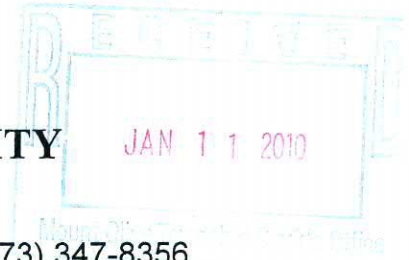


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# MUSCONETCONG SEWERAGE AUTHORITY

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Budd Lake, New Jersey 07828

Phone: (973) 347-1525

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January 6, 2010

cc: Admin  
DPW  
CFO

Byram Township  
Municipal Building  
10 Mansfield Drive  
Stanhope, NJ 07874

Netcong Borough  
Municipal Building  
23 Maple Ave.  
Netcong, NJ 07857

Hopatcong Borough  
Municipal Building  
111 River Styx Road  
Hopatcong, NJ 07843

Roxbury Township  
Municipal Building  
1715 Route 46  
Ledgewood, NJ 07852

Mt. Arlington Borough  
Municipal Building  
419 Howard Blvd.  
Mt. Arlington, NJ 07856

Stanhope Borough  
Municipal Building  
77 Main St.  
Stanhope, NJ 07874

✓ Mt. Olive Township  
Municipal Building  
PO Box 450  
Budd Lake, NJ 07828

Gentlemen:

Re: FY2010 Funding Formulas Being  
Considered by NJDEP/NJEIT

The NJDEP/NJEIT is anticipating a larger than usual allocation of funds from the Federal Clean Waters Act through USEPA for Fiscal Year 2010. In addition, it appears that there may be monies left over from the 2009 ARRA (Stimulus Funds) that the state will fight to reallocate in 2010. This is similar to the information we heard back in late summer of 2008 that a "Jobs Bill" will be approved regardless of the election results. The program would be looking for "shovel ready" projects and came into being late 2008. Approximately \$300,000,000 was made available with the opportunity for 50% principle forgiveness and the remainder to be financed in the traditional way (50% at 0% interest and 50% at bond market rate). Many local municipalities were awarded grants (many lost funding since they could not get the work bid by February 2010).

In recent discussions with the NJDEP, they related that the USEPA has increased 2010 funding 300% and adding that to the remaining ARRA monies, the NJDEP is considering the following formulas for funding for FY2010:

1. Traditional Funding - 50% at 0% interest and 50% at bond market rate, paid back over 20 years.
2. Funding - 75% at 0% interest and 25% at bond market rate, paid back over 20 years.
3. "Principal Forgiveness" (grant equivalent) - 50% of project cost, 25% at 0% interest and 25% at bond market rate, paid back over 20 years.
4. Provide additional funding through a proposed federal "Jobs Bill."

The MSA Engineer, Lee T. Purcell met with Stan Cash, the Assistant Director of Municipal Finance & Construction, Division of Water Quality of NJDEP who confirmed that the above formulas are all under consideration by NJDEP/NJEIT for funding "Eligible Projects" in 2010. The final decision on what funding formulas will be utilized will be made by the new administration.

I do not believe the above information has been widely socialized so the competition may not be that great. Municipalities should be prepared to file for any projects that are planned. There is an engineering cost, but no commitment. Free money does not come around frequently and even the 75% of the loan interest free approximates a 45% grant.

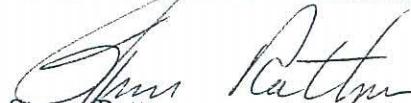
The purpose of this letter is to ensure that each of the MSA member municipalities does not miss the opportunity to participate if it is in their best interests. With the intent of utilizing the program to stimulate the economy, it should be noted that the schedules in 2009 were modified to increase participation. This may not be repeated in 2010.

The Musconetcong Sewerage Authority has been monitoring the program to ensure we obtain the maximum financial benefits for required maintenance and replacement projects. We developed a five-year capital plan, prioritized the projects and choose the top five. This included the upgrade of three pump stations and the replacement of an additional one. Replacement of outdated VFDs at the Water Pollution Control Plant (WPCP), rehabilitate the WPCP Soda Ash System and the Cleaning, CCTV Inspection & Manhole Rehabilitation of Interceptors. These projects total approximately \$2,500,000. I am pleased to announce that after our careful preparation and pleading our case to the NJDEP, the application has been ranked number one on the priority list. This puts the MSA first in line to receive any funds that are made available.

Since our engineer, Lee T. Purcell, has expended a large amount of time in the preparation and representation of the authority on our projects, he has gained useful insight to the current and proposed NJEIT programs. Feel free to contact Mr. Purcell at 973-227-7200 if it will help you in your plans.

Very truly yours,

MUSCONETCONG SEWERAGE AUTHORITY

  
Steven Rattner  
Chairman