The Nexus at the NJ Infrastructure Bank

Water and Transportation Capital Projects

May 22, 2018
NJ Infrastructure Bank

Mission - Provide and Administer low interest rate loans to qualified borrowers (counties, regional authorities, municipalities, and water purveyors) in New Jersey for the purpose of financing water quality and local transportation infrastructure projects.
Overview/History of the NJ Water Bank

The NJ Water Bank has:

• Been partnering with the NJ DEP since 1986.

• Issued over $7.2 B in low-interest rate loans.

• Saved ratepayers an estimated $2.46 B in interest-cost savings.

• Created over 123,000 direct construction jobs.
Loan Programs

- Short-term loans – up to 3 full fiscal years for construction
- Pending Legislation to allow up to 2 add’l yrs for P&D
- Long-Term loans for terms of lesser of 30 yrs or useful life.
Benefits of the Water Bank Program

- **Principal Forgiveness Opportunities**
  - Barnegat Bay (50% PFL)
  - Nano Loans (50% PFL)
  - CSO Green Infrastructure (50% PFL)
  - Lead Service Line Replacement (90% PFL)
  - Asset Management (100% PFL) for Small Systems (< 10,000)
Savings

Example on $1MM loan

- AAA Market rate = 3.53%
- A+ Market Rate = 3.65%*
- DEP Rate = 0%
- DEP 75%/EIT 25% Rate = 1.07%
- 30-yr savings over Market Rate
  \[ \text{$405,486} \]

(Market Rates as of 05/18/2018)
Quiz Question
NJ Transportation Bank
The law that amended NJEIT’s enabling act.

1. Changed name to NJ Infrastructure Bank

2. Defines:
   - Funding source,
   - Project Eligibility, and
   - Borrower Eligibility
Local Transportation Projects –

**Project Eligibility Requirement** –

- Must meet definition of Transportation Project in *(P.L. 2016, c.56)* such as:
  
  Public highways *(defined)*, Bridges, Approach roadways and other necessary land-side improvements, Ramps and Grade crossings, Signal systems, Roadbeds, Transit lanes or Rights of Way, Pedestrian walkways and Bridges connecting to passenger stations and servicing facilities.

- Must be identified on DOT’s "Project Priority List" for the Legislature
Borrower Eligibility

Local Transportation Projects –

- **Borrower Eligibility Requirement**
  Must be a Local Government Unit: County, Municipality, municipal, county or regional Transportation Authority, or any other Political Subdivision of the State authorized to construct, operate, and maintain public highways or “Transportation Projects” as defined pursuant to the Act (P.L. 2016, c.56)
Quiz Question
Project Approval Processes –

- **Technical Process**
  
  Program staff (DOT / consulting Engineer reviews design for compliance)

- **Legal Process**
  
  I-Bank Staff and Program Bond Counsel work w/ Sponsor and Counsel to ensure satisfaction of Public Finance Law requirements (well versed thru NJEIT)
Project Approval (Continued):

- **Credit Process**
  - Project Sponsor must provide Bonded Guarantee to the I-Bank to secure repay obligation
  - Bond must be backed by a General Obligation tax pledge (G.O.) from the LGU or a sponsoring LGU being served by the project sponsor to collateralize the loan
  - G.O. must be Investment-grade Rated – (limited exceptions-e.g. private rating, QBA)
Financial Components

- **Borrowing Process** – *in development...*
  - Applications will be submitted – Rolling
  - Application Forms – Electronic application similar to NJEIT H2LOans
Financial Components (Continued):

Short-Term Loan Program (Currently up to 3 full State fiscal years)

- funds Engineering, and soft costs (architects, bond counsel, etc.)
- funds construction costs through to completion (take out w/ L-T loan)
  - (like a Line-of-Credit; interest charged only on funds drawn for req’s)

Invoices required (cost-incurrence Program / not reimbursement)
Financial Components (Continued):

Bonding Program

- **Conversion to Long-Term Loans (in development)**

  - S.T.I.B. — $22.6M/annum
  - S-T Const Loans $21.0M
  - Program Admin Costs [$1.6M]
  - Loan Funds [$19M]
  - Bond Reserves (for AAA) [$2.0M]

- **Long-Term Funding Structure** (State funds + Bonds)
  - $19M State Loan Funds at 0% rate
  - $19M Bond Funds at AAA% rate

- **Savings (Est.)** from receiving 50% of funds at 0% for 31 yrs ~ **26-30%**
  (lower rated LGUs save more)
Questions

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Ranking Methodology

Transportation Infrastructure Bank Priority System (TIBPS)

- Bridge replacement and rehabilitation
- Alternative transportation improvements: bicycle, pedestrian, intermodal connections
Transportation Infrastructure Bank Priority System (TIBPS) (Continued):

Existing highway upgrades to meet current design standards

• Safety measures: signs, guiderails, barriers, curbs & traffic
Transportation Infrastructure Bank Priority System (TIBPS): continued

- Focus on the movement of passengers and goods
- Quality of life enhancement
  - bottleneck improvements
  - missing links
  - widening
  - intelligent transportation
  - travel demand management
Quiz Question
Transportation Infrastructure Project Priority List (TIPPL)

- Sponsor submits project information page
- DOT Determines eligibility
- DOT Ranks the project in order on the TIPPL
Program Requirements

- Requisition based
- Identification of a project on the TIPPL and publication with the legislature are prerequisites to Transportation Bank loan eligibility;
- Construction advertisement has not occurred;
- State requirements:
  - Affirmative Action;
  - Prevailing Wage
  - Significantly and Economically Disadvantaged Commun.
Application Overview

Financing (I-Bank)

Technical Review (DOT)

Contracts

Construction

Local Aid Program Model

Short Term Loan Closing

Long Term Loan Closing

Loan Servicing
### Application Overview

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<td>Award Resolution (subject to concurrence)</td>
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Application Process – Step 1 (Initial Submission)

The Applicant submits:

- Applicant / Contact Info;
- Project description

The Bank issues:

- Project Eligibility;
- Project Ranking;
- Pre-Application Conference Call / Meeting

Applications are available at www.NJIB.gov
Application Process – Step 2 (Engineering/Finance)

The Applicant submits:
- An executed engineering contract
- Financial information
  - Official action Info
  - Draw Sched

* Requisitions → Engineering $

The Bank issues:
- Credit Approval
- Commit Engineering $
- Loan Closing*
  (total estimated Project cost)
Financial Information:
- Official Action Information
- Draw Schedule
- Litigation
- Local Fin. Board Information
Application Process - Step 3 (Advertise Construction)

The Applicant Submits:
- Sealed Plans
- Contract Specifications
- Design Certification

The Bank issues:
- Authorization to Advertise Construction
Application Process - Step 4 (Commence Construction)

The Applicant Submits:
- Construction Bids
- Construction Contract
- Award Resolution
  (subject to DOT concurrence)

The Bank issues:
- Award Concurrence
- Commit Construction $*

* Requisitions → Construction $
Funding process

Line of credit loans can be available within three weeks of satisfaction of the following:

- I-Bank project certification. All costs associated with project contracts must be eligible for financing.
- Credit Approval;
- Inclusion of project on the PPL
Funding Disbursement Model

The Applicant Submits:
- Requisition
- Contractor Invoices

The Bank:
- Disburses $*
Schedule

• Rolling Applications
• Loan Closing 30 days from Receipt of Loan Application (Subject to PPL)
• Fund Disbursement w/in 21 days of receipt of requisitions
• LOC Loans 3 years
• Long Term Loans upon construction completion
Questions

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