Affordability projects in SFY 2024.

When the PF funds allocated to Clean Water Affordability projects in SFY24 are no longer available, the CWSRF funding package for Clean Water Affordability projects will consist of loan funding with a blended interest rate of 25% of the I-Bank AAA Market Interest Rate for the first $10 million in allowable costs. Costs in excess of $10 million will be financed under the Base CWSRF financing package.

vi. Energy and Water Efficiency: The Department is reserving funds and providing principal forgiveness loans for clean water projects that address water and energy efficiency goals and meet the eligibility requirements for water and energy efficiency as defined in USEPA's Green Project Reserve Guidance. Principal forgiveness funds will be allocated to Energy and Water Efficiency (EWE) projects on a readiness to proceed basis. There is a $2 million cap of principal forgiveness for Energy and Water Efficiency projects per applicant in SFY 2024. Project sponsors are eligible to receive principal forgiveness for up to

50% of allowable costs and loan funding with a blended interest rate of 50% of the I-Bank AAA all-in Market interest Rate for the balance for the first $4 million. Allowable project costs between $4 million and $10 million will receive loan funding with a blended interest rate of 25% of the I-Bank AAA all-in Market Interest Rate and project costs over $10 million will receive loan funding at the Base CWSRF rate. A total of $18 million in principal forgiveness will be available for Energy and Water Efficiency projects in SFY 2024.

When the PF funds allocated to EWE projects in SFY24 are no longer available, the CWSRF funding package for EWE projects will consist of loan funding with a blended interest rate of 25% of the I-Bank AAA Market Interest Rate for the first $10 million in allowable costs. Costs in excess of $10 million will be financed under the Base CWSRF financing package.

vii. Clean Water Emerging Contaminants: The Department is reserving funds and providing principal forgiveness loans for clean water projects that primarily address emerging contaminants (EC). There is a $2 million cap of principal forgiveness for Emerging Contaminants projects per applicant in SFY 2024. Principal forgiveness funds will be allocated to projects that address emerging contaminants on a readiness to proceed basis. Project sponsors are eligible to receive principal forgiveness for up to 100% of the first $2 million of allowable costs and loan funding with a blended interest rate of 50% of the I-Bank AAA all-in Market Interest Rate for the balance for the next $2 million of allowable project costs. The DEP Fee is waived for the principal forgiveness portion of Clean Water Emerging Contaminants loans. Allowable project costs between $4 million and $10 million will receive loan funding with a blended interest rate of 25% of the I-Bank AAA all-in Market Interest Rate and project costs over $10 million will receive loan funding at the Base CWSRF rate. A total of $9 million in principal forgiveness will be available for Emerging Contaminants projects in SFY 2024.

When the PF funds allocated to Emerging Contaminant projects in SFY24 are no longer available, the CWSRF funding package for Emerging Contaminant projects will consist of loan funding with a blended interest rate of 25% of the I-Bank AAA Market Interest Rate for the first $10 million in allowable costs. Costs in excess of $10 million will be financed under the Base CWSRF financing package.

Emerging contaminants refer to substances and microorganisms, including manufactured or naturally occurring physical, chemical, biological, radiological, or nuclear materials, which are known or anticipated in the environment, that may pose newly identified or re-emerging risks to human health, aquatic life, or the environment. These substances, microorganisms, or materials can include many different types of natural or manufactured chemicals and substances – such as those in some compounds of personal care products, pharmaceuticals, industrial chemicals, pesticides, and microplastics. A description of emerging contaminants for the purposes of CWSRF financing can be

found in Appendix B to USEPA's March 8, 2022 Memorandum regarding the Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law.

viii. Sewer Overflow and Stormwater Reuse Grant (OSG) Program CWSRF PF Loans: The Department is reserving funds and providing principal forgiveness loans for projects that receive Sewer Overflow and Stormwater Reuse Grants. These projects are intended to address infrastructure needs for combined sewer overflows (CSO) or stormwater management. Project sponsors that receive a Sewer Overflow and Stormwater Reuse Grant for up to 80% of eligible project costs are eligible to receive a principal forgiveness loan for the remaining 20% of costs. The DEP Fee is waived for the principal forgiveness portion of OSG loans. Total project costs are capped at $1 million. Approximately $1 million will be reserved for OSG CWSRF PF loans. The balance of the project would have to be separately funded and would be eligible for SRF funds at the rates offered for the applicable project type as indicated in the IUP.

ix. Sandy Relief: Sandy Relief funds remain available for clean water facilities that were damaged by Superstorm Sandy and are constructing repairs or resiliency to prevent future damage to a treatment facility or water system from a similar event. Resiliency projects include elevating critical infrastructure, flood walls, backup power sources and more. Sandy Relief funds were made available in a one-time installment and offered while funds remain. It is expected that all remaining Sandy Relief funding will be allocated to the Linden Roselle Sewerage Authority's S340299-08 project. This project also qualifies for a Community Development Block Grants (CDBG) Loan which will be offered to qualifying projects in low to moderate income communities as a 100% DEP loan with principal forgiveness for the borrower of up to 25% of the total loan amount. For Sandy-related loans that accept US HUD Community Development Block Grant ("CDBG") funds, DEP may waive all or a portion of its 2% Loan Origination Fee to offset the cost of complying with HUD's additional requirements. If all the Sandy Relief funds are awarded in SFY 2024, new submittals will be eligible under the Base SRF loan structure.

x. Pinelands Infrastructure Trust Financing Program: The Water Bank expects to make loans to eligible clean water projects identified in the Pinelands Infrastructure Trust Fund (PITF) Infrastructure Master Plan in SFY 2024. These loans will help local governments and utility authorities defray the costs associated with supporting the population and economic growth targeted to Pinelands Regional Growth Areas. The Pinelands Infrastructure Projects have been ranked by the Pinelands Commission in accordance with their ranking methodology set forth in PITF as amended by the Pinelands Commission in February 2019. Project selection and funding levels were adopted by the Pinelands Commission in June 2019. Approximately $15.9 million will be available from the Pinelands Infrastructure Fund for qualifying clean water, drinking water and transportation projects. Project financing will generally consist of 50% loan, 40% grant, and 10% local match. In cases where a hardship has been identified, the

local match may be waived, and the award will be allocated as 50% loan and 50% grant. The Department is planning to capture any eligible clean water projects and utilize State Bond funds from the Pinelands Program as credit towards the State Match requirement or future State Match requirements.

DRINKING WATER

i. Climate Change/ Resilience or Projects to Comply with Multiple MCLs (ARPA): $45 million of American Rescue Plan Act (ARPA) funds allocated to the Department in SFY 2023 were reserved to provide principal forgiveness loans to applicants sponsoring drinking water capital improvement projects that address climate change/resilience or projects to comply with multiple MCLs. The Department expects to award approximately $25 million of the ARPA funds in SFY 2023 and carry over approximately $20 million for award in SFY 2024. The DEP is allocating $20 million in ARPA funds to help off-set the substantial costs communities face to implement projects to address climate change concerns and resilience for years to come. This includes projects for the rehabilitation of essential desalinization or relocation of critical infrastructure due to the potential for flooding. Projects that provide treatment to comply with the maximum contaminant levels for multiple contaminant groups are also eligible due to the potential risks to public health. This includes treatment for PFAS where the design also includes the construction of other treatment unit processes to comply with existing MCLs for other contaminants such as radiological contaminants or arsenic. The DEP is reserving funds and providing principal forgiveness loans for projects that meet the criteria above in disadvantaged communities that meet the DEP's affordability criteria. The DEP will use ARPA funds to provide project sponsors principal forgiveness loans for up to 80% of allowable costs (principal forgiveness capped at $20 million per applicant) and low interest loan funding with a blended interest rate of 50% of the I-Bank AAA Market Interest Rate for the balance of allowable project costs. Principal forgiveness will be allocated on a readiness to proceed basis in this category and total project costs are capped at $25 million.

ii. Small Drinking Water Systems (NANO): In SFY 2024, systems serving 10,000 or fewer customers will continue to be funded in ranked order with the available $4 million principal forgiveness, subject to any State and federal limitations. These loans consist of principal forgiveness financing for 50% of project costs and a loan with a Blended Interest Rate of 50% of I-Bank's AAA all-in Market Interest Rate for 50% of project costs. Projects are capped at $1 million. The DEP waives its 2% loan origination fee for NANO loans for the first $1 million in project costs. Additional financing is available at the applicable base rates for amounts greater than the $1 million cap. These projects are selected based on priority ranked order. In addition, the DEP intends to prioritize projects that have secured federal/non-profit grants to be leveraged with SRF funding

Small water system loans are available to larger, more viable water systems, which are willing to take ownership of small water systems, and make the corresponding, required capital improvements. Therefore, the larger water systems would be eligible for the same enhanced loan terms as the otherwise eligible small water system. (DW only)

iii. Very Small Water System Program (water systems serving 1,000 or less): In SFY2024, a total of $5 million is being made available for programs directed at small systems serving a population of 1,000 or less. This includes water system that are participating in technical assistance programs, including Community Engineering Corp and the Engineering Contract with New Jersey Water Association (NJWA). These programs identify water systems that need assistance to come into compliance with federal and State drinking water regulations and partner the systems with engineering services needed for a Water Bank Loan. Planning and design services, including permitting and the submittal of the Environmental Decision Document, are typically covered to help water systems that do not have funds to cover the upfront costs. Once planning and design is completed, loans will be offered as 100% principal forgiveness, capped at $1M per water system (PWSID)/per year. The DEP will not charge permit fees to these small systems. The DEP Fee is waived for the principal forgiveness portion of Very Small Water System Program loans. Through appropriations, small water systems that do not meet credit eligibility requirements of the Water Bank Financing Program credit policy to qualify for a loan may be provided with direct grants. This is necessary to protect public health in these small systems where financial constraints limit the ability of these water systems to move forward with critical repairs or treatment projects.

iv. Replacement of Lead Service Lines: The existence of lead service lines in some of the State's aging drinking water infrastructure poses potential risk to public health. This risk can be significantly reduced through the identification and replacement of lead service lines.

In July 2021, Governor Phil Murphy signed into law P.L.2021, Ch.183, which requires community water systems in NJ to identify all lead service lines (LSL), provide public notification regarding the presence of all lead service lines, and replace all lead service lines by 2031. Lead service line inventories must have been posted on the websites of water systems by January 2023. The law includes a requirement for community water systems to notify residents who have lead service lines.

For SFY2024, the BIL provides $49 million for projects to address lead in drinking water. At least 49% (or approximately $25M) must be used as principal forgiveness. Loans to eligible water systems will consist of principal forgiveness financing for 50% of project costs (principal forgiveness capped at $5 million per applicant/per year) and a loan with a Blended Interest Rate of 50% of I-Bank's AAA Market Interest Rate for 50% of project costs. Projects are capped at $10 million. Up to $10 million of allowable project costs above the project caps may be financed at the affordability rate (blended interest rate of 25% of the I-

Bank's Market Rate) for applicants that meet affordability criteria. Project costs between $20 million and $40 million may be financed at the base rate (50% of the I Bank's Market Rate). Project costs over $40 million may be eligible for 100% I-Bank financing, as capacity allows.

Publicly-owned and privately (investor)-owned water systems are eligible for principal forgiveness if the project is located in a municipality that meets New Jersey's Drinking Water Affordability Criteria. Priority ranking points will be given to water systems that currently have an open lead action level exceedance and those that meet the Drinking Water Affordability Criteria. Water systems sponsoring projects in municipalities that meet the affordability criteria and do not exceed the lead action level but want to replace lead pipes are eligible for principal forgiveness in ranked order.

LSL Replacement Loan Requirements

The following criteria must be met for a lead project to be eligible for Water Bank loans:

- Be able to document the presence of lead service lines and components through historic records that the lines to be replaced are lead. Acceptable records include information on the age of the houses and high probability of lead lines and components being present, line installation records, etc.
- Provide an LSL Replacement Plan consistent with the requirements of P.L.2021, Ch. 183, and Capital Improvement Plan to establish a strategy for lead line replacement that complies with all federal and State requirements.
- Principal forgiveness shall be utilized to address the cost-share of the property owner as applicable.

Partial lead line replacements are not eligible for funding and prohibited under the recent legislation P.L.2021, Ch.183. Note that if the replacement of only a portion of the service line results in a full replacement of all lead lines, galvanized lines, or components, it is considered a full replacement eligible for funding through DWSRF.

v. Drinking Water Emerging Contaminants: The Department is reserving $13 million to provide principal forgiveness loans in SFY 2024 for drinking water projects that primarily address emerging contaminants, including PFAS. At least 25% of this amount (or approximately $3 million) will be awarded to disadvantaged communities that either meet NJ's Drinking Water Affordability Criteria or are public water systems serving a population of fewer than 25,000. There is a $2 million cap of principal forgiveness per applicant in SFY 2024. Project sponsors are eligible to receive principal forgiveness of up to 100% of the first $2 million of allowable costs and loan funding at the applicable base rate for the

balance of costs up to the $40 million per applicant/per year cap. The DEP Fee is waived for the principal forgiveness portion of Drinking Water Emerging Contaminants loans.

Emerging contaminants refer to substances and microorganisms, including manufactured or naturally occurring physical, chemical, biological, radiological, or nuclear materials, which are known or anticipated in the environment, that may pose newly identified or re-emerging risks to human health, aquatic life, or the environment. These substances, microorganisms, or materials can include many different types of natural or manufactured chemicals and substances – such as those in some compounds of personal care products, pharmaceuticals, industrial chemicals, pesticides, and microplastics. A description of emerging contaminants for the purposes of DWSRF financing can be found in Appendix B to USEPA's March 8, 2022 Memorandum regarding the Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law.

State Recovery and Reuse of SRF Funds Applied to PFAS Contamination

The State of New Jersey (State) does not intend by issuing to any Recipient authorized financial assistance through the Drinking Water State Revolving Fund or the Clean Water State Revolving Fund (together "SRF") to abrogate, resolve or relieve the responsibility or liability of any third-party that caused or contributed to the contamination impacting the State's drinking water, groundwater, surface waters or natural environment in any manner, including without limitation, through the sale, distribution, supply, or direct discharge of any per-and polyfluoroalkyl substances ("PFAS"), including PFAS in aqueous film-forming foam ("AFFF") or other PFAS-containing materials (collectively "PFAS contamination").

New Jersey intends to recoup and recover authorized financial assistance that the State issues to any borrower for the purposes of investigation, treatment, or replacement of water or water systems impacted by PFAS contamination from culpable third-parties that caused or contributed to such PFAS contamination. New Jersey intends to reuse and reapply recouped SRF funds to other water systems, sites and eligible recipients in the State that have been impacted by PFAS contamination or that are otherwise eligible for SRF financial assistance. New Jersey thus reserves its direct claims and causes of action to recover any financial assistance provided to recipients from those persons that caused or contributed to such PFAS contamination.

Likewise, payment of any SRF authorized financial assistance by the New Jersey will be subject to the State's right to acquire by subrogation the rights, claims and causes of action of the Recipient to recover those SRF funds paid to Recipient, with interest, administrative costs, and attorneys' fees and costs incurred by the State by reason of such claim, from those persons that

caused or contributed to such PFAS Contamination, and Recipients will be required to reasonably cooperate with the State in any such action.

vi. General BIL Principal Forgiveness: The DEP recognizes that the estimated costs to fund critical infrastructure in disadvantaged communities, including the replacement of lead service lines, exceeds the available funds. Therefore, the DEP is reserving $10 million of the $17 million of principal forgiveness allotted by the BIL for any eligible project to provide principal forgiveness to additional projects to address lead to assist water systems in complying with State and federal requirements. Once the principal forgiveness funds for lead service line replacement ($25 million) have been allocated to higher ranked projects, the additional $10 million will be directed in priority ranked order to qualifying lead projects in other disadvantaged communities that meet NJ's affordability criteria.

The remaining $7 million of general BIL principal forgiveness for any eligible project will be made available for projects, other than those to address emerging contaminants or lead, that meet the drinking water affordability criteria in SFY24. There is a $2 million cap of principal forgiveness per applicant in SFY24. Principal forgiveness funds will be allocated to Affordability projects within the fundable range on a readiness to proceed basis. Project sponsors are eligible to receive principal forgiveness for up to 100% of allowable costs for the first $2 million of allowable projects costs. The next $2 million of allowable projects costs will receive loan funding with a Blended Interest Rate of 50% of I-Bank's AAA Market Interest Rate for 50% of project costs. Project costs between $4 million and $10 million will receive loan funding with a Blended Interest Rate of 25% of I-Bank's AAA Market Interest Rate. Project costs over $10 million will receive loan funding at the Base DWSRF rate up to the specified project caps. The DEP Fee is waived for the principal forgiveness portion of Drinking Water Affordability loans.

vii. Drinking Water Affordability: Public water systems that serve disadvantaged communities, as defined by NJ's Drinking Water Affordability Criteria, are also eligible for loan rates offered under the affordability funding package. The publicly-owned and privately-owned water systems serving these communities will receive a funding package with a Blended Interest Rate of 25% of I-Bank's all-in AAA Market Interest Rate capped at $10 million. In addition, the total project costs are capped at $40M per applicant per year, including any portion of the project financed at the enhanced subsidization rate (Nano, affordability, PFAS, Lead). Project costs over the specified caps may be financed by the I-Bank at 100% of the I-Bank's AAA all-in Market Interest Rate as capacity allows.

Additionally, as described above, the $7 million in principal forgiveness funds received through the general BIL will be distributed to high-ranking projects in this category that do not qualify in the emerging contaminants or lead line replacement categories.

DISASTER RELIEF EMERGENCY FINANCING PROGRAM (SAIL)

Authorized in SFY 2014, the I-Bank developed and implemented the Disaster Relief Emergency Financing Program known as the Statewide Assistance Infrastructure Loan (SAIL). SAIL assists those communities in counties impacted by a declared disaster with financing environmental infrastructure projects to repair adversely impacted systems or improve the resiliency of such systems or similar systems that reasonably would have been impacted by such a disaster. The establishment of well documented and refined program parameters, procurement of technical assistance, successful funding of SAIL projects, and amassing strong working knowledge of reimbursement programs under the Federal Emergency Management Act has positioned the Program to provide immediate assistance to adversely impacted environmental infrastructure systems in the next disaster.

Disaster-related projects eligible for financing through the SAIL Program include a wide variety of wastewater treatment, stormwater management and nonpoint source pollution abatement projects that were impacted by Superstorm Sandy. The SAIL Program provides short-term loans, generally in advance of federal disaster reimbursement grants, to address the immediate cash flow needs of municipalities and authorities for:

- The project's local match requirement and/or in anticipation of reimbursement through federal grant programs including but not limited to FEMA 406 and 404 grant programs, HUD-CDBG and the NJEIFP to pay for construction costs related to the repair of infrastructure damaged during Sandy; and
- Projects to improve infrastructure resiliency in future disasters.

Eligible applicants include local government units, including municipalities, counties, sewerage authorities, municipal utilities authorities, county improvement authorities and other subdivisions of government. SAIL significantly broadens the options available for financing such projects by providing funding opportunities to projects otherwise unable to secure financing and expanding funding sources through low interest loans for terms up to 5 full fiscal years, inclusive of planning and design activities. Specific financing terms are included in the May Report.

Projects financed through the SAIL Program are on a first-approved, first-funded basis provided the project satisfies the requirements of the SAIL legislation and the I-Bank Board Resolution originally approved June 15, 2013, and amended and restated on June 15, 2017, which includes:

- Submission of a Letter of Intent and environmental planning documents;
- Project permits;
- Construction design documents and State and I-Bank loan applications;

- If an applicant seeks SAIL financing for short-term cash flow needs in anticipation of federal reimbursement (e.g. FEMA), the application review also requires satisfaction of the requirements of the federal program from which reimbursement is or will be sought;

- A certification by the Commissioner of the DEP that the Project is necessary and appropriate to repair damage to a wastewater treatment system or water supply facility directly arising from an act of terrorism, seismic activity or weather conditions that occurred within the three State Fiscal Years after a declaration by the Governor of the State (the "Governor") of a state of emergency, provided that such wastewater treatment system or water supply facility is located in a county included in the Governor's state of emergency declaration, or

- Mitigate the risk of future damage to a wastewater treatment system or water supply facility from an act of terrorism, seismic activity or weather conditions comparable in scope and severity to an act of terrorism, seismic activity or weather conditions that occurred within the three State Fiscal Years after a declaration by the Governor of a state of emergency, provided that such wastewater treatment system or water supply facility is located in a county included in the Governor's state of emergency declaration;

- The Project is listed on the SAIL Disaster Relief Emergency Financing Program Priority List for funding in the forthcoming State Fiscal Year submitted to the Legislature in a form provided by the Commissioner of the DEP and within 3 fiscal years of the declared disaster;

- The proposed Borrower has submitted a complete application for the Project to the I-Bank; and

- The Board of Directors of the I-Bank has certified the Project.

The majority of SAIL loan applicants have confirmed interest in long-term NJEIFP financing for a portion of project costs and as such, such SAIL projects will be certified for compliance with SAIL and NJEIFP program requirements as well as program requirements of the applicable federal program from which reimbursement is sought. Given the potential risks to FEMA funding eligibility if EPA capitalization grants are utilized for any portion of long-term loans, significant resources are being committed to ensure consistency of funding sources.

Given the necessity that project expenses meet FEMA/HUD requirements as a condition of reimbursement and the need to have such applications approved expeditiously, the program has retained an outside engineering consulting firm to assist in the review of construction design and eligible costs, conduct site visits and review disbursements. Although it is anticipated that the majority of such costs will be reimbursed by federal funding sources, ineligible/unreimbursed amounts are the responsibility of the applicant. Qualifying SRF amounts will be financed by NJEIFP and paid for by the SAIL program Borrower. Such costs will typically be incorporated into the long-term financing program package.

Since its inception in 2013, SAIL has proven to be a particularly successful disaster financing program. Fourteen (14) SAIL projects, with an estimated cost of $700.9 million, have expressed interest in SAIL financing, all of which are projects to improve the resiliency of wastewater facilities adversely impacted during Superstorm Sandy. As of January 2023, eleven (11) have completed construction at an estimated project cost of $224.2 million, two (2) are under construction at a total estimated project cost of $345.9 million, and the remaining one (1) project is anticipated to receive final project certification in the sum of approximately $130.6 million.

SAIL participants also enjoy a number of unique benefits including an abbreviated application review period. Borrowers benefit from a streamlined FEMA reimbursement process: (1) the I-Bank provides funds to Borrowers to pay construction costs within an average of forty (40) days of receipt of requests for reimbursement, a marked improvement relative to project sponsors who would otherwise be seeking reimbursement from FEMA individually; and (2) SAIL staff possesses an expertise in FEMA regulations and compliance matters and guide Borrowers in the proper structuring of reimbursement requests to reduce the frequency of rejected or unreimbursed cost submissions as well as the probability of non-compliance with FEMA's requirements.

The SFY2024 Disaster Relief Emergency Financing Program Project Priority List set forth in Appendix A identifies environmental infrastructure projects eligible for SAIL financing pursuant to N.J.S.A. 58:11B-9.5. Projects having received SAIL financing through December 31, 2022 are set forth in Appendix C.

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APPENDICES INDEX

Appendix A: Combined Base SFY2024 Interim Clean Water Base/ Clean Water BIL Supplemental and Clean Water BIL Emerging Contaminants/ Superstorm Sandy Environmental Financing Program Project Priority List and Updated Statewide Assistance Infrastructure Loan Program (Disaster Relief Emergency Financing Program) Project Priority List.

Appendix B: Combined Base SFY2024 Interim Drinking Water Base/ Drinking Water BIL Supplemental, Drinking Water BIL Lead and Drinking Water BIL Emerging Contaminants/ Superstorm Sandy Environmental Financing Program Project Priority List.

Appendix C: Projects financed through the Statewide Assistance Infrastructure Loan Program (Disaster Relief Emergency Financing Program)

Appendix D: Emergency Loan Program Guidance Document

Appendix E: New Jersey Environmental Infrastructure Financing Program State Fiscal Year 2022 Financing Program Summary