

SENATE, No. 2144

STATE OF NEW JERSEY

INTRODUCED MAY 22, 1997

By Senators McNAMARA and BARK

1 AN ACT authorizing the expenditure of funds by the New Jersey
2 Wastewater Treatment Trust for the purpose of making loans to
3 local government units to finance a portion of the cost of
4 construction of wastewater treatment system projects, and
5 supplementing P.L.1985, c.334 (C.58:11B-1 et seq.).
6

7 **BE IT ENACTED** by the Senate and General Assembly of the State
8 of New Jersey:
9

10 1. a. The New Jersey Wastewater Treatment Trust, established
11 pursuant to P.L.1985, c.334 (C.58:11B-1 et seq.), is authorized to
12 expend the aggregate sum of up to \$50,000,000, and any unexpended
13 balance of the aggregate expenditures authorized pursuant to section
14 1 of P.L.1994, c.105, section 1 of P.L.1995, c.218 and section 1 of
15 P.L.1996, c.87 for the purpose of making loans, to the extent
16 sufficient funds are available, to local government units to finance a
17 portion of the cost of construction of wastewater treatment system
18 projects listed in sections 2, 3 and 4 of this act.

19 b. The trust is authorized to increase the aggregate sums specified
20 in subsection a. of this section by:

21 (1) the amounts of capitalized interest and the bond issuance
22 expenses as provided in subsection b. of section 7 of this act; and

23 (2) the amounts of reserve capacity expenses and the associated
24 debt service reserve fund requirements for such reserve capacity
25 expenses as provided in subsection c. of section 7 of this act.

26 c. For the purposes of this act:

27 (1) "capitalized interest" means the amount equal to interest paid
28 on trust bonds which is funded with trust bond proceeds;

29 (2) "issuance expenses" means and includes, but need not be
30 limited to, the costs of financial document printing, municipal bond
31 insurance premiums, underwriters' discount, verification of financial
32 calculations, the services of bond rating agencies and trustees,
33 employment of accountants, attorneys, financial advisors, loan
34 servicing agents, registrars, and paying agents and any other costs
35 related to the issuance of trust bonds; and

36 (3) "reserve capacity expenses" means those project costs for
37 reserve capacity not eligible for loans under rules and regulations

1 governing zero interest loans adopted by the Commissioner of
 2 Environmental Protection pursuant to section 4 of P.L.1985, c.329 but
 3 which are eligible for loans from the trust in accordance with the rules
 4 and regulations adopted by the trust pursuant to section 27 of
 5 P.L.1985, c.334 (C.58:11B-27).

6 d. The trust is also authorized to increase the loan amount in the
 7 future to compensate for a refunding of the issue, provided adequate
 8 savings are achieved, for the loans issued pursuant to P.L.1991, c.324,
 9 P.L.1992, c.37, P.L.1993, c.192, P.L.1994, c.105, P.L.1995, c.218,
 10 P.L.1996, c.87 and P.L.1997, c. (pending in the Legislature as Senate
 11 Bill No. 2144 of 1997 and Assembly Bill No. 3020 of 1997).

12
 13 2. a. The New Jersey Wastewater Treatment Trust is authorized
 14 to expend funds for the purpose of making a supplemental loan to the
 15 local government unit listed below for the following wastewater
 16 treatment system project:

18	<u>Project No.</u>	<u>Local Government Unit</u>	<u>Estimated Allowable Project Cost</u>
19	881-01-1	Hawthorne Borough	\$300,000
20		TOTAL	\$300,000

21
 22 b. The loan authorized in this section shall be made for the
 23 difference between the allowable loan amount required by this project
 24 based upon low bid building costs or final building costs pursuant to
 25 subsection a. of section 7 of this act and the loan amount certified by
 26 the chairman of the trust in State fiscal year 1995 and for increased
 27 allowable costs as defined and determined in accordance with the rules
 28 and regulations adopted by the trust pursuant to section 27 of
 29 P.L.1985, c.334 (C.58:11B-27). The loan authorized in this section
 30 shall be made to the local government unit listed, up to the individual
 31 amount indicated and in the priority stated, to the extent sufficient
 32 funds are available, except as the project fails to meet the requirements
 33 of section 6 of this act.

34 c. The loan authorized in this section shall have priority over the
 35 wastewater treatment system projects listed in section 4 of this act.

36
 37 3. The New Jersey Wastewater Treatment Trust is authorized to
 38 make loans to the local government units for the wastewater treatment
 39 system projects listed in section 4 of this act up to the individual
 40 amounts indicated and in the priority stated, except as any such
 41 amount may be reduced by the trust pursuant to subsection a. of
 42 section 7 of this act, or if a project fails to meet the requirements of

1 section 6 of this act.

2

3 4. The following wastewater treatment system projects shall be
 4 known and may be cited as the "State Fiscal Year 1998 Project
 5 Priority List":

6

7	<u>Project</u>	<u>Project Name</u>	<u>Estimated</u>
8	<u>Number</u>		<u>Allowable</u>
			<u>Project Cost</u>
9	437-07	New Brunswick City	\$ 1,450,000
10	958-02	Gloucester City	\$ 1,400,000
11	809-06	Atlantic County UA	\$ 1,500,000
12	518-03	Buena Borough MUA	\$ 950,000
13	818-04	Burlington County BCF	\$ 5,200,000
14	700-07	Northwest Bergen County UA	\$ 3,450,000
15	437-09	New Brunswick City	\$ 1,000,000
16	336-01	Camden City	\$ 800,000
17	640-05	Camden County MUA	\$ 2,700,000
18	667-01	Ventnor City	\$ 350,000
19	663-02	North Wildwood City	\$ 1,100,000
20	361-01	Roseland Borough	\$ 100,000
21	367-01	Merchantville Borough	\$ 650,000
22	437-10	New Brunswick City	\$ 2,750,000
23	433-09	Woodbridge Township	\$ 650,000
24	703-04	Florham Park SA	\$ 500,000
25	923-01	Hackensack City	\$ 1,400,000
26	706-03	Washington Borough	\$ 6,600,000
27	526-05	Harrison Township	\$ 300,000
28	498-01	Mine Hill Township	\$ 850,000
29	700-08	Northwest Bergen County UA	\$ 1,900,000
30	945-06	Old Bridge Township MUA	\$ 1,450,000
31	834-01	Nutley Township/Clifton City	\$ 3,950,000
32	921-03	Millville City	\$ 2,650,000
33	378-01	Bergenfield Borough	\$ 950,000
34	809-07	Atlantic County UA	\$ 3,750,000
35	706-04	Washington Borough	\$ 1,050,000

1	362-02	Harrison Township	\$ 1,250,000
2	665-01	Longport Borough	\$ 850,000
3	536-04	East Windsor Township	\$ 500,000
4	374-01	Cresskill Borough	\$ 250,000
5	901-03	Highlands Borough	\$ 650,000
6	504-03	Stanhope Borough	\$ 150,000
7		TOTAL	\$53,050,000

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9 5. In accordance with and subject to the provisions of sections 5,
10 6 and 23 of P.L.1985, c.334 (C.58:11B-5, 58:11B-6, and 58:11B-23)
11 and as set forth in the financial plan required pursuant to section 21 of
12 P.L.1985, c.334 (C.58:11B-21), any proceeds from bonds issued by
13 the trust to make loans for priority wastewater treatment system
14 projects listed in sections 2, 3 and 4 of this act which are not expended
15 for that purpose may be applied for the payment of all or any part of
16 the principal of and interest and premium on the trust bonds whether
17 due at stated maturity or earlier upon redemption. A portion of the
18 proceeds from bonds issued by the trust to make loans for priority
19 wastewater treatment system projects pursuant to this act may be
20 applied for the payment of capitalized interest and for the payment of
21 any issuance expenses; for the payment of reserve capacity expenses
22 and the associated debt service reserve fund requirements; and for the
23 payment of increased costs as defined and determined in accordance
24 with the rules and regulations adopted by the trust pursuant to section
25 27 of P.L.1985, c.334 (C.58:11B-27).

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27 6. Any loan made by the New Jersey Wastewater Treatment Trust
28 pursuant to this act shall be subject to the following requirements:

29 a. The chairman of the trust has certified that the project is in
30 compliance with the provisions of P.L.1985, c.334 or P.L.1992, c.88
31 and any rules and regulations adopted pursuant thereto;

32 b. The loan shall be conditioned upon approval of a zero interest
33 loan from the Department of Environmental Protection from the
34 "Wastewater Treatment Fund" established pursuant to the
35 "Wastewater Treatment Bond Act of 1985," P.L.1985, c.329 or the
36 "1992 Wastewater Treatment Fund" established pursuant to section 27
37 of the "Green Acres, Clean Water, Farmland and Historic Preservation
38 Bond Act of 1992," P.L.1992, c.88;

39 c. The loan shall be repaid within a period not to exceed 20 years
40 of the making of the loan;

41 d. The loan shall not exceed the allowable project cost of the
42 wastewater treatment system, exclusive of capitalized interest and
43 issuance expenses as provided in subsection b. of section 7 of this act,
44 reserve capacity expenses and the associated debt service reserve fund

1 requirements as provided in subsection c. of section 7 of this act, and
2 increased costs as defined and determined in accordance with the rules
3 and regulations adopted by the trust pursuant to section 27 of
4 P.L.1985, c.334 (C.58:11B-27);

5 e. The loan shall bear interest, exclusive of any administrative fees
6 payable to the trust pursuant to subsection o. of section 5 of P.L.1985,
7 c.334 (C.58:11B-5) by the local government units receiving trust
8 loans, at or below the interest rate paid by the trust on the bonds
9 issued to make the loans authorized by this act, adjusted for
10 underwriting discount, in accordance with the terms and conditions set
11 forth in the financial plan required pursuant to section 21 of P.L.1985,
12 c.334 (C.58:11B-21); and

13 f. The loan shall be subject to all other terms and conditions as the
14 trust shall determine to be consistent with the provisions of P.L.1985,
15 c.334 (C.58:11B-1 et seq.) and any rules and regulations adopted
16 pursuant thereto, and with the financial plan required by section 21 of
17 P.L.1985, c.334 (C.58:11B-21).

18 The priority list and authorization for the making of loans pursuant
19 to this act shall expire on July 1, 1998, and any local government unit
20 which has not executed and delivered a loan agreement with the trust
21 for a loan authorized in this act shall no longer be entitled to that loan.
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23 7. a. The New Jersey Wastewater Treatment Trust is authorized
24 to reduce the individual amount of loan funds made available to local
25 government units pursuant to sections 2, 3 and 4 of this act based
26 upon low bid building costs or final building costs defined in and
27 determined in accordance with rules and regulations adopted by the
28 trust pursuant to section 27 of P.L.1985, c.334 (C.58:11B-27). The
29 trust is authorized to use any such reduction in the loan amount made
30 available to a local government unit to cover that local government
31 unit's increased costs due to differing site conditions as defined and
32 determined in accordance with the rules and regulations adopted by
33 the trust pursuant to section 27 of P.L.1985, c.334 (C.58:11B-27).

34 b. The trust is authorized to increase each loan amount authorized
35 in sections 2, 3 and 4 of this act by the amount of capitalized interest
36 and issuance expenses allocable to each loan made by the trust
37 pursuant to this act; provided that the increase for issuance expenses,
38 excluding underwriters' discount, municipal bond insurance premiums
39 and bond rating agency fees, shall not exceed 0.4% of the principal
40 amount of trust bonds issued to make loans authorized by this act.

41 c. The trust is authorized to increase each loan amount authorized
42 in sections 2, 3 and 4 of this act by the amount of reserve capacity
43 expense, including the debt service reserve fund requirement
44 associated with such reserve capacity expense, as may be allowed the
45 project by the trust in accordance with rules and regulations adopted
46 by the trust pursuant to section 27 of P.L.1985, c.334 (C.58:11B-27).

1 8. The New Jersey Wastewater Treatment Trust is authorized to
2 increase the individual amount of loan funds made available to local
3 government units by the trust pursuant to P.L.1989, c.190, P.L.1990,
4 c.97, P.L.1991, c.324, P.L.1992, c.37, P.L.1993, c.192, P.L.1994,
5 c.105, P.L.1995, c.218, P.L.1996, c.87, or P.L.1997, c. (pending in
6 the Legislature as Assembly Bill No. 3020 of 1997 and Senate Bill No.
7 2144 of 1997), provided that adequate savings are achieved, to
8 compensate for a refunding of trust bonds issued to make loans
9 authorized by the aforementioned acts.

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11 9. The expenditure of funds authorized pursuant to this act is
12 subject to the provisions of P.L.1985, c.329, P.L.1992, c.88 and
13 P.L.1985, c.334 (C.58:11B-1 et seq.) and any rules and regulations
14 adopted pursuant thereto.

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16 10. This act shall take effect immediately.

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19 STATEMENT

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21 This bill would authorize the New Jersey Wastewater Treatment
22 Trust to expend up to \$50,000,000, and any unexpended balances
23 from the authorizations made by P.L.1994, c.105, P.L.1995, c.218,
24 and P.L.1996, c.87 to provide loans with an interest rate at or below
25 the prevailing market rate to local government units for the costs of
26 eligible wastewater treatment system projects. The eligible projects are
27 those included in the "State Fiscal Year 1998 Project Priority List" and
28 one project that received loans in the past and which now requires a
29 supplemental loan in order to meet actual costs.

30 The New Jersey Wastewater Treatment Trust, established pursuant
31 to P.L.1985, c.334 (C.58:11B-1 et seq.), is a State financing authority
32 which can issue bonds, notes and other debt obligations. In the initial
33 year of funding, the provisions of P.L.1987, c.199 authorized the Trust
34 to expend \$150,000,000 for loans to local government units for up to
35 50% of the costs of eligible wastewater treatment system projects.
36 Subsequently, the provisions of P.L.1988, c.132 authorized the
37 expenditure of \$75,000,000, the provisions of P.L.1989, c.190
38 authorized \$85,000,000, the provisions of P.L.1990, c.97 authorized
39 \$100,000,000, the provisions of P.L.1991, c.324 authorized
40 \$90,000,000, the provisions of P.L.1992, c.37 authorized
41 \$75,000,000, the provisions of P.L.1993, c.192 authorized
42 \$75,000,000, the provisions of P.L.1994, c.105 authorized
43 \$60,000,000, the provisions of P.L.1995, c.218 authorized
44 \$50,000,000, and the provisions of P.L.1996, c.87 authorized
45 \$75,000,000.

46 This bill permits the Trust to expend up to \$50 million for loans to

1 local government units for eligible wastewater treatment system
2 projects, and authorizes the use of any remaining moneys from prior
3 authorizations, any loan repayments received to date, and the amounts
4 for capitalized interest and issuance expenses, to fund the State FY
5 1998 financing program.

6 A companion bill (Assembly Bill No. 3021 of 1997 and Senate Bill
7 No. 2142 of 1997) would appropriate certain federal and State moneys
8 to the Department of Environmental Protection for the purpose of
9 implementing the 1997 New Jersey Wastewater Treatment Financing
10 Program, which is expected to finance approximately \$111 million in
11 wastewater treatment system projects for State FY 1998. The
12 department would use the funds appropriated under that bill to make
13 zero interest loans to local governments for up to 50% of eligible
14 project costs for new wastewater treatment system projects included
15 in the "State Fiscal Year 1998 Project Priority List" and to provide a
16 supplemental loan to a local government for the supplemental costs of
17 a previously funded project.

18 Thus, this bill and Assembly Bill No. 3021 of 1997 and Senate Bill
19 No. 2142 of 1997 together provide loan financing for 100% of the
20 eligible cost of a wastewater treatment system project: approximately
21 one-half of the loan amount from the Trust with interest at or below
22 the prevailing market rate and one-half from a zero interest loan from
23 the Department.

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28 Authorizes New Jersey Wastewater Treatment Trust to make up to
29 \$50 million in loans for wastewater treatment system projects.