



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

September 13, 2012

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

SEP 14 2012
Veto date 9/28

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 September 13, 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,

A handwritten signature in black ink, appearing to read "David E. Zimmer".

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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NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

OPEN PUBLIC MEETING

MINUTES – SEPTEMBER 13, 2012

A meeting of the New Jersey Environmental Infrastructure Trust was convened on Thursday, September 13, 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
Fred Sickels
(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
Lauren Seidman Kaltman, Chief Financial Officer
John Hansbury, Chief Budget Officer
Kerstin Sundstrom, Governor's Authorities Unit
Clifford T. Rones, Deputy Attorney General
Richard Nolan, McCarter & English LLP
Geoffrey Stewart, Public Financial Management
Eugene Chebra, Municipal Finance & Construction
Lisa Loesser, Equal Opportunity & Contract

Executive Director Zimmer announced that he has received a letter from Commissioner Martin appointing Mr. Fred Sickels as his representative for today's Trust Board meeting.

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APPROVAL OF THE MINUTES:

Chairman Victor opened discussion of the minutes of the August 6, 2012 Trust Board meeting. Mr. Briant moved for the approval of the minutes. Mr. Barrack seconded the motion. The minutes were approved 6 to 0 with 0 abstentions.

ANNOUNCEMENTS:

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

- On August 14, 2012, the Trust successfully conducted a refunding bond sale for Refunding Bond Series 2012A-R, 2012B-R and 2012C-R. A detailed report will be presented to the Board under Agenda Item 8B of today's meeting.

Bond Closings were held at the Office of McCarter & English for these three (3) Refunding Series on August 23, 2012.
- 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.
- Several Trust and DEP internal meetings and conference calls were held during the past month regarding:
 - Stanhope Borough project
 - On-going development of the joint H2IOans Computer System
 - RVSA regarding Asset Management Planning
 - Economic Development Authority and the National Association of Industrial and Office Properties to discuss the HDSRF Program
 - Pro-Computer Services meeting to discuss IT issues and the extension of their contract
 - Kroll Bond Ratings conference call to discuss the potential of having Kroll rate future Trust bond sales
 - North Hudson conference call with Trust and McCarter & English staff
 - Post-Issuance Tax Compliance and Implementation of an Electronic Processes with Trust and McCarter & English staff
 - Withum Smith & Brown regarding Internal Controls Audit issues
- The next Board meeting originally scheduled for Thursday, October 11, 2012 has been rescheduled for **October 18, 2012 at 10:00 a.m.** at the Offices of the Trust.

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 September 11, 2012, the 30-day Bond Sale Report for the 2012 Refunding of 2012A-R, 2012B-R and 2012C-R Bond Series was submitted to State Treasurer Sidamon-Eristoff, in satisfaction of Section 14 of Executive Order No. 26.
- On August 30, 2012, a report detailing the results of the August 14, 2012 Refunding Bond Sale Series 2012A-R, 2012B-R and 2012C-R was sent to each member of the Joint Budget Operating Committee.
- On September 4, 2012 Executive Director Zimmer sent a letter to the Internal Revenue Service notifying of the "Notice of Defeasance under Treasury Regulation Section 1.141-12 NJ Environmental Infrastructure Trust in the amount of \$66,420,000 Environmental Infrastructure Bonds, Series 2003A for the Raritan Valley SA.
- On September 4, 2012 Executive Director Zimmer sent a letter to the Internal Revenue Service notifying of the "Notice of Defeasance under Treasury Regulation Section 1.141-12 NJ Environmental Infrastructure Trust \$18,175,000 Environmental Infrastructure Bonds, Series 2004B (AMT) for the North Hudson SA.
- On August 10, 2012, a letter was sent to Mr. Stephen Warburton-Pitt, President of the North Shore Water Association, requesting information necessary to complete the applicant's financial capacity review.
- On September 12, 2012, Executive Director Zimmer sent a letter to Mr. Thomas Martinolich of the Sea Village Marina, LLC, describing the conditions precedent to maintaining eligibility for participation in the SFY2014 Financing Program.
- Since the last Trust Board meeting the following projects received by-pass letters:

Asbury Park City	-	Project No. S340883-05	\$2,488,000
Linwood City	-	Project No. S340217-01	\$824,000
Middlesex County UA	-	Project No. S340699-11	\$20,297,000
Newark City	-	Project No. S340815-21	\$11,902,000
NJ Water Supply Authority	-	Project No. S340421-01	\$31,104,000
Fountainhead Properties Inc.	-	Project No. 1511013-002	\$76,000
Flemington Borough	-	Project No. 1009001-008	\$168,000

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- 5.02 Certificates were sent for the following projects:
 - 2010B West Milford Twp. MUA, Project No. S340701-09-1
 - 2010B Avalon Borough, Project No. W0501001-001

PUBLIC COMMENTS:

- Communications Workers of America representative, Adam Liebttag presented the Board with a packet and stated it pertained to a lawsuit regarding a personnel matter with a Trust employee that was initiated and has been on-going since 2008. Mr. Liebttag urged the Board to resolve this matter as the Trust has paid over \$135,000 to-date litigating this issue. The Chairman thanked Mr. Liebttag for his comments.
- Mr. Charles Comerford of Arthur Road Home Owners Association reported that the Association lacked \$28,000 to complete a \$280,000 drinking water project. He expressed his belief that the soft costs associated with the Program such as the Davis-Bacon minimum wage requirement among other issues, caused the Program to be unnecessarily expensive and cumbersome to smaller facilities who do not have the funding or staff necessary to fulfill the requirements of the Financing Program. The Chairman thanked Mr. Comerford for this comments.

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 320 active projects totaling \$1.5B; and 735 closed projects totaling \$3.9B making a grand total of 1055 projects at \$5.4B.

DEP is continuing their outreach efforts to have borrowers return their un-liquidated obligations between final contract costs and approved loan amounts. This process has successfully resulted approximately \$17M returned to the DEP's SRF funding accounts. The staff of the Trust and DEP are working together to revamp this report to reflect more detailed project information.

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

Clean Water Financing Program

The traditional Clean Water Financing Program reflects 66 Traditional and Barnegat Bay Clean Water applications totaling \$344,869,000.

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The following Clean Water projects were recently by-passed: Asbury Park City, Linwood City, Middlesex County UA, Newark City and NJ Water Supply Authority, totaling \$66,615,000. These 5 by-passed projects have reduced the traditional Clean Water Financing Program to 61 projects totaling \$278,254,000.

The Supplemental Clean Water Program currently reflects 8 applications totaling \$62,786,000 for a combined net total for the Clean Water Financing Program of 69 projects at \$341,040,000

Drinking Water Financing Program

The traditional Drinking Water Financing Program reflects 43 applications totaling \$125,903,000 with no supplemental loans at this time.

The following Drinking Water projects were recently by-passed: Flemington Borough and the Fountainhead Properties Inc., totaling \$244,000. These 2 by-passed projects have reduced the traditional Drinking Water Financing Program to 41 projects totaling \$125,659,000.

Grand Totals for both the Clean Water and Drinking Water Financing Programs now amount to 110 projects totaling \$466,699,000.

With the October 1st deadline approaching, the Trust and the DEP are reaching out to those applicants currently in the SFY2013 Financing Program who have the potential of not receiving funding in SFY2013, to reapply for the SFY2014 Financing Program. All applicants are being encouraged to actively transfer their presently saved information into next year's Finance Program in order to retain eligibility for funding in the event they do not receive a loan in SFY2013.

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

Marketing Services: Pursuant to Resolution 12-33, the Trust issued this RFP July 20, 2012 with proposals due August 30, 2012. The Trust has issued an addendum to the RFP modifying the proposal due date to Wednesday, September 19, 2012.

The Trust posted responses to the list of 55 questions received during the RFP process to the Trust's website. Subsequent to the due date submission, the Procurement Committee will make itself available to the newly formed Marketing Committee to answer any questions.

Bond Counsel Services: Pursuant to Resolution 12-46, the Trust has forwarded a copy of the draft RFP to the Attorney General's Office. The Trust will have two members on the bid review committee. The Trust anticipates the RFP being released sometime in November.

Process Control Audit: Having completed a full review of the Financing Program's business processes for the joint H₂Oans system build, the Trust has re-engaged the control audit firm of Withum Smith & Brown to begin risk assessments of these processes.

Mr. Barrack commented that, consistent with the Audit Committee's annual review of the financial audit performed by the Trust's outside Auditor, the Committee should likewise receive and review an annual report from the Process Control Auditor. Mr. Barrack recommended that the Audit Committee and the internal audit firm, Withum Smith & Brown, meet to review the draft final report prior to release.

7D. Report of the Executive Director of the Trust Regarding Recent Interim Financing Program Trust Loans:

On August 15, 2012, the Trust closed an interim loan to Southeast Monmouth Municipal Utilities Authority in the aggregate amount of \$6,098,278. The interim loan will permit the Authority to commence various upgrades to its water treatment plant.

On September 6, 2012, the Trust closed an interim loan to the City of Elizabeth, in the aggregate amount of \$2,323,000. The interim loan will permit the City to commence the replacement and reconstruction of a portion of its combined sewer system.

In summary, 4 projects have applied for IFP loans totaling \$14.9MM of which 2 have closed requesting a total of \$8.4MM.

This report was provided to the Board of Directors of the Trust in satisfaction of the requirements of Section 6 of the authorizing Resolution No. 11-44 adopted by the Trust on December 8, 2011.

EXECUTIVE SESSION:

Mr. Zimmer introduced Resolution No. 12-47 to conduct an Executive Session. The resolution was moved by Mr. Requa and seconded by Ms. Kreipke. The motion was carried 6 to 0 with 0 abstentions.

The Board convened for an Executive Session at 10:40 a.m. to discuss litigation and contract negotiation matters concerning the Trust Board.

The Board reconvened the public session at 11:30 a.m. Minutes of the Executive Session will be available when the need for confidentiality is no longer necessary.

NEW BUSINESS:

- 8A. Executive Director Zimmer introduced Resolution No. 12-48 accepting the August 2012 Treasurer's Report.

Executive Director Zimmer announced that the Trust paid bills totaling \$99,499.87 in August. The Trust is in receipt of bills for the remainder of September totaling \$787,234.24. The breakdown of bills is as follows:

PFM Asset Management LLC (Balance due for structuring of escrow portfolios in connection with the September 2012 Defeasances of five (5) Trust Bond Series)	\$3,500.00
McCarter & English, LLP (Bond Counsel services in connection with: September 2012 Defeasances and IFP Loan closing)	\$54,960.00
Moody's Investors Service (Ratings Service in connection with the NJEIT 2012 A-R, B-R, C-R Refundings)	\$84,000.00
Fitch Ratings (Ratings service in connection with the NJEIT 2012 A-R, B-R, C-R Refundings)	\$75,000.00
Bank of New York Mellon (Trustee Services in connection with the NJEIT 2008A Bonds (9/1/12 – 8/31/13))	\$3,500.00
Bank of New York Mellon (Trustee/Escrow services NJEIT 2007A Refunding (9/1/12 – 8/31/13))	\$7,000.00
U.S. Bank (Master Program Trustee Acceptance Fee in connection with the NJEIT 2012 Refundings)	\$3,000.00
Bank of America Business Card (Credit Card payment #7478)	\$4,636.60
J&J Staffing Resources (Part-Time Salaries Invoice #: 293623, 296694)	\$4,711.35
Princeton Pike Office Park, LLC	\$9,480.45

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(Rent – September 2012)

J&J Staffing Resources (Part-Time Salaries Invoice Numbers: 296319, 295923, 295538)	\$8,119.65
Mercadien (Audit of CW/DW Fund FY2012 Financial Statements Payment #1, pursuant to Trust Resolution No. 10-05)	\$36,215.00
Mercadien (Verification Agent services relating to NJEIT 2012 A-5, B-5, C-R Refunding Bonds)	\$5,500.00
Public Financial Management, Inc. (Financial Advisor Services in connection with the NJEIT 2012 Refundings)	\$95,232.95
PFM Asset Management LLC (Structuring portfolio of open market US Treasury Securities and SLGS for 2012 A-R Refunding)	\$30,000.00
McCarter & English, LLP (Bond Counsel Services in connection with the following: SFY2013 Financing Program, Post- Closing Matters, Barnegat Bay Watershed, Supplemental Loan Program, 2013 Interim Financing Program, 2012 Direct Loan Program, Small Water System Financing Program, Post- Closing Tax Compliance, 2012 Refundings, Atlantic County UA, Creation of Newark MUA, Asset Management Planning Program)	\$312,647.31
RR Donnelly (Printing of POS/OS in connection with the NJEIT 2012 Refundings)	\$6,087.43
TD Wealth (Loan Servicing fees in connection with the NJEIT 2001A, B, & C Bonds)	\$6,000.00
Cutwater Asset Management (Investment Advisor – July 2012) Final payment. Pursuant to Trust Resolution No. 10-27, current	\$11,143.50

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contract runs from 6/30/2010 to 6/30/2012 with a minimum monthly fee of \$1,000. Fee based on aggregate assets under management)

BONY (Trustee Fees in connection with the NJEIT 2012 Refundings)	\$7,500.00
Riker Danzig Scherer Hyland Perretti LLP (Trustee Counsel Fees (US Bank of NY Mellon) in connection with the NJEIT 2012 Refundings)	\$10,000.00
Anderson Aquino LLP (MPT Counsel Fees (US Bank Trust) in connection with the NJEIT 2012 Refundings)	<u>\$9,000.00</u>
TOTAL	<u>\$787,234.24</u>

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

- 8B.** Executive Director Zimmer introduced Resolution No. 12-49 acknowledging receipt of the Executive Director's Report concerning the terms of the bond sale of the NJEIT Refunding Bond Series 2012A-R, 2012B-R and 2012C-R. The debt service cash flow savings to participating Borrowers in all three Refunding Bond Series totaled \$25M or \$21.7M on a net present value (NPV) basis which is 10.27% of the refunded par amount after expenses.

On August 14, 2012, a competitive sale of refunding bonds was held. A total of six (6) electronic bids were received by the Trust for the Series 2012A-R Refunding Bonds. The winning bid was awarded to Bank of America Merrill Lynch with a True Interest Cost (TIC) of 1.806%. The Series refunded 137 loans for 103 borrowers producing a debt service payment savings of \$23.45million or \$20.27 million on an NPV basis which is 9.34% of the refunding par amount after expenses.

A total of three (3) electronic bids were received by the Trust for the combined Series 2012B-R Refunding Bonds and Series 2012C-R Refunding Bonds. The winning bid for the Series 2012B-R and Series 2012C-R Refunding Bonds was submitted by Janney Montgomery Scott with a TIC for each Series of 1.931% and 2.375% respectively. The Series 2012B-R Refunding Bonds refunded two loans for two borrowers and produced debt service payment savings of \$0.238 or \$0.223 million on an NPV basis which is 17.21% of the refunding par amount after expenses. The Series 2012C-R Refunding Bonds refunded one loan and produced debt service payment savings of \$1.337 million of \$1.203 million on an NPV basis which is 12.08% of the refunding par amount after expenses.

A detailed bond sale report which included a list of all 104 affected Financing Program borrowers and their associated savings was attached to this resolution along with copies of the Notice of Sale, Summary Notice of Sale, Parity Bid Forms and the Official Statement.

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

- 8C. Executive Director Zimmer introduced Resolution No. 12-50 authorizing the SFY2014 NJEIFP Nano Infrastructure Loan Program. The Program will serve as a source of funding for drinking water loans to be used for improvements to water supply systems servicing populations of less than 10,000. These borrowers usually have limited financial and professional resources, and face challenges in meeting the Program's credit worthiness standards.

The Program will commence in SFY2014 and be funded in an amount not to exceed \$4,000,000 with each loan consisting of a 50% NJDEP principal forgiveness loan, a 25% NJDEP zero interest loan and a 25% Trust loan. The Trust is authorized to expend a total of \$1,000,000 in Trust bond proceeds for NLP loans which will be issued separately from other Trust loan bonds to ensure continued funding of projects and segregating the credit risk of other NJEIFP borrowers.

The NLP loan program has established a Loan Loss Reserve Fund (LLR Fund) to serve as a credit enhancement to ensure that the Trust's public issued bonds receive AAA/AAA/Aaa ratings. DEP will initially fund the LLR Fund necessary for that purpose. NLP applicants that do not pledge *ad valorem* taxing authority either directly or indirectly as security for their loans will pay an annual guarantee fee equal to 1% of the outstanding Trust Loan amount (LLR Fee). These fees will be deposited in the LLR Fund and, over time, reduce the need for the DEP to fund the LLR Fund. All borrowers will be required to pay an annual 30% administrative Trust Servicing fee on the Trust Loan component.

Benefits of the Nano Loan Program for borrowers include:

- A waiver of the Trust's public bond underwriting and sale fees,
- A waiver of the DEP 2% administrative fee, and
- A waiver of the requirement of an initial debt service reserve fund equivalent to two years of debt service due at loan closing.

Executive Director Zimmer reported that the Financing Program is considering an extension of the due date for submittal of applications for the Nano Loan Program.

The resolution was moved for adoption by Mr. Sickels and seconded by Mr. Requa with guaranteed revisions as discussed.

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The motion was carried 6 to 0 with 0 abstentions.

- 8D.** Executive Director Zimmer introduced Resolution No. 12-52 approving the extension of an agreement under Resolution No. 11-33 with Pro Computer Services for Information Technology (IT) Services for the maintenance and monitoring of Trust's computer network and workstations. The Trust is satisfied with PCS's services and recommended the approval of renewing their agreement for an additional one-year term at an estimated annual cost of \$9,600 not exceed \$24,000 pursuant to all other terms and conditions set forth in the original agreement.

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

- 8E.** Executive Director Zimmer presented Resolution No. 12-51 honoring Mr. Frank Scangarella, Assistant Director of the NJEIT, for his years of service to the Trust. Chairman Victor presented Mr. Scangarella with a resolution highlighting and thanking him for his achievements since coming to the Trust in 2006. All Board members wished him well in his future endeavors.

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

- 8F.** A credit discussion of the 2009 Program Loan to Valley View Health Care and Rehab Center was discussed in Executive Session.

- 8G.** Mr. Briant updated the Board on the status of the Federal Legislation.

- Congress returned from summer session and extended the FFY2012 SRF federal grant program at current funding levels to March 15, 2013. The NJ SRF Program received approximately \$82MM in FFY2012.

Ms. Kreipke moved to adjourn the meeting. The motion was seconded by Mr. Briant.

The motion was carried 6 to 0 with 0 abstentions.

The meeting was adjourned at 12:15 p.m.