

ASSOCIATION OF ENVIRONMENTAL AUTHORITIES

COVID-RELATED BORROWING

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BACKGROUND

- covid has created deficits
- often no power to borrow for deficits
- new State laws specifically permit covid-related borrowing

MUA/SA ALTERNATIVES

1. Authority Temporary Funding Notes (40A:5A-13 – existing law)
2. Authority Covid Relief Bonds (40A:5A-6 – new law)
3. Municipal Cooperation

AUTHORITY TEMPORARY FUNDING NOTES (40A:5A-13)

1. Amount: not exceeding realized deficit in revenues for the preceding fiscal year and an estimated deficit in revenues for the current fiscal year
2. Maturity: not later than the close of the succeeding fiscal year
3. Renewals: permitted without limitation
4. Security: subordinate to bonds and other notes
5. Authorization: resolution adopted by majority vote
6. Local Finance Board: **notification** 30 days prior to issuance with statement of the manner in which notes will be retired or refinanced at maturity

AUTHORITY COVID RELIEF BONDS (40A:5A-6)

1. New Law: Chapter 74 of the Laws of 2020 effective August 31, 2020
2. Objective of Law: primarily for municipalities, counties and school districts which, unlike authorities, have no existing deficit borrowing power
3. Purpose of Borrowing: Covid-19 **expenditures** incurred for immediate preparation, response, recovery and restoration of public services
4. Maturity: not to exceed five years
5. Authorization: resolution adopted by majority vote
6. Local Finance Board: application must be **approved**

MUNICIPAL COOPERATION

1. Service Contract or Deficiency Agreement: covenant to fund any deficits or deficiency
2. In Lieu of Authority Temporary Funding Notes: if not permitted by bond resolution and if service contract covenant to fund deficiency, municipality may issue special emergency notes (40A:5A-14)
3. SA and MUA Laws: municipality has power to loan or donate to Authority (40:14A-9 and 40:14B-24)

OTHER CONSIDERATIONS

1. Credit Rating Effect
2. User Rate Effect
3. State Budget Review Process
4. Bond Covenant Compliance