

[Passed Both Houses]

SENATE, No. 2144

STATE OF NEW JERSEY

INTRODUCED MAY 22, 1997

By Senators McNAMARA, BARK, Assemblymen Chatzidakis, Gibson, Assemblywoman Myers, Assemblymen Kramer, Asselta, Bodine, LeFevre, Blee, Assemblywoman Wright, Assemblymen Lance, Rooney, Russo, Assemblywoman Vandervalk, Assemblymen Kelly, DiGaetano, Zecker and Assemblywoman Crecco

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

1 limited to, the costs of financial document printing, municipal bond  
 2 insurance premiums, underwriters' discount, verification of financial  
 3 calculations, the services of bond rating agencies and trustees,  
 4 employment of accountants, attorneys, financial advisors, loan  
 5 servicing agents, registrars, and paying agents and any other costs  
 6 related to the issuance of trust bonds; and

7 (3) "reserve capacity expenses" means those project costs for  
 8 reserve capacity not eligible for loans under rules and regulations  
 9 governing zero interest loans adopted by the Commissioner of  
 10 Environmental Protection pursuant to section 4 of P.L.1985, c.329 but  
 11 which are eligible for loans from the trust in accordance with the rules  
 12 and regulations adopted by the trust pursuant to section 27 of  
 13 P.L.1985, c.334 (C.58:11B-27).

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

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21 2. a. The New Jersey Wastewater Treatment Trust is authorized  
 22 to expend funds for the purpose of making a supplemental loan to the  
 23 local government unit listed below for the following wastewater  
 24 treatment system project:

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<u>26</u> <u>Project No.</u>	<u>Local Government</u>	<u>Estimated</u>
<u>27</u>	<u>Unit</u>	<u>Allowable Project</u>
<u>28</u>		<u>Cost</u>
29 881-01-1	Hawthorne	\$300,000
30	Borough	
31	TOTAL	\$300,000

32

33 b. The loan authorized in this section shall be made for the  
 34 difference between the allowable loan amount required by this project  
 35 based upon low bid building costs or final building costs pursuant to  
 36 subsection a. of section 7 of this act and the loan amount certified by  
 37 the chairman of the trust in State fiscal year 1995 and for increased  
 38 allowable costs as defined and determined in accordance with the rules  
 39 and regulations adopted by the trust pursuant to section 27 of  
 40 P.L.1985, c.334 (C.58:11B-27). The loan authorized in this section  
 41 shall be made to the local government unit listed, up to the individual  
 42 amount indicated and in the priority stated, to the extent sufficient  
 43 funds are available, except as the project fails to meet the requirements  
 44 of section 6 of this act.

45 c. The loan authorized in this section shall have priority over the

1 wastewater treatment system projects listed in section 4 of this act.

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3 3. The New Jersey Wastewater Treatment Trust is authorized to  
4 make loans to the local government units for the wastewater treatment  
5 system projects listed in section 4 of this act up to the individual  
6 amounts indicated and in the priority stated, except as any such  
7 amount may be reduced by the trust pursuant to subsection a. of  
8 section 7 of this act, or if a project fails to meet the requirements of  
9 section 6 of this act.

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

14

15	<u>Project</u>	<u>Project Name</u>	<u>Estimated</u>
16	<u>Number</u>		<u>Allowable</u>
17			<u>Project Cost</u>
18	437-07	New Brunswick City	\$ 1,450,000
19	958-02	Gloucester City	\$ 1,400,000
20	809-06	Atlantic County UA	\$ 1,500,000
21	518-03	Buena Borough MUA	\$ 950,000
22	818-04	Burlington County BCF	\$ 5,200,000
23	700-07	Northwest Bergen County UA	\$ 3,450,000
24	437-09	New Brunswick City	\$ 1,000,000
25	336-01	Camden City	\$ 800,000
26	640-05	Camden County MUA	\$ 2,700,000
27	667-01	Ventnor City	\$ 350,000
28	663-02	North Wildwood City	\$ 1,100,000
29	361-01	Roseland Borough	\$ 100,000
30	367-01	Merchantville Borough	\$ 650,000
31	437-10	New Brunswick City	\$ 2,750,000
32	433-09	Woodbridge Township	\$ 650,000
33	703-04	Florham Park SA	\$ 500,000
34	923-01	Hackensack City	\$ 1,400,000
35	706-03	Washington Borough	\$ 6,600,000
36	526-05	Harrison Township	\$ 300,000
37	498-01	Mine Hill Township	\$ 850,000
38	700-08	Northwest Bergen County UA	\$ 1,900,000

1	945-06	Old Bridge Township MUA	\$ 1,450,000
2	834-01	Nutley Township/Clifton City	\$ 3,950,000
3	921-03	Millville City	\$ 2,650,000
4	378-01	Bergenfield Borough	\$ 950,000
5	809-07	Atlantic County UA	\$ 3,750,000
6	706-04	Washington Borough	\$ 1,050,000
7	362-02	Harrison Township	\$ 1,250,000
8	665-01	Longport Borough	\$ 850,000
9	536-04	East Windsor Township	\$ 500,000
10	374-01	Cresskill Borough	\$ 250,000
11	901-03	Highlands Borough	\$ 650,000
12	504-03	Stanhope Borough	\$ 150,000
13		TOTAL	\$53,050,000

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15 5. In accordance with and subject to the provisions of sections 5,  
16 6 and 23 of P.L.1985, c.334 (C.58:11B-5, 58:11B-6, and 58:11B-23)  
17 and as set forth in the financial plan required pursuant to section 21 of  
18 P.L.1985, c.334 (C.58:11B-21), any proceeds from bonds issued by  
19 the trust to make loans for priority wastewater treatment system  
20 projects listed in sections 2, 3 and 4 of this act which are not expended  
21 for that purpose may be applied for the payment of all or any part of  
22 the principal of and interest and premium on the trust bonds whether  
23 due at stated maturity or earlier upon redemption. A portion of the  
24 proceeds from bonds issued by the trust to make loans for priority  
25 wastewater treatment system projects pursuant to this act may be  
26 applied for the payment of capitalized interest and for the payment of  
27 any issuance expenses; for the payment of reserve capacity expenses  
28 and the associated debt service reserve fund requirements; and for the  
29 payment of increased costs as defined and determined in accordance  
30 with the rules and regulations adopted by the trust pursuant to section  
31 27 of P.L.1985, c.334 (C.58:11B-27).

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

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

38 b. The loan shall be conditioned upon approval of a zero interest  
39 loan from the Department of Environmental Protection from the  
40 "Wastewater Treatment Fund" established pursuant to the  
41 "Wastewater Treatment Bond Act of 1985," P.L.1985, c.329 or the

1 "1992 Wastewater Treatment Fund" established pursuant to section 27  
2 of the "Green Acres, Clean Water, Farmland and Historic Preservation  
3 Bond Act of 1992," P.L.1992, c.88;

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

6 d. The loan shall not exceed the allowable project cost of the  
7 wastewater treatment system, exclusive of capitalized interest and  
8 issuance expenses as provided in subsection b. of section 7 of this act,  
9 reserve capacity expenses and the associated debt service reserve fund  
10 requirements as provided in subsection c. of section 7 of this act, and  
11 increased costs as defined and determined in accordance with the rules  
12 and regulations adopted by the trust pursuant to section 27 of  
13 P.L.1985, c.334 (C.58:11B-27);

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

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

27 The priority list and authorization for the making of loans pursuant  
28 to this act shall expire on July 1, 1998, and any local government unit  
29 which has not executed and delivered a loan agreement with the trust  
30 for a loan authorized in this act shall no longer be entitled to that loan.

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32 7. a. The New Jersey Wastewater Treatment Trust is authorized  
33 to reduce the individual amount of loan funds made available to local  
34 government units pursuant to sections 2, 3 and 4 of this act based  
35 upon low bid building costs or final building costs defined in and  
36 determined in accordance with rules and regulations adopted by the  
37 trust pursuant to section 27 of P.L.1985, c.334 (C.58:11B-27). The  
38 trust is authorized to use any such reduction in the loan amount made  
39 available to a local government unit to cover that local government  
40 unit's increased costs due to differing site conditions as defined and  
41 determined in accordance with the rules and regulations adopted by  
42 the trust pursuant to section 27 of P.L.1985, c.334 (C.58:11B-27).

43 b. The trust is authorized to increase each loan amount authorized  
44 in sections 2, 3 and 4 of this act by the amount of capitalized interest  
45 and issuance expenses allocable to each loan made by the trust  
46 pursuant to this act; provided that the increase for issuance expenses,

1 excluding underwriters' discount, municipal bond insurance premiums  
2 and bond rating agency fees, shall not exceed 0.4% of the principal  
3 amount of trust bonds issued to make loans authorized by this act.

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

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11 8. The New Jersey Wastewater Treatment Trust is authorized to  
12 increase the individual amount of loan funds made available to local  
13 government units by the trust pursuant to P.L.1989, c.190, P.L.1990,  
14 c.97, P.L.1991, c.324, P.L.1992, c.37, P.L.1993, c.192, P.L.1994,  
15 c.105, P.L.1995, c.218, P.L.1996, c.87, or P.L.1997, c. (pending in  
16 the Legislature as Assembly Bill No. 3020 of 1997 and Senate Bill No.  
17 2144 of 1997), provided that adequate savings are achieved, to  
18 compensate for a refunding of trust bonds issued to make loans  
19 authorized by the aforementioned acts.

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

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26 10. This act shall take effect immediately.

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29 STATEMENT

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

40 The New Jersey Wastewater Treatment Trust, established pursuant  
41 to P.L.1985, c.334 (C.58:11B-1 et seq.), is a State financing authority  
42 which can issue bonds, notes and other debt obligations. In the initial  
43 year of funding, the provisions of P.L.1987, c.199 authorized the Trust  
44 to expend \$150,000,000 for loans to local government units for up to  
45 50% of the costs of eligible wastewater treatment system projects.  
46 Subsequently, the provisions of P.L.1988, c.132 authorized the

1 expenditure of \$75,000,000, the provisions of P.L.1989, c.190  
2 authorized \$85,000,000, the provisions of P.L.1990, c.97 authorized  
3 \$100,000,000, the provisions of P.L.1991, c.324 authorized  
4 \$90,000,000, the provisions of P.L.1992, c.37 authorized  
5 \$75,000,000, the provisions of P.L.1993, c.192 authorized  
6 \$75,000,000, the provisions of P.L.1994, c.105 authorized  
7 \$60,000,000, the provisions of P.L.1995, c.218 authorized  
8 \$50,000,000, and the provisions of P.L.1996, c.87 authorized  
9 \$75,000,000.

10 This bill permits the Trust to expend up to \$50 million for loans to  
11 local government units for eligible wastewater treatment system  
12 projects, and authorizes the use of any remaining moneys from prior  
13 authorizations, any loan repayments received to date, and the amounts  
14 for capitalized interest and issuance expenses, to fund the State FY  
15 1998 financing program.

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

28 Thus, this bill and Assembly Bill No. 3021 of 1997 and Senate Bill  
29 No. 2142 of 1997 together provide loan financing for 100% of the  
30 eligible cost of a wastewater treatment system project: approximately  
31 one-half of the loan amount from the Trust with interest at or below  
32 the prevailing market rate and one-half from a zero interest loan from  
33 the Department.

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38 Authorizes New Jersey Wastewater Treatment Trust to make up to  
39 \$50 million in loans for wastewater treatment system projects.