

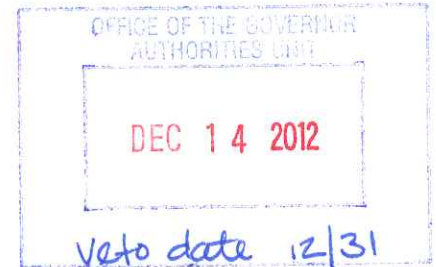


**New Jersey  
Environmental  
Infrastructure Trust**

"Financing New Jersey's  
Water Quality Future"

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

David E. Zimmer, CFA, Executive Director



December 13, 2012

Honorable Chris Christie  
Governor of the State of New Jersey  
State House  
PO Box 001  
Trenton, New Jersey 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 executive session minutes of December 13, 2012, 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,

Roger Ellis  
Secretary

Enclosure

Cc: Honorable Stephen Sweeney, President of the Senate  
Honorable Sheila Oliver, Speaker of the General Assembly



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December 13, 2012

## **NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

### **OPEN PUBLIC MEETING**

#### **AMENDED MINUTES – DECEMBER 13, 2012**

A meeting of the New Jersey Environmental Infrastructure Trust was convened on Thursday, December 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  
Roger Ellis, Secretary  
Michele Putnam  
(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  
Adam Wendell, McCarter & English LLP  
Eugene Chebra, Municipal Finance & Construction

Executive Director Zimmer reported that he is in receipt of a letter from Commissioner Martin appointing Ms. Michele Putnam as his representative for today's Board meeting.

**APPROVAL OF THE MINUTES:**

Chairman Victor opened discussion of the minutes of the October 11, 2012 Trust Board meeting.

Executive Director Zimmer reported that there was a discrepancy on Page 8 of the October 11, 2012 minutes regarding the final term of the contract with WithimSmith+Brown, PC (WSB) for Internal Controls Auditing services. The governing Resolution No. 12-55, states that the extended agreement with WSB will terminate on November 17, 2013. The Minutes inaccurately listed the termination date as of November 30, 2013.

The Minutes have been amended to reflect the termination dates as listed in Resolution No. 12-55 with the correct termination date of November 17, 2013.

Ms. Putnam reported that, although she was not present at last month's Board meeting, Ms. Siekerka, who represented DEP Commissioner Martin at the October 11, 2012 meeting, had verified that accuracy of the minutes to her.

Mr. Briant moved for the approval of the minutes as amended. Mr. Requa seconded the motion. The minutes were approved 7 to 0 with 0 abstentions.

**ANNOUNCEMENTS:**

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

- On December 3, 2012, Frank Scangarella was reappointed to his position as Assistant Director with the Trust.
- The Trust's annual Financing Seminars will be held on January 29, 2013 at the Camden County Community College and on January 30, 2013 at the Raritan Valley Community College.
- On October 24, 2012, Executive Director Zimmer, Camden County MUA's Executive Director, Andy Kricun, and the Association of Environmental Authorities' (AEA) Executive Director, Peggy Gallos met to discuss how the Trust and the AEA can work together to further the Program's goals.
- On October 25, 2012, Executive Director Zimmer joined Assistant Commission Michele Siekerka and a number of senior managers from other State Agencies to discuss the creation and implementation of a State-wide Asset Management Policy.
- On November 14, 2012, Executive Director Zimmer met with Commissioner Martin and members of his senior staff to discuss initial ideas on how to re-build shore communities in the aftermath of Superstorm Sandy.

December 13, 2012

NJEIT Minutes

- On November 16, 2012, Trust and DEP staff met with Harrison Township/HCIA regarding funding of Harrison's clean water and drinking water projects, Project No.'s S340098-01 and 0904001-002.
- On November 20, 2012, Executive Director Zimmer participated in a presentation at the Association of Environmental Authorities' workshop.
- On November 26, 2012, Executive Director Zimmer, Richard Nolan of McCarter & English, Geoffrey Stewart of Public Financial Management conducted a panel presentation to the Association of Government Accountants.
- On November 27, 2012, Executive Director Zimmer gave a presentation before the Alliance for Action "Saviors of the Environment".
- On December 5, 2012, Executive Director Zimmer and Bond Counsel Richard Nolan met with Assemblywoman Grace Spencer and representatives from various Municipal Utilities Authorities and State Agencies to discuss infrastructure funding for the State's drinking water systems.
- On December 10, 2012, Executive Director Zimmer met with DEP Commissioner Martin and his Senior Staff to discuss in greater details Emergency Infrastructure Financing.
- On December 12, 2012, Executive Director Zimmer participated in a panel at the NJ League of Municipalities' New Jersey Infrastructure conference at Mercer County Community College.
- On December 12, 2012, Assistant Director Scangarella attended a meeting held at the Ocean County Utilities Authorities along with DEP and Towns impacted by Superstorm Sandy to discuss financing needs and improvement to preparedness.
- During the months of November and December, several conference calls and meetings were held to discuss the privatization of the Bayonne MUA.

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 October 22, 2012, CD versions of the closing documents for those borrowers participating in the Trust 2010 Series "A" Bonds were distributed to the participants' main contacts, their bond counsel, general counsel and financial advisors. A list of borrowers is attached to the sample letter.

- On October 23, 2012 Executive Director Zimmer sent a letter to Mercadien, P.C. in connection with their audit of the Trust financial statements for the years ending June 30, 2012 and 2011.
- 5.02 Certificates were sent for the following projects:
  - 2006 Bergen County UA, Project No. S340 386-04/786-03
  - 2008 Berkeley Township, Project No. S340 969-06
  - 2009 Merchantville Borough, Project No. S340 367-02
  - 2009 Red Bank Borough, Project No. W1340001-001 (ARRA)
  - 2010A Woodbury City, Project No. W0822001-005
  - 2010A Berkeley Township, Project No. S340 969-07
  - 2010A Bergen County UA, Project No. S340 386-06/08 (ARRA)
  - 2010A Edgewater Borough, Project No. S340 446-11
  - 2012A Pompton Lakes Borough MUA, Project No. W1609001-006

**PUBLIC COMMENTS:**

- No comments were offered by members of the public.

**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 284 active projects totaling \$1.4B; and 772 closed projects totaling \$4B making a grand total of 1,056 projects at \$5.4B.

**7B.** Mr. Chebra reported that there have been discussions of considering extending the SFY2014 finance schedule for borrowers because of Superstorm Sandy. A decision was made that an extension will not be permitted and that those borrowers would move into the SFY2014 Financing Program.

Executive Director Zimmer reported that an extension could not be granted because the financing schedule is constrained by the fiscal year legislative calendar.

Mr. Chebra also reported that the towns that were severely impacted would likely rebuild to a higher standard. He also reported that towns had reported that the utilization of their Combined Sewer Overflows (CSO's) resulted in a lesser impact by Superstorm Sandy.

Mr. Chebra discussed the SFY2013 Combined Financing Loan Program:

Clean Water Financing Program:

Within the Clean Water Program, the Supplemental Clean Water Program currently reflects 8 projects totaling \$62,786,000; 42 Tradition projects totaling \$199,039,000; and 9 Second Chance projects totaling \$27,048,000 and 6 Barnegat Bay Projects totaling \$14,735,000.

The Clean Water Financing Program has a total of 65 projects for \$303,608,000.

Drinking Water Financing Program:

The Traditional Drinking Water Financing Program reflects 30 projects totaling \$113,370,000 and 6 Second Chance projects totaling \$10,160,000.

The Drinking Water Financing Program has a total of 36 projects for \$123,530,000.

**SFY2013 Grand Totals the Program Received:** The Program received Clean Water and Drinking Water Financing Program applications for 101 projects totaling \$427,138,000.

Mr. Chebra discussed the SFY2014 Financing Loan Program:

Clean Water Financing Program:

Within the Clean Water Program, the Supplemental Clean Water Program currently reflects 1 project totaling \$640,000;

The Clean Water Financing Program Traditional Program has a total of 69 projects for \$437,327,917.

Drinking Water Financing Program:

The Drinking Water Traditional Financing Program reflects 67 projects totaling \$181,325,547.

**SFY2014 Grand Totals:** The Program received Clean Water and Drinking Water Financing Program Letters of Intent (LOI) for 136 projects totaling \$618,653,464.

**7C.** Executive Director Zimmer did not report on any outstanding Trust's Request for Proposals.

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

The Trust did not close any new IFP loans since the October Board meeting, but did receive (1) new application.

On December 10<sup>th</sup>, Cinnaminson SA, applied for a total of \$1,092 million for two separate projects, Lakeview sewer main lining and headworks replacement.

In Summary, the Trust has received:

**7** applications for IFP Loans totaling \$17 MM

**3** loans have closed representing a total of \$11.5 MM

The Trust has distributed a total of \$4,801,757 in funds to **2** of these 3 projects

This IFP report was provided to the Board of Directors of the Trust in satisfaction of the requirements of Section 6 of the authorizing Resolution No. 10-55 adopted by the Trust on November 18, 2010.

**NEW BUSINESS:**

**8A.** Executive Director Zimmer introduced Resolution No. 12-57 accepting the October and November 2012 Treasurer's Reports.

Executive Director Zimmer announced that the Trust paid bills totaling \$63,581.52 in October and \$13,251.74 November for a grand total of \$76,833.26. The Trust is in receipt of bills for the remainder of December totaling \$157,570.41. The breakdown of bills is as follows:

Princeton Pike Office Park, LLC \$18,960.90

(Rent – November & December 2012) Current least dates 1/15/2007 – 1/14/2012 (currently month-to-month) annual rent \$52,574.00+ new estimated annual nets \$51,090.38 divided by 12 months equals \$9,480.45 per month.

PFM Asset Management LLC \$20,012.69

(Investment Advisor – September & October 2012) Pursuant to Trust Resolution No. 12-43, Current

contract runs from 7/30/2012 to 7/30/2014. Fee based on aggregate assets under management, Invoice No.'s 135394,136239

J&J Staffing Resources \$19,388.95  
(Part-time salaries October & November, Invoice No.'s 298538, 298907, 299288, 299652, 299966, 300290, 300646, 300998)

Mercadien, PC \$12,784.80  
(Audit of NJEIT FYE June 30, 2012 Financial Statements Final Payment, pursuant to Trust Resolution No. 10-05, Invoice #174474)

Riker Danzig Scherer Hyland Perretti LLP \$10,000.00  
(Trustee Counsel Fees (US Bank) in connection with the NJEIT 2010A&B New Money, and 2011 Refundings)

Treasurer, State of New Jersey \$22,857.57  
(Governor's Authorities Unit Annual Assessment for SFY2013)

Treasurer, State of New Jersey \$4,715.50  
(FY2013 1<sup>st</sup> Quarter Legal fees- Division of Law)

Bank of New York Mellon \$10,150.00  
(Trustee Services: NJEIT Series 2000A (For period 11/1/12 – 10/31/12)) Pursuant to Trust Resolution NO. 00-12 appointing Bank of New York Mellon as 2000A&B Trustee

Bank of New York Mellon \$10,200.00  
(Trustee Services: NJEIT Series 2001AB&C (For period 11/1/12 – 10/31/13)) Pursuant to Trust Resolution No. 01-19 appointing Bank of New York Mellon as 2001AB&C Trustee

Bank of New York Mellon \$3,500.00  
(Trustee Services: NJEIT Series 2008A (For period 11/1/12 – 10/31/13)) Pursuant to Trust Resolution No. 08-18 appointing Bank of New York Mellon as 2008AB&B Trustee



TD Wealth Management (Loan Servicer: NJEIT Series 2000A&B (For period 11/10/12 – 11/9/13)) Pursuant to Trust Resolution 00-11 appointing Commerce Bank/TD Bank as 2000A&B Loan Servicer	\$5,000.00
TD Wealth Management (Loan Servicers: NJEIT Series 2002A&B (for period 11/6/12 – 11/5/13)) Pursuant to Trust Resolution 02-24 appointing Commerce Bank/TD Bank as 2002A&B Loan Servicer	\$10,000.00
TD Wealth Management (Loan Servicer: NJEIT Series 2003A (For period 11/6/12 - 11/5/13)) Pursuant to Trust Resolution No. 02-24 appointing Commerce Bank/TD Bank as 2003A&B Loan Servicer	\$10,000.00
<b>TOTAL</b>	<b><u>\$157,570.41</u></b>

The resolution was moved for adoption by Mr. Briant and seconded by Mr. Barrack. The motion was carried 7 to 0 with 0 abstentions.

- 8B.** Executive Director Zimmer introduced Resolution No. 12-58 authorizing the issuance of a Request for Proposal for financial auditing services for SFY2014 through SFY2016. Pursuant to the State Comptroller’s “Best Practices” recommendation that State agencies and Authorities switch firms not less than once every 10 consecutive years, Executive Director Zimmer recommended that the Trust’s current independent auditor, Mercadian PC not be considered in the RFP. Mercadian is the Trust’s current independent auditor and has been for the past 10 consecutive years. Mercadian was notified of the Comptroller’s “Best Practices” guideline and accordingly, that their RFP response may not be considered for a contract renewal at this time. The contract terms will not exceed three (3) years and identifies the Board members to serve on the Evaluation Committee. Also included in the RFP is the ranking sheet which identifies the criteria to be considered in evaluation proposals and the associated weights. The RFP also contains the draft contract pursuant to N.J.S.A. 58:11B-24 requiring the Trust to have its financial statements audited annually by a CPA and under EO#122 requires the establishment of a Committee and an Evaluation Committee composed of no less than three Board members, or their designees, who will be responsible for drafting, accepting and evaluating proposals. The Audit Committee’s recommendation for the annual audit contract will be presented to the Board for its approval.

Chairman Victor asked the Board representatives of their approval of the Committee as stated in said resolution. State Treasurer Sidamon-Eristoff’s representative, Adrienne Kreipke said State Treasurer will appoint someone other than herself to this Committee;

DEP Commissioner Martin's representative, Michele Putnam, replied that Assistant Commissioner Michele Siekerka had volunteered and DCA Commissioner Constable's representative, James Requa, replied that he also agreed to serve on the Committee.

The resolution was moved for adoption by Mr. Ellis and seconded by Mr. Briant.  
The motion was carried 7 to 0 with 0 abstentions.

- 8C.** Executive Director Zimmer introduced Resolution No. 12-59 authorizing a Supplemental Loan to the Byram Homeowners Association Water Company, Inc. ("Byram"). A short-term supplemental loan in a principal amount not to exceed \$225,000 to finance additional costs of two projects initially financed by Byram through the Direct Loan Program in May of 2012. Pursuant to the resolution, Byram must comply with all the parameters for a supplemental loan for SFY2013 authorized by the Board in July.

The resolution was moved for adoption by Mr. Requa and seconded by Mr. Briant.  
The motion was carried 7 to 0 with 0 abstentions.

- 8D.** Executive Director introduced Resolution No. 12-60 approving a resolution (i) consenting to the prepayment by the City of Linden of the loan extended to it by the Trust pursuant to a loan agreement, dated November 1, 2007; and (ii) authorizing the defeasance of a portion of the Trust Environmental Infrastructure Bonds, Series 2007A. The City has requested to prepay the loan because it was not commenced or intends to commence construction of the Project for which the loan was made. Prepayment will be made from undrawn proceeds of the City's loan from the Trust a portion of the undrawn proceeds of its companion zero-interest loan from the State, which will be prepaid simultaneously with the prepayment of the Trust loan.

The resolution was moved for adoption by Ms. Kreipke and seconded by Mr. Barrack.  
The motion was carried 7 to 0 with 0 abstentions.

- 8E.** Executive Director Zimmer introduced Resolution No. 12-61 to approve the Interim Finance Program for SFY2014 enabling the Trust to make short-term loans to qualifying Borrowers in order to finance all or a portion of the costs of the Project in anticipation of long-term financing through the SFY2014 Financing Program. This Resolution is consistent with the requests and approvals for past IFP Program years including; a maximum loan size limited to \$10 million; interest costs set at 0% for any Borrower that is a local government unit and a 2% per annum interest with respect to any Borrower that is a private person or a local government unit acting on behalf of a private person. The Interim Loans are expected to be refinanced with long-term loans from the SFY2014 Financing Program and should mature not later than the conclusion of SFY2014. No administrative fee will be charged in connection with the Interim Loans.

The Resolution also authorized the preparation and distribution of a RFP with respect to the procurement of a line of credit from a bank in an amount not exceed \$100,000,000 for the purpose of funding a portion of the current and/or future IFP, further Board action is required prior to the award of any contract to provide such a line of credit.

Ms. Putnam questioned the duration of the Interim Finance Program. Executive Director Zimmer responded that pursuant to the Trust's enabling legislation, the IFP loan term expires at the end of the State Fiscal Year.

The resolution was moved for adoption by Mr. Briant and seconded by Mr. Barrack. The motion was carried 7 to 0 with 0 abstentions.

- 8F.** Executive Director Zimmer discussed with the Board as a non-action item, proposed changes to the Trust's current Credit Policy. These revisions stem from situations that have arisen over the past years that have had the potential to increase the credit risk in the Program's loan portfolio.

In recent years, an increasing number of non-traditional Borrowers and Projects have applied for participation in the Financing Program. While the Program has always offered equal and shared access for all qualified applicants to the Trust's AAA/AAA/Aaa Credit Rating, the purpose of this Credit Policy is to clearly define financial conditions and requirements that must be satisfied by each applicant so that all lending decisions and actions of the Trust continue to be consistent, transparent and, ultimately, fiscally prudent.

The Trust's revised Credit Policy segregates Program borrowers into (i) those providing the Program with a general obligation pledge backed by the ad-valorem taxing authority (G.O. Bonds) and (ii) those providing the Program with a pledge of the project's or borrower's repayment capability alone (Revenue Bonds).

Board members received a summary chart highlighting the main differences between the existing Policy and the revised Policy as well as the mindset behind the changes.

Revenue Bond borrowers with credit ratings less than A- will be assessed an annual risk premium in an amount not to exceed a rate of 1% of their outstanding NJEIFP loan balance. The risk premium will be deposited into a Loan Loss Reserve Fund (LLRF) supporting the Master Program Trustee Account which will balance the cost of less credit worthy non-G.O borrowers and provide some additional protection in the system.

Executive Director Zimmer presented the revised Credit Policy for the Board's consideration and during the next month, he will discuss it individually with Board members to address their concerns and questions regarding the revised policy. A running journal with all Board comments will be maintained and shared to ensure all Board members are kept current on comments.

- 8G.** In a second non-action item, Mr. Chebra gave a brief description of the requirements surrounding the Program's creation and delivery of the January Report to the Legislature as required by Statute N.J.S.A. 58:11B-20 and 20.1, which describes the NJEIFP program structure in terms of priority ranking system and a list of all the Projects that may be considered for funding in the upcoming year, policies for management of federal SRF capital grant monies and Program Principal Forgiveness and set aside program description as well a list of all projects which have required NJEIFP funds for the upcoming State Fiscal Year.

Executive Director Zimmer noted that the "Draft" January Report is required to be submitted to both Houses of the NJ's legislature by January 15<sup>th</sup> of each year. The January Report is a DEP/Program Policy document and required no action by the Trust's Board.

Mr. Kreipke requested that since this report changes slightly each year, that next year's report be submitted to the Board in a format that would track any change from the previous year.

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

Although all attention in Congress is focused on the "fiscal cliff" discussions, there is some positive news. If the Administration and Congress reach agreement on current fiscal matters, it appears that fiscal 2013 SRF funding will remain at \$1.465B for wastewater and \$919M for drinking water. Also, Congressman Bill Shuster of PA will be the new Chairman of the House Transportation and Infrastructure Committee.

Congressman Shuster has been a strong advocate for the SRF program and is expected to reintroduce the Water Quality Investment Act early in the new Congress. This bill received bipartisan support two years ago when it was approved in the House. The bill never got to the Senate floor for a vote. The bill provides multi-year funding ranging from \$2.5B and \$4B over four years.

### **EXECUTIVE SESSION:**

- 9.** Mr. Zimmer introduced Resolution No. 12-62 to conduct an Executive Session. The resolution was moved by Mr. Briant and seconded by Mr. Ellis.

The motion was carried 7 to 0 with 0 abstentions.

The Board convened for an Executive Session at 11:10 a.m. to discuss litigation and contract negotiation matters concerning the Trust Board.

The Board reconvened the public session at 11:40 a.m. Minutes of the Executive Session will be available when the need for confidentiality is no longer necessary.

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

The motion was carried 7 to 0 with 0 abstentions.

The meeting was adjourned at 11:42 a.m.