



State of New Jersey

DEPARTMENT OF ENVIRONMENTAL PROTECTION

DIVISION OF WATER SUPPLY

401 EAST STATE STREET

P.O. Box 426

Trenton, NJ 08625-0426

TEL: # (609) 292-5550

FAX # (609) 292-1654

www.state.nj.us/dep/watersupply

CHRIS CHRISTIE

Governor

KIM GUADAGNO

Lt. Governor

BOB MARTIN

Acting Commissioner

February 24, 2010

Dear Interested Parties:

**SUBJECT: Drinking Water State Revolving Fund Program
Proposed Amendments to "Final FFY2010 Priority System, Intended Use Plan,
Project Priority List and Response Document (IUP)"**

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) to assist publicly and privately owned community water systems and nonprofit noncommunity water systems to achieve or maintain compliance with SDWA requirements and to further the public health objectives of the SDWA.

The FFY2010 DWSRF Final IUP was published on July 16, 2009 and revised on September 30, 2009. The IUP contained both the FFY2009 and the FFY2010 schedules. Project sponsors were required to meet these schedules with all applicable deadlines in order to be considered for financing in November 2009 or November 2010.

Loan terms for FFY2010 have been changed due to the requirements in the approved 2010 federal appropriations bill. New Jersey is allotted \$28,995,000 for the DWSRF program; however, there are conditions that are associated with the distribution of these funds which are incorporated into program revisions described below.

Several changes are being proposed to the IUP as noted:

1. **Loan Terms:** A minimum of 30% of the 2010 allotment (\$8.8 million) will be distributed to projects as principal forgiveness. The proposed loan terms are that 25 percent of the total project costs (up to \$2.5 million) will be awarded as principal forgiveness loans; 25 percent of the total project costs (up to \$2.5 million) will be awarded as zero interest loans from New Jersey Department of Environmental Protection (NJDEP) and 50 percent of the balance of the total project costs (up to \$5 million) will be awarded as a loan at the market rate from the New Jersey Environmental Infrastructure Trust (Trust). If the total project(s) cost (including the leveraged Trust portion) for a water system is more than \$10 million, then the remainder of the project will be covered by the following loan terms:
 - o the traditional DWSRF program, whereby 50 percent of the balance greater than \$10 million will be awarded as zero interest loans from NJDEP and 50 percent of the balance greater than \$10 million will be awarded as a market rate loan from the Trust, or

- for those projects designated green or smart growth, up to 75 percent of the balance greater than \$10 million will be awarded as zero interest loans from NJDEP and 25 percent of the balance greater than \$10 million will be awarded as a market rate loan from the Trust.

Additionally, for very small systems serving a population less than 500, the loan terms are that 50 percent of the total project costs (up to \$2.5 million) will be awarded as principal forgiveness loans; 25 percent of the total project costs (up to \$1.25 million) will be awarded as zero interest loans from NJDEP and 25 percent of the balance of the total project cost (up to \$1.25 million) will be awarded as a loan at the market rate from the Trust. The \$5 million project limit applies as noted above. If the total project(s) cost (including the leveraged Trust portion) for a water system is more than \$5 million, then the remainder of the project will be covered by the loan terms of the traditional DWSRF program; 50 percent of the balance greater than \$5million will be awarded as zero interest loans from NJDEP and 50 percent of the balance greater than \$5 million will be awarded as a loan at the market rate from the Trust. For those projects over \$5 million and designated green or smart growth, the loan terms for the balance will be up to 75 percent awarded as zero interest loans from NJDEP and 25 percent awarded as a market rate loan from the Trust.

Please note that loan terms for supplemental loans will be the same terms as were made for the original executed DWSRF loan.

2. Projects will be funded in ranked order, utilizing the principal forgiveness monies, until the 30% minimum is awarded. The balance of the projects will be eligible for the traditional DWSRF 2010 financing program (50% zero interest, 50% market rate) or smart growth package (up to 75% zero interest, 25% market rate) in ranked order. This approach allows the principal forgiveness monies to be spread over more projects while still focusing the incentivized shares on high priority projects. The program hopes to finance as many projects as possible, but funds are limited and there may not be enough money to fund all the projects that have applied.
3. A Green Project Reserve (GPR) equal to a minimum of 20% (\$5.8 million) of the State's FFY2010 DWSRF allocation will be established. Green infrastructure projects, such as solar panels or wind turbines, will be given priority for GPR funding. Additionally, the GPR can be provided for other projects for water efficiency, energy efficiency or other environmentally innovative activities. **Projects or portion of projects that qualify for the GPR are eligible for the smart growth financing package, with up to 75% of the allowable costs financed with a zero interest NJDEP loan and the 25% balance financed with a market rate Trust loan.** Additionally, as needed, GPR components of projects being reviewed in ranked order will be identified to determine if the GPR component is eligible for GPR financing terms.

If the NJDEP determines that there are insufficient applications or there are deficiencies in the applications for projects eligible to be financed through the GPR, then the funds may be allocated to finance other DWSRF projects in ranked order in the FFY2010/SFY2011 financing cycle.

If you would like a copy of the IUP or Project Priority Lists, you may contact the DWSRF program or obtain a copy from our website, <http://www.state.nj.us/dep/watersupply/loanprog.htm>.

The period for submitting written comments on the proposal will close on March 29, 2010 (all comments must be postmarked by that date). Please submit the written comments to:

NJ Department of Environmental Protection
Sandra Krietzman, Bureau Chief
Bureau of Safe Drinking Water Technical Assistance
P.O. Box 426
Trenton, NJ, 08625-0426

All comments submitted in accordance with the deadline will be considered in the preparation of the final amended FFY2010 Priority System documents.

Should you have any questions regarding the IUP or the DWSRF program, please contact Philip Royer or Josephine Craver at the Bureau of Safe Drinking Water Technical Assistance at (609) 292-5550 or fax (609) 292-1654.

Very truly yours,



Sandra Krietzman, Chief
Bureau of Safe Drinking Water
Technical Assistance

c: Community Water Supply Systems

Nonprofit Noncommunity Water Supply Systems
County and Municipal Health Authorities
Environmental Groups
Engineering Consultants
USEPA Region II, Bruce Kiselica, Chief, Drinking Water Section
USEPA Region II, Stephen R. Vida, SRF Team Leader
USEPA Region II, Alicia Suarez, DWSRF Coordinator
Drinking Water Quality Institute
USDA, NJ Rural Development, Kenneth C. Drewes, Director, Business & Community Programs
NJAWWA, Lindsey Olson, Section Chair
NJ Water Association, Rick Howlett, Executive Director
Water Supply Advisory Council, Eugene Golub, Chairman
NJ Office of Smart Growth, Ben Spinelli, Executive Director
NJ Dept. of Community Affairs, Joseph Valenti, Bureau Chief, Local Government Services
NJ Board of Public Utilities, Maria Moran, Director, Division of Water and Wastewater
NJ Economic Development Authority, John Rosenfield, Director, Program Services
NJ Housing and Mortgage Finance Agency, Jerome Keelen, Director, Single Family Programs
New Jersey Redevelopment Authority, Leslie Anderson, Executive Director
Mary Claire D'Andrea, Acting Executive Director, NJ Environmental Infrastructure Trust
Gary Sondermeyer, Director of Operations, NJDEP
Nancy Wittenberg, Assistant Commissioner, Environmental Regulation, NJDEP
Scott Brubaker, Assistant Commissioner, Land Use Management, NJDEP
E. David Barth, Director, Management and Budget, NJDEP
Michele Putnam, Director, Division of Water Supply, NJDEP
Stanley Cach, Assistant Director, Municipal Finance & Construction Element, NJDEP