Replacing Lead Service Lines

2020 CIFA SRF Workshop

November 16, 2020
Priorities

• Reduce and respond to climate change
• Protect New Jersey’s water
• Revitalize our communities and protect public health
• Manage and promote thriving and natural and historic resources
• Strengthen the DEP

Principles

• Follow the law
• Use the best available science
• Listen to all sides
• Find the best balance
• Be transparent and honest with the public
New Jersey Drinking Water Program
Lead & Copper Self-Assessment

• The initial focus was on Water Quality Parameter (WQP) monitoring that included:
  • December 2015 training for all large water systems
  • January 2017 placed all large systems on standard LCR monitoring
  • Evaluation of Lead/Copper and WQP Sampling Plans

• In January 2018, DEP sent a letter encouraging water system to conduct a materials evaluation.

• LSL inventory updates were required in February and October 2019
New Jersey Drinking Water Program
Lead Service Line Summary

• In New Jersey: 575 community water systems (CWS)

• 107 CWS have reported the known presence of lead service lines in their distribution systems who alone provide water for more than 5.6M customers in the State.

• Approx. 162,000 known lead service lines and an estimated 230,000 - 350,000 total lead service lines statewide.

• The estimated need to replace LSLs statewide is approximately $2.1 to $3.2B.
New Jersey Water Bank Financing Program

Water Bank Objectives

• To incentivize and facilitate the investment required to sustain and improve NJ’s aging environmental infrastructure systems.

• To provide low-cost financing for projects that improve water quality and protect public health.

• To act as a fiduciary and steward NJ’s SRF financing program for future participants in perpetuity.
Drinking Water State Revolving Fund (DWSRF)

• Since 1997, NJ has received $15-20M/YR from USEPA
  • 2% of the Annual Congressional Budget for DWSRF
  • Special allocation for Superstorm Sandy: $38M

• Other Sources of Funds:
  • Loan repayments (“Revolving Fund”)
  • Market rate funds from NJIB
  • Transfer of funds from CWSRF if needed
NJ Drinking Water Loan Structure

• Rolling Applications – no application deadlines
• Rolling Loan awards based upon **Priority Ranking** for projects in the fundable range
• S-T Construction loans for P&D, soft costs, and construction costs
  • Limited out of pocket payments during construction
• L-T Loans, transition from S-T loan **upon** construction completion
  • Maximum loan terms = Lesser of “Useful life” or 30 Years
  • Multiple Bond Sales per year
Past Lead Service Line Replacement Projects

• Prior to 2016, NJ systems were eligible to receive funding through the water bank at base program rates. Only a few took advantaged.

• Others were limited by funding and difficulties determining lead service line inventory.

• In 2016, NJ received approval to tap unused additional subsidization authority from older DWSRF cap grants to offer $30M Principal Forgiveness set aside in FFY2018 and FFY2019 for LSL replacement for systems for systems that had:
  • An Action Level Exceedance
  • A median household income less than the median household income for the county.
**FFY2018/FFY2019 Lead Service Line Replacement Projects**

- $9M PF committed to Newark Phase 1 for FY2018
- $9M PF committed to Newark Phase 2 for FY2019
- $9M PF committed to Trenton for FY2019
- $3M PF remaining rolled over into FFY2020

<table>
<thead>
<tr>
<th>LSLR Project</th>
<th>Total Project Cost</th>
<th>Lines to be replaced</th>
<th>Cost/line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trenton</td>
<td>$20,340,000</td>
<td>2600</td>
<td>$7,823</td>
</tr>
<tr>
<td>Newark Phase 1</td>
<td>$12,296,528</td>
<td>1500</td>
<td>$8,198</td>
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<tr>
<td>Newark Phase 2</td>
<td>$17,000,000</td>
<td>1500</td>
<td>$11,333</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$49,636,528</strong></td>
<td><strong>5600</strong></td>
<td><strong>$8,864</strong></td>
</tr>
</tbody>
</table>

Average Cost Per Line = $8,864
Lead Remediation Funding Requirements

• Priority points for LSL replacement projects for systems with an Action Level Exceedance.

• DWSRF funds are only provided for a full (not partial) lead service line replacement

• Principal forgiveness for eligible water systems that:
  • Can document the presence of lead pipes and components (at least 90% or more lead by weight)
    • Historic records that the lines to be replaced are lead including age of the houses and high probably of lead lines and components being present, line installation records, etc.
Access to Private Property

Newark, N.J.

Governor Murphy Signs Legislation Allowing Municipalities to Enter Properties to Perform Lead Service Line Replacements

01/9/2020

State of New Jersey Department of Environmental Protection
Water Infrastructure Funding Transfer Act

- Prior to October 4, 2020, approx. $113M from the CWSRF to the DWSRF
- Transferred funds may be used to provide financial support in the form of
  - principal forgiveness
  - grants or;
  - negative interest loans for lead abatement projects
- Transferred funds will be leveraged to finance $217M in lead abatement projects.
- Allotment of funds is outlined as part of FFY2020 Intended Use Plan
FFY2020 Lead Remediation Funding Requirements

• Funding projects located in a municipality where the median household income (MHI) is less than the MHI for the State.

• Priority points for all LSL replacement projects. Systems with an Action Level Exceedance receive additional points.

• DWSRF funds are only provided for a full (not partial) lead service line replacement

• Loan packages of 50% principal forgiveness/50% I-Bank Market Rate
## Current DWSRF Lead Remediation Funding Packages

<table>
<thead>
<tr>
<th>Lead Line Replacement</th>
<th>Principal Forgiveness</th>
<th>Principal Forgiveness Cap</th>
<th>I-Bank Market Rate</th>
<th>Total Project Cost Cap*</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 5,000 Known Lead Service Lines</td>
<td>50%</td>
<td>Up to $20M</td>
<td>50%</td>
<td>$40M</td>
</tr>
<tr>
<td>≥ 1,000 and ≤ 5,000 Known Lead Service Lines</td>
<td>50%</td>
<td>Up to $5M</td>
<td>50%</td>
<td>$10M</td>
</tr>
<tr>
<td>&lt; 1,000 Known Lead Service Lines</td>
<td>50%</td>
<td>Up to $1M</td>
<td>50%</td>
<td>$2M</td>
</tr>
<tr>
<td>Lead Remediation</td>
<td>90%</td>
<td>Up to $1M</td>
<td>10%</td>
<td>$1.1M</td>
</tr>
</tbody>
</table>

* Project Costs in excess of the Cap can be financed by the I-bank at AAA Market Rate
# Active Projects Currently In House

<table>
<thead>
<tr>
<th>PROJECT SPONSOR</th>
<th>PROJECT NUMBER</th>
<th>PROJECT PRIORITY LIST</th>
<th>COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passaic Valley Water Commission</td>
<td>1605002-026</td>
<td></td>
<td>$1,978,000</td>
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<tr>
<td>NJ American Water Short Hills</td>
<td>0712001-016</td>
<td></td>
<td>$6,576,000</td>
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<td>NJ American Water Raritan</td>
<td>2004002-012</td>
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<td>$8,974,000</td>
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<tr>
<td>Passaic Valley Water Commission Main System</td>
<td>1605002-002</td>
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<td>$26,500,000</td>
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<tr>
<td>Trenton City</td>
<td>1111001-005</td>
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<td>$40,000,000</td>
</tr>
<tr>
<td>Passaic Valley Water Commission Lodi System</td>
<td>0231001-002</td>
<td></td>
<td>$7,400,000</td>
</tr>
<tr>
<td>Passaic Valley Water Commission North Arlington</td>
<td>0239001-002</td>
<td></td>
<td>$10,500,000</td>
</tr>
<tr>
<td>Belleville Township</td>
<td>0701001-008</td>
<td></td>
<td>$3,568,752</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$105,496,752</strong></td>
<td></td>
<td></td>
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</tbody>
</table>
Newark Water Department

NJ Water Bank Financing Program closed on a short-term project loan:

- SFY2019- $12.3M for Phase I of their Lead Service Line Replacement program
- SFY2020- Phase II $13.5M
- SFY2021- $40M, including $20M in principal forgiveness for Phase V-IX.

Lead Service Line Replacement Program

The largest opportunity to reduce the risk of exposure to lead in drinking water is to remove the lead service line that brings water to your home from the water main in the street. The City of Newark has initiated a Lead Service Replacement Program that will replace approximately 18,000 lead service lines over the next 24 to 30 months.
Patricia Gardner
patricia.gardner@dep.nj.gov

Program Websites:
www.nj.gov/dep/watersupply
https://www.nj.gov/dep/dwq/mface.htm