

The TRIBUTARY

NJ Environmental
Infrastructure Trust

Financial Assistance for
Infrastructure Projects
Fall 2005

Environmental Infrastructure Bond Sale Providing Funds for 45 Projects

Robert A. Briant, Sr., Chairman of the New Jersey Environmental Infrastructure Trust today announced the sale of over \$124 million in bonds to help finance 45 environmental protection projects worth more than \$270 million. These projects will provide new or upgraded drinking

water and drinking water projects across New Jersey.

The Financing Program's loans, which are 75 and 50 percent below market rates, can provide substantial cost savings to municipalities and authorities. These savings are passed along to taxpayers and ratepayers.

"Our goal is to keep costs as low as possible for those responsible for protecting New Jersey's water resources. Our AAA bond rating from Fitch-Ratings, Moody's Investor Service and Standard and Poors makes our loans a very safe alternative to traditional market-rate financing," Briant said. "This high rating attracted a record 9 bidders for the Series A bond sale."

Proceeds from the bond sale will be combined with zero percent State Revolving Funds from the NJDEP to provide smart growth project loans at 1.07 percent and traditional project loans at 2.13 percent. To learn more about the finance program, visit www.njeit.org.

Loan rates as low as 1.07%

water and wastewater treatment and conveyance systems as well open space preservation. The sale was completed in two series:

Series 2005A: \$121,110,000
Interest Rate - 4.259%

Series 2005B: \$3,045,000
Interest Rate - 4.621%

"This sale marks the 19th year the Trust sold bonds to finance needed infrastructure projects," Briant stated.

Recent estimates indicate a current need for over \$12 billion in funding for waste-

Students Receive Environmental Award for Metedeconk Project

The New Jersey Environmental Infrastructure Trust recently announced the presentation of the first annual Environmental Achievement Awards to Saint Dominic's Elementary School in Brick Township and the following four eighth grade students; Carly De La Hoz, Nicole Del Bene, Dominick Liberatore and Jessica Lichnowski. The awards were presented at St. Dominic's Back to School

Night on September 14, 2005, in recognition of the efforts made to protect the Metedeconk River.

"We must provide stewardship over our natural resources to protect our streams and rivers insuring the future water resources for New Jersey. These students not only focused their activities on improving the water quality of the

(continued on page 2)



Trust Chairman Bob Briant (left) and Executive Director Dennis Hart pose with St. Dominic students during the September 14 award ceremony.

IN MEMORIAM

Barton E. Harrison

Barton E. Harrison, Vice-Chair and a founding member of the Board of the New Jersey Environmental Infrastructure Trust (NJEIT), passed away September 12, 2005. Mr. Harrison was one of the first board members to be appointed to the Trust and had served continually from 1986 until his retirement in 2004. His guidance, leadership and service provided the Trust with stability from the beginning.



Mr. Harrison has a long record of public service to the state of New Jersey, having served as a member of the South Jersey Development Council and the Southern New Jersey Chamber of Commerce. He was a past Chairman of the Camden County Planning Board, served as a member of the Cherry Hill Township Council and as a Regional Vice-Chair of the Alliance for Action.

Mr. Harrison demonstrated an ability to combine his professional career in marketing and management consulting with a continual commitment to community service.

“Bart set the measure for community service,” stated NJEIT Chairman Robert A. Briant, Sr. “His untiring commitment to public service set him apart and mirrored the success of his business life. We will miss his leadership and guidance.”

The New Jersey Environmental Infrastructure Financing Program is a partnership between the Trust and the New Jersey Department of Environmental Protection, who administers State Revolving Funds. The Program provides loans for a variety of clean and safe drinking water projects. The loans can be used for open space preservation, wastewater management, non-point source pollution control, landfill construction and closure, and projects to protect the state’s drinking water supplies.

Trust Board Members

Robert A. Briant, Sr., Chairman

Warren Victor, Vice Chairman

Eileen Swan, Treasurer

Gerald Keenan, Secretary

John E. McCormac, State Treasurer

Bradley M. Campbell, Commissioner,
Department of Environmental
Protection

Charles A. Richman, Commissioner,
Department of Community Affairs

Comments or inquiries regarding this publication may be addressed to:

The Tributary
PO Box 440
Trenton, NJ 08625
(609) 219-8600

email: information@njeit.org
visit us on the web at: www.njeit.org

printed on recycled paper

Students Receive Environmental Award for Metedeconk *(continued from page 1)*

Metedeconk River, they also developed and implemented a number of tools to get the message out and educate not only the residents of Brick Township, but everyone who utilizes the Metedeconk River for drinking water and recreation.”

Environmental Infrastructure Financing Program Funds 48 Projects in 2005

The New Jersey Environmental Infrastructure Financing Program has completed another round of low-interest financing for projects throughout the state. This year, the program provided loans of \$272 million for 48 projects. For 19 years, the program has been funding projects to improve water quality and has given loans of over \$3 billion for more than 500 projects.

The 48 projects financed this year are critical to the overall goal of preserving the state's water resources and ensuring safe drinking water for future generations. Twenty eight of the projects target wastewater, stormwater and nonpoint source pollution by improving sewage treatment facilities, maintaining wastewater collection and conveyance systems, and reducing pollution caused by stormwater runoff. Fourteen projects will help municipalities, and also private water purveyors, meet the requirements of the Safe Drinking Water Act. The remaining 6 projects will help preserve 348 acres.

Preserving open space has a positive effect on water quality. Headwaters, stream corridors, wetlands and aquifer recharge areas protect water quality when left in their natural state.

This year's Financing Program includes a lower-interest rate program with a "75/25" split of the DEP/Trust shares for projects that promote smart growth, providing these projects with financing at a quarter of the prevailing market rate. Since Trust bonds sold at 4.26% interest this year, the regular program borrowers will pay 2.13% interest on their loans while the smart growth project borrowers will pay only 1.07% on their loans.

Projects that are eligible for the smart growth rate include:

- a) clean water (wastewater and stormwater/nonpoint source management) and drinking water infrastructure projects

...serving an approved Urban Center (these are Asbury Park, Atlantic City, Camden, Elizabeth, Jersey City, New Brunswick, Newark, Paterson, and Trenton) or an approved Urban Complex (currently the Hudson County Urban Complex, which encompasses the Jersey City Urban Center and the Development Activity Areas in Bayonne, East Newark, Guttenberg, Harrison, Hoboken, Jersey City, Kearny, North Bergen, Secaucus, Union, Weehawken and West New York);

- b) projects that eliminate or improve combined sewer overflows; and
- c) land acquisition/open space projects.
- d) projects with designated transit villages.
- e) projects with approved septage management districts.

For more information on the loan program, contact Stanley V. Cach, P.E., P.P., Assistant Director, Municipal Finance and Construction Element, at (609) 292-8961. For more information on the New Jersey Environmental Infrastructure Trust, contact Dennis Hart, Executive Director, at (609) 219-8600. Sponsors of drinking water projects should contact Josephine Craver, Bureau of Safe Drinking Water, at (609) 292-5550.

Visit the Trust
Web Site to
View a
Complete List
of the 2005
Projects.

www.njeit.org

EIFP Project to Eliminate Major Source of Water Pollution in Bergen County

Innovative Project is First Use of Variable Rate Demand Bonds

Thousands of gallons of leachate (contaminated liquid from landfills) from a Bergen County site are polluting New Jersey's waters every day. To eliminate this serious contamination, the New Jersey Environmental Infrastructure Trust will fund a cleanup project using a new financing approach – the issuance of Variable Rate Demand Bonds (see sidebar). A loan will be made to the Bergen County Improvement Authority, who will fund a loan to the project sponsor, EnCap Golf Holdings, LLC. This is a special, single-issue bond sale not part of the Trust's regular pool program.

This much-needed cleanup, which is a combined effort by both public and private entities, has been endorsed by environmental groups such as the Hackensack Riverkeeper.

This much-needed cleanup, which is a combined effort by both public and private entities, has been endorsed by environmental groups such as the Hackensack Riverkeeper.

The proposed remediation involves capping four landfills to prevent rainwater infiltration and the installation of cutoff walls and a leachate collection system. The leachate will be conveyed to a sewage treatment plant for treatment and disposal.

Known as EnCap, the project will further the state's smart growth mission by reclaiming a former brownfields site for beneficial uses including a housing complex, a hotel/conference center and golf courses. Reclaiming contaminated sites helps preserve existing pristine open space by providing new areas for development.

What are Variable Rate Demand Bonds?

Tax-exempt Variable Rate Demand Bonds (VRDBs) have been issued by governments and government agencies and authorities since the early 1980s and have become a useful tool in structuring debt to meet certain financial objectives.

VRDBs are issued in a specified short-term interest rate mode; most typically this is the weekly mode. The interest rate that will be paid on a particular series of VRDBs is established and that rate will be in effect for the next seven days. After seven days, a new interest rate is established and each bondholder may elect either to keep the bonds they own, on which they will receive interest at the new weekly rate, or tender their bonds back to the issuer of the bonds for repurchase by the issuer. Because they have this tender right each week, an investor has made only a one week investment and is, therefore, willing to accept a relatively low rate of interest in return for this liquidity.

To insure money is available to honor each tender when it occurs, the VRDBs must be backed by a letter of credit provided by a highly rated commercial bank. When a bondholder elects to tender bonds, the letter of credit is drawn upon and the principal amount of his investment is returned to the bondholder. The tendered bonds are then remarketed to a new bondholder and the proceeds of that sale are used to reimburse the draw on the letter of credit.

The weekly interest rate is established by a remarketing agent chosen by the issuer of the bonds. The remarketing agent is an

(continued on page 5)

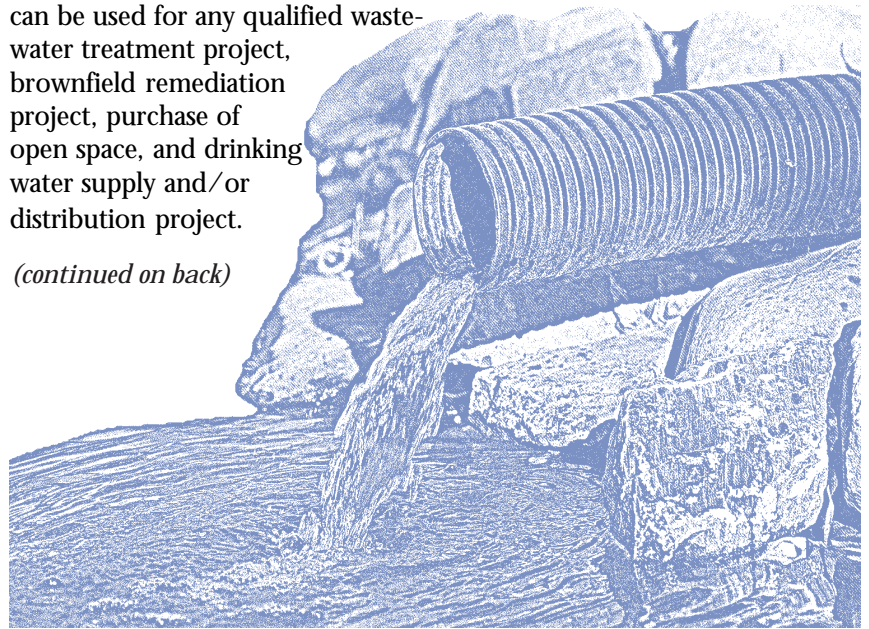
No Waiting - IMMEDIATE Project FINANCING Available!

The New Jersey Environmental Infrastructure Financing Program (EIFP) can provide the funding your community needs to begin any qualified environmental infrastructure project. There is no need to wait for the annual New Jersey Environmental Infrastructure Trust bond sale to secure funding for your infrastructure project or land acquisition. The Trust's Interim Loan Program provides bridge financing to initiate any project that has pre-award approval. This program provides loans at a zero interest rate for up to 11 months. The interim loan is then converted to a long term loan at the next regular bond sale. The Trust sells bonds once a year in October and closes on long term project loans (up to 20 years) each November.

Short-term funding enables you to get a project underway as quickly as practicable. Subsequent permanent financing is secured with a long term loan at the next regularly scheduled bond sale. Recently, long-term loan rates have been very low — ranging 25 to 50 percent less than market rates!

Interim loans provide municipalities and authorities the flexibility to establish their own project schedules when the Trust's finance cycle does not suit their timeframe. This helps lower total project financing costs. The Interim Loan Program can be used for any qualified waste-water treatment project, brownfield remediation project, purchase of open space, and drinking water supply and/or distribution project.

(continued on back)



What Are Variable Rate Demand Bonds?

(continued from previous page)

investment banking firm that sets the weekly rate based both upon market conditions prevailing on the date of the interest rate reset, the credit quality of the bonds and the letter of credit that supports the bonds. The remarketing agent is also responsible for reselling any bonds that are tendered.

VRDBs are generally issued for one or both of the following reasons:

- 1) to permit an issuer of bonds to pay the lowest possible rate of interest; and/or
- 2) to provide flexibility with regard to the timing of the final redemption date of the bonds (because VRDBs may be redeemed in whole or in part at virtually any time, they may be retired if and when funds

which are available for the redemption are received).

There are two principal risks associated with VRDBs: 1) short-term interest rates will rise sharply and weekly interest rates will actually exceed the rate at which fixed rate bonds could have been issued initially and 2) the term of the letter of credit supporting the bonds (typically 3 years) will expire. At that point, if an extension of the term of the letter of credit is not available or if a replacement letter of credit cannot be found, it will be necessary to remarket the bonds as long-term, fixed rate bonds. This event may occur in a high interest rate environment that is not favorable to the issuer of the bonds.

The weekly interest rate is established by a remarketing agent chosen by the issuer of the bonds.

Richard J. Codey, Acting Governor
Robert A. Briant, Sr., Chairman
Dennis Hart, Executive Director

We welcome story contributions
for inclusion in The Tributary.

Trust Web Site Gets Overhaul



The Trust recently redesigned its web site to improve client service. Many new items have been added including forms, frequently asked questions, interest rates, publications, upcoming events and more details about the loan process. Check out the changes by visiting www.njeit.org.

No Waiting - IMMEDIATE Project FINANCING Available! *(continued from page 5)*

The Trust recently increased the size of the annual pool for Interim Loans from \$50 million to \$100 million to allow more projects to take advantage of this program. Additionally, the maximum loan amount of any individual project has been increased from \$5 million to \$10 million dollars.

The EIFP leverages United States Environmental Protection Agency annual revolving fund appropriations and State of New Jersey Bond Act funds with funds raised through the sale of New Jersey Environmental

Infrastructure Trust Bonds. By doing this, the loan program is able to provide long-term loans at rates substantially lower than current market rates. Municipalities choosing EIFP rates over current market rates to bond projects can: 1) reduce their overall financing cost 50 to 75 percent for the duration of the loan, 2) capitalize interest during construction, and 3) eliminate the need for bond insurance and concerns over arbitrage.

Over the past 19 years, the EIFP has financed approximately 500 projects statewide with a total cost in excess of \$3 billion dollars at an estimated savings of \$800 million dollars in financing costs.

Lower the cost of maintaining vital infrastructure and stretch your community's financing dollars by using the EIFP. If you have questions concerning a project's eligibility or want to learn more about how this program can benefit your local government, please contact Dennis Hart, Executive Director at (609) 219-8600 or visit our website at www.njeit.org.

