



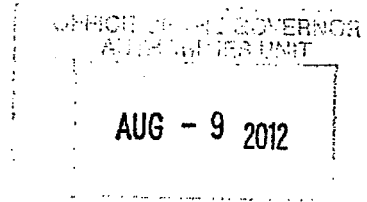
New Jersey
Environmental
Infrastructure Trust

Warren H. Victor, Chairman
Herbert Barrack, Vice Chairman
Robert A. Briant, Sr., Treasurer
Andrew P. Sidamon-Eristoff, State Treasurer
Bob Martin, DEP Commissioner
Richard E. Constable, III, DCA Commissioner



"Financing New Jersey's
Water Quality Future"

David E. Zimmer, CFA, Executive Director



August 9, 2012

Veto date 8/23

Honorable Chris Christie
Governor of the State of New Jersey
State House
PO Box 001
Trenton, NJ 08625

Dear Governor Christie:

In accordance with the provisions of the New Jersey Environmental Infrastructure Trust Act, I hereby transmit for your review and consideration the minutes of the August 9, 2012 Trust Board meeting of the New Jersey Environmental Infrastructure Trust. The New Jersey Environmental Infrastructure Trust Act provides that the Governor has ten days from the delivery of the minutes, excluding weekends and holidays, to review and accept such minutes. In the event that the minutes are not acted upon within the statutory time frame by you, the minutes become effective automatically.

Sincerely,

David E. Zimmer, CFA
Assistant Secretary

DEZ:jam
Enclosure

- c Honorable Stephen Sweeney, President of the Senate
Honorable Sheila Oliver, Speaker of the General Assembly



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August 9, 2012

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

OPEN PUBLIC MEETING

MINUTES – AUGUST 9, 2012

A meeting of the New Jersey Environmental Infrastructure Trust was convened on Thursday, August 9, 2012 at 10:00 a.m., in the conference room of 3131 Princeton Pike, Building 6, Suite 201, Lawrenceville, New Jersey.

The New Jersey Environmental Infrastructure Trust filed a notice of the time, place and location of this meeting with the Secretary of State via "fax" to the Bergen Record and The Trentonian in accordance with the New Jersey Open Public Meetings Act (N.J.A.C. 10:4-6 et. seq.) and to all press offices in the State House. A copy of this notice was posted outside the Secretary of State's Office, within the Department of Environmental Protection, and at the Trust Office.

DIRECTORS

Warren Victor, Chairman
Herbert Barrack, Vice Chairman
Robert Briant, Sr., Treasurer
Michele Siekerka
(for DEP Commissioner Martin)
Adrienne Kreipke
(for State Treasurer Sidamon-Eristoff)
James Requa
(for DCA Commissioner Constable)

OTHERS

David E. Zimmer, Executive Director
Frank Scangarella, Assistant Director
John Hansbury, Chief Budget Officer
John Cascarano, Governor's Authorities Unit
Sudi Solomon, Deputy Attorney
Richard Nolan, McCarter & English LLP
Geoffrey Stewart, Public Financial Management
Eugene Chebra, Municipal Finance & Construction
Lidia Harper, Equal Opportunity & Contract

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APPROVAL OF THE MINUTES:

Chairman Victor opened discussion of the minutes of the July 12, 2012 Trust Board meeting. Mr. Briant moved for the approval of the minutes. Mr. Requa seconded the motion. Ms. Siekerka reported that, although she was not present at last month's Board meeting, Mr. Fred Sickels, who represented DEP Commissioner Martin in Assistant Commissioner Siekerka's absence, had verified the accuracy of the minutes to her.

The minutes were approved 6 to 0 with 0 abstentions.

ANNOUNCEMENTS:

Mr. Zimmer reported on the events since the last Trust Board meeting:

- The refunding bond sale for Bond Series 2012A-R, 2012B-R and 2012C-R is scheduled for Tuesday, August 14, 2012. A detailed report will be presented to the Board at next month's Board meeting.
- Biweekly meetings continue to be conducted by the DEP, Chaired by Assistant Commissioner Siekerka to discuss and further implement the Governor's 10-point Barnegat Bay initiative.
- On July 13, 2012, Executive Director Zimmer and DEP Director Sickels met to discuss the design and implementation of a small systems loan program. This issue will be discussed further with the Board under Agenda Item 8C of today's meeting.
- On July 20, 2012, Trust senior staff met with representatives from Kroll Bond Ratings as a possible ratings alternative on future Trust Bond issues.
- On July 24, 2012, Executive Director Zimmer attended the groundbreaking ceremony for the Newark Lister Redevelopment project.
- Several Trust and DEP internal meetings were held during the past month regarding:
 - Possible development of a Newark MUA
 - Total available funds for SRF (SFY2013)
 - State Water Asset Management Plan
 - On-going development of the joint H2IOans Computer System
 - Joint funding of the Frenchtown Stream Project with the USDA
 - Refunding and Defeasance Issues via a number of conference calls
- The next Board meeting is scheduled for Thursday, September 13, 2012 at 10:00 a.m. at the Offices of the Trust.

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During the past month the Trust received or sent the following noteworthy correspondence. Pursuant to the Trust's Green Initiative, the agenda package does not include copies of the following correspondence. Board members should contact the Trust Secretary if they wish to receive copies.

- On July 25, 2012, a letter was sent to TD Bank's Vice President, Ms. Catherine Alessi, notifying that Cutwater Asset Management will no longer be serving in the capacity of Investment Advisory and will be replaced by PFM Asset Mgt., LLC. Contact names, email addresses, phone and fax numbers were included for PFM contacts.
- On July 20, 2012, a letter was sent to members of the Joint Budget Oversight Committee (JBOC) regarding the Remedial Action Report advising that two borrowers withdrew from the refunding, the Bayonne MUA and Bayonne Local Redevelopment Authority (collectively, the "Bayonne Entities").

On July 30, 2012, JBOC met and approved the Trust's 2012A-R, 2012B-R and 2012C-R Refunding Series. Board members each received a copy of JBOC signed approval.

- On July 16, 2012, letters were sent to borrowers (list attached) notifying that NJEIT's auditors, the Mercadien, P.C., are conducting an annual audit of our financial statements. Each borrower was instructed to confirm their amount of indebtedness as indicated in the letter by signing, dating and returning their letter to our auditors, Mercadien, P.C.

The Trust's Audit Committee will be meeting with Mercadien, P.C. immediately following today's Board meeting to discuss the Trust's annual audit.

Mr. Barrack requested an update of the Internal Control Audit. Executive Director Zimmer will give a status report to the Board at next month's Board meeting.

- On July 11, 2012, Executive Director Zimmer sent letters to Ms. Barbara Kaczmar of the Bank of New York and Ms. Stephanie Roche of US Bank notifying them that Mercadien, P.C., is conducting an audit of the Trust's financial statements. Each bank was instructed to confirm the outstanding bonds listed as of June 30, 2012 return their confirmation directly to Mercadien, P.C.
- 5.02 Certificates were sent for the following projects:
 - 2002 Montclair Twp., Project No. W0713001-007
 - 2003 North Jersey District Water Supply Commission, Project No. W1613001-003/010/0100
 - 2010A Elizabeth City, Project No. S340 942-12 (ARRA)

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- 2010A Point Pleasant Beach Borough, Project No. S340 479-03
- 2010A Collingswood Borough, Project No. S340 291-03
- 2010A Mount Laurel Twp. MUA, Project No. S340 943-05
- 2010A Bayonne MUA, Project No. S340 399-30 (ARRA)
- 2010A Ocean Township SA, Project No. S340 750-08A (ARRA)
- 2010B Musconetcong SA, Project No. S340 384-07 (PF)
- 2010B Ocean Twp., Project No. S340 750-09
- 2010B Long Beach Twp., Project No. S340 023-03
- 2010B Glen Ridge Borough, Project No. W0708001-005

PUBLIC COMMENTS:

No public comments were made.

UNFINISHED BUSINESS:

- 7A. Mr. Chebra of the NJDEP's Municipal Finance and Construction Element discussed the status of the Construction Status Report which reflects that there are 328 active projects totaling \$1.5B; and 728 closed projects totaling \$3.9B making a grand total of 1056 projects at \$5.5B.

DEP is continuing their outreach efforts to borrowers that have unliquidated obligations between contract and bids to disburse their money have been successful. Ms. Siekerka complimented DEP and Trust staffs in their efforts to have funds return into the SRF accounts.

- 7B. Mr. Chebra discussed the SFY2013 Combined Financing Loan Program:

Financing within the traditional program reflects 66 Traditional and Barnegat Bay Clean Water applications totaling \$344,869,000 and 8 Clean Water Supplemental applications totaling \$62,786,000 for a net Clean Water application total of \$407,655,000.

The traditional Drinking Water Program reflects 43 applications totaling \$125,903,000 reflecting a grand total for both the Clean Water and Drinking Water Programs of 117 projects at \$533,558,000.

The Board discussed the Construction Status Report focusing on those projects that have a deobligated balance and the course of action that the DEP is taken to address those projects.

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7C. Executive Director Zimmer reported on the status of the outstanding Trust Requests For Proposals (RFPs):

Document Scanning: The Trust is re-evaluating the scope of services related to the document management system. The Trust anticipates issuing a revised RFP by the end of this month. Chairman Victor was assured that all recipients who responded to Phase I will receive and have an opportunity to respond to Phase II's RFP.

Commercial Paper: Pursuant to Board Resolution 11-44, the Trust continues to refine the RFP prior to its release.

Investment Advisor: Public Financial Management Asset Management (PFM-AM) and the Trust signed contracts over one week ago. PFM-AM has formally started assisting the Trust with its investment matters as of August 1, 2012.

The Trust reviewed the potential Conflicts of Interest issues that may exist in having two separate, but affiliated corporate entities serve the Trust in its financial dealings; in this case PFM Inc. as Trust's Financial Advisor and PFM-AM as Trust Investment Advisor. The review included the following:

- Conversations with chief compliance officer of PFM's corporate parent, a position that oversees compliance across all corporate affiliates and reports directly to the corporation's Board of Directors;
- Numerous internal discussions among senior staff;
- Discussions between Investment Advisory Services Procurement Committee members; and
- Conversations with the Attorney General's Office.

Senior staff specifically reviewed if any conflicts may exist in services provided by subcontractors for the financial advisor in procuring portfolio optimization and execution services regarding the reinvestment of Trust's Bond proceeds.

Executive Director Zimmer noted for the record, that these services were segregated as an individual line item in the RFP for Financial Advisory Services; these services were bid competitively within the procurement process; and they were described at length in the financial advisor's proposal, including the specific individuals to be involved in the investment process. In addition, the Trust requires:

- confirmation from investment sub-contractor that they will act only as agent on any recommended investment purchases and that they do not have ownership positions in any of the recommended investments

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- an advance list of brokerage companies providing offers of the investment securities in question
- copies of the top three best offers including the winning price for any security purchase.

Marketing Services: Pursuant to Resolution 12-33, the Trust issued this RFP July 20th and proposals are due August 30th. The Trust has received a list of 55 questions which are currently being reviewed by the Trust.

Chairman Victor presented Resolution No. 12-44 to the Board, which creates a Marketing Committee responsible for reviewing the recommendation of the Strategic Marketing Plan Procurement Committee and addressing any question to the Committee's team leader. The Marketing Committee will consist of NJEIT's Chairman, Mr. Warren Victor; Vice-Chairman, Mr. Herbert Barrack and State Treasurer Sidamon-Eristoff's representative, Ms. Adrienne Kreipke.

The review done by this Committee will ensure other Board members that all matters were reviewed in detail before being presented with a final resolution to the Board requesting approval to award the contract.

The resolution was moved for adoption by Ms. Siekerka and seconded by Mr. Briant. The motion was carried 6 to 0 with 0 abstentions.

NEW BUSINESS:

- 8A.** Executive Director Zimmer introduced Resolution No. 12-45 accepting the July 2012 Treasurer's Report.

Executive Director Zimmer announced that the Trust paid bills totaling \$22,922.88 in July. The Trust is in receipt of bills for the remainder of July totaling \$79,023.63. The breakdown of bills is as follows:

Princeton Pike Office Park, LLC (Rent – August 2012)	\$9,480.45
J&J Staffing Resources (Part-Time Salaries Invoice: 293994, 294371, 294767,295149	\$12,418.18
Standard & Poor's (Ratings service in connection with 2012 A-R, B-R, C-R Refundings)	<u>\$57,125,000</u>
TOTAL	\$79,023.63

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The resolution was moved for adoption by Mr. Barrack and seconded by Mr. Briant. The motion was carried 6 to 0 with 0 abstentions.

- 8B.** Executive Director Zimmer introduced Resolution No. 12-46 authorizing NJEIT to assist the Attorney General's Office regarding the issuance of a Request for Proposal for Bond Counsel Services for the SFY2014 and SFY2015 Financing Programs. The Attorney General's Office will draft the RFP and oversee the procurement process. Attorney General's Office, along with the staff of the Trust, will make a recommendation to the Attorney General for approval and award.

The resolution was moved for adoption by Ms. Kreipke and seconded by Mr. Barrack. The motion was carried 6 to 0 with 0 abstentions.

- 8C.** The Board discussed the creation of a new, small system loan program that addresses the capital investment needs of drinking water systems that serve populations less than 10,000. This loan program, "Nano-Loans" (NLP) will serve as a source of funding for projects that are typically sponsored by small water systems which serve trailer parks and home owners associations and who generally have limited financial and professional resources necessary to manage a formal financial policy and undertake programmatic borrowing. Projects will continue to be ranked and certified by the DEP, similar to the traditional loan program, and be subject to a maximum loan size of \$1M per borrower.

It is envisioned that the NLP will offer qualifying borrowers the following benefits:

- Waiver of DEP's 2% origination fee
- Waiver of EIT's bond issuance and underwriting expenses
- Reimbursement through DEP of the project's Design and Engineering expenses

In addition:

- Borrowers will not be required to put two years of debt service payments in a reserve fund as security collateral as in the traditional Program, and
- DEP and EIT are discussing the creation of a standardized bond counsel program to minimize legal fees paid by these systems for their loan.

As drafted, the NLP will be funded through a separate bond series ensuring the continued funding for small system projects and segregating the credit risk of these borrowers from other NJEIFP loan recipients in conjunction with the Program's annual bond sale and its MPTA collateral account.

The NLP Program will be created to commence in the SFY2014 and SFY2015 Program years and be funded in an amount not to exceed \$4mm each year with loans comprised of 50% Principal Forgiveness, 25% as a 0% DEP loan and 25% as a market-rate EIT loan.

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8D. Mr. Briant updated the Board on the status of the Federal Legislation.

- The funding for the SRF federal grants program for FFY2013 is expected to move forward under a Continuing Resolution, meaning that the State of New Jersey should receive the same amount of federal capital grants for FFY2013 as it did in FFY2012 (approximately \$82MM).
- Water Protection and Reinvestment Act of 2012 (HR 6249) to provide sources of revenue to assist states in the replacement and repair of critical wastewater treatment facilities was introduced by Congressman Earl Blumenauer. The Bill will most likely not move in this year's Congress, but efforts will continue in January to lobby all Committee members to support the Bill.
- Congressman Pascrell has obtained approximately 100 co-sponsors on a bill aimed at increasing the allowable cap on tax-exempt financing of private activity water bonds. Congressman Pascrell will be working on obtaining several hundred co-sponsors for the bill when the Congress reconvenes in September allowing the legislation to move forward quickly. The Bill contains provisions for funding for CSO's.

EXECUTIVE SESSION:

9. No executive session was held.

Mr. Briant moved to adjourn the meeting. The motion was seconded by Ms. Siekerka. The motion was carried 6 to 0 with 0 abstentions.

The meeting was adjourned at 10:40 a.m.