



New Jersey Environmental Infrastructure Trust
3131 Princeton Pike
Building 4 Suite 216
Lawrenceville, NJ 08648-2201



Robert A. Briant, Jr., Vice Chairman
Roger Ellis, Treasurer
Mark Longo, Secretary
Ford M. Scudder, Acting State Treasurer
Bob Martin, DEP Commissioner
Charles A. Richman, DCA Commissioner
David E. Zimmer, Executive Director



JUN 09 2016

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 minutes of the June 9, 2016 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

Enclosure

cc: Honorable Stephen Sweeney, President of the Senate
Honorable Vincent Prieto, Speaker of the General Assembly



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June 9, 2016

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

OPEN PUBLIC MEETING

MINUTES – June 9, 2016

1. CALL TO ORDER:

A meeting of the New Jersey Environmental Infrastructure Trust was convened on Thursday, June 9, 2016 in the conference room of 3131 Princeton Pike, Building 4, Suite 216, Lawrenceville, New Jersey. Vice Chairman Briant called the meeting to order at 10:00 a.m.

2. OPEN PUBLIC MEETING ACT STATEMENT:

Executive Director Zimmer read the Open Public Meeting Act Statement into the record.

3. ROLL CALL:

Ms. Melissa Pierce conducted roll call to which Mr. Briant, Mr. Ellis, Mr. Griffin, Mr. Longo, Mr. Kennedy, and Mr. Requa all responded affirmatively.

DIRECTORS

Robert A. Briant, Jr., Vice Chairman
Mark Longo, Secretary *
Roger Ellis, Treasurer
Dan Kennedy
(for DEP Commissioner Martin)
Michael Griffin
(for Acting State Treasurer Scudder)
James Requa
(for DCA Commissioner Richman)

OTHERS

David E. Zimmer, Executive Director
Frank Scangarella, Assistant Director
Lauren Seidman Kaltman, Chief Financial Officer
John Hansbury, Chief Budget Officer
Michael Collins, 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

(*) Participated via teleconference

4. APPROVAL OF THE MINUTES:

Vice Chairman Briant opened discussion of the minutes of the Thursday, May 12, 2016 Trust Board meeting.

There were no comments or questions. Vice Chairman Briant requested a motion for approval.

Mr. Requa moved for the approval of the minutes. Mr. Kennedy seconded the motion. The motion was carried 6 to 0 with 0 abstentions.

5. ANNOUNCEMENTS:

Executive Director Zimmer summarized a number of the substantive events that have occurred since the last Board meeting and the related correspondence which was issued since the last Trust Board meeting:

- On **June 7, 2016**, Executive Director Zimmer met with Tom Walker, Director of State Energy Services at the BPU, to discuss potential coordination between the NJEIFP and the Clean Energy Program;
- On **June 6, 2016**, DEP Assistant Commissioner, Dan Kennedy, Executive Director Zimmer, Assistant Director Scangarella, and Chief Compliance Officer Judy Karp presented the NJEIT's annual list of appropriation and Enabling Act bills (S2287, S2292, and S2293), which fund the NJEIFP, to the Senate Committee on Environment and Energy. The package of bills was unanimously approved by the Committee;
- On **June 4, 2016**, Assistant Director Scangarella attended the Somerville Green Seam Ground breaking, a landfill remediation and stream restoration project funded by the NJEIFP;
- On **June 3, 2016**, Executive Director Zimmer assisted DEP Commissioner Bob Martin in kicking off the 2016 Barnegat Bay Blitz in Lakewood NJ. A number of NJEIT staff members joined thousands of volunteers throughout the Bay's watershed in helping with the cleanup;
- On **May 23, 2016**, Executive Director Zimmer, Assistant Director Scangarella, and DEP Assistant Director Eugene Chebra, hosted a conference call with representatives of the Borough of Manasquan regarding change orders for a current NJEIFP funded Superstorm Sandy project;
- On **May 16 - 20, 2016**, I.T. Manager, Victor Tsai attended cybersecurity training, conducted by the State OHS, on behalf of the Trust;
- The next Trust Board meeting is scheduled for **Thursday, July 14, 2016** at 10:00 am at the Trust's offices.

A copy of the announcements are available on the Trust's webpage under the Recent Board Meeting Documents tab. <http://njeit.org/board-meetings> (locate "Meeting Date", then select "Minutes", the announcements will be at the end of the file.)

There were no comments or questions.

6. PUBLIC COMMENTS:

Vice Chairman Briant invited comments from the public. There were no comments.

7. UNFINISHED BUSINESS:

A. Mr. Chebra, of the NJDEP's Municipal Finance and Construction Element, reported that there are 192 active projects totaling \$861,893,161 and 1,106 closed projects with loans outstanding totaling \$5,292,517,219 for a grand total of 1,298 projects at \$6,154,410,380.

B. Mr. Chebra discussed the SFY2016 Combined Financing Loan Programs:

SFY2016 Clean Water Financing Program:

Certified; Received Long-Term Financing:	27 Projects Totaling	\$96,093,477
Certified; Received Construction Loan:	15 Projects Totaling	\$80,336,402
Certified; Financing Pending:	13 Projects Totaling	\$52,085,349
Authorized to Advertise; Award Pending:	16 Projects Totaling	\$173,193,791
Authorized to Advertise:	7 Projects Totaling	\$75,059,745
Project Approval expected by 6/30/16:	0 Projects Totaling	\$ -
Project Approval not expected by 6/30/16:	81 Projects Totaling	\$781,628,854
Total Clean Water Projects	159 Projects Totaling	\$1,258,397,618

SFY2016 Drinking Water Financing Program:

Certified; Received Long-Term Financing:	14 Projects Totaling	\$30,857,039
Certified; Received Construction Loan:	11 Projects Totaling	\$32,846,129
Certified; Financing Pending:	8 Projects Totaling	\$30,454,730
Authorized to Advertise; Award Pending:	14 Projects Totaling	\$30,552,162
Authorized to Advertise:	6 Projects Totaling	\$53,805,098
Project Approval expected by 6/30/16:	0 Projects Totaling	\$ -
Project Approval not expected by 6/30/16:	67 Projects Totaling	\$263,687,835
Total Drinking Water Projects	120 Projects Totaling	\$442,202,993

SFY2016 Grand Totals:

Clean & Drinking Water Program Totals:	279 Projects	\$1,700,600,611
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There were no comments or questions.

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

Engineering Services

Pursuant to Resolution No. 15-49, which authorized the Trust to issue a Request For Proposals for Engineering Services in connection with developing guidance for Green Infrastructure in CSO abatement projects, NJEIFP staff received and reviewed proposals from each of the three qualified Engineering firms. The Committee made a unanimous recommendation that Hatch Mott MacDonald (HMM) had submitted the highest ranked proposal and should be awarded the contract. Notices were sent to the three firms identifying the intention to award the contract to HMM. Work is expected to begin by the end of June.

D. Executive Director Zimmer next reported on the status of the Construction Loan Program:

- The Trust received 9 new applications for short-term loan financing since the May Board meeting totaling \$47.1 million.
 - The Trust has received 44 Construction Loan applications to-date totaling \$179.6 million.
- The Trust has closed 4 Construction Loan applications totaling \$16.7 million.
 - The Trust has closed on 23 Construction Loan applications to-date totaling \$76.3 million.
- The Trust disbursed \$3.3 million of funds to 10 projects since the May Board meeting.
 - 21 projects have received Construction Loan disbursement from the Trust to-date totaling \$25.5 million.

The Construction Loan report was provided to the Board of Directors of the Trust in satisfaction of the requirements of Section 12 of the authorizing Resolution No. 16-02 adopted on January 14, 2016.

There were no comments or questions.

8. NEW BUSINESS:

A. Executive Director Zimmer requested that the Trust’s Chief Budget Officer, John Hansbury, introduce Resolution No. 16-23 accepting the April 2016 Treasurer’s Report.

Revenues earned in April 2016:	\$ 504,746		
YTD Total Revenues Earned:	\$ 5,528,509	104	% of Budget
YTD Total Revenues Budgeted:	\$ 5,312,538		
Expenses Incurred in April 2016:	\$ 630,353		
YTD Total Expenses Incurred:	\$ 4,407,837	90	% of Budget
YTD Total Expenses Budgeted:	\$ 4,882,525		
<hr/>			
Difference YTD v. Budgeted YTD:	\$690,658		Excess cash flow

Mr. Hansbury asked if there were any comments or questions. Hearing none, Vice Chairman Briant requested a motion for approval.

The resolution was moved for adoption by Mr. Griffin and seconded by Mr. Ellis.

The motion was carried 6 to 0 with 0 abstentions.

- B. Executive Director Zimmer requested Trust's Chief Financial Officer, Lauren Kaltman, introduce Resolution No. 16-24 approving the Trust's Amended and Restated Credit Policy. The Policy was last amended by the Board in Resolution No. 15-05 at the January 15, 2015 meeting. The new revisions include, (i) measuring repayment obligations related to multi-year Interim Loans based on the estimated repayment schedule for a long term loan rather than the actual repayment schedule of the Interim Loan, (ii) defining the terms used for the metrics in determining the eligibility of *de-minimis* loan recipients, and (iii) establishing credit metrics for evaluating the eligibility of non-rated Home Owners Associations and the like.

Ms. Kaltman asked if there were any comments or questions. Hearing none, Vice Chairman Briant requested a motion for approval.

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

9. **EXECUTIVE SESSION:**

Executive Director Zimmer recommended that the Board convene an Executive session to discuss contract negotiation and litigation matters.

Vice Chairman Briant introduced Resolution No. 16-29 to conduct an Executive Session to discuss contract negotiation and litigation matters.

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

The Board convened Executive Session at 10:29 a.m.

Public session was reconvened at 10:54 a.m. Minutes of the Executive Session will be available when the need for confidentiality is no longer necessary.

8. **NEW BUSINESS continued:**

- C. Executive Director Zimmer requested Trust's Chief Financial Officer, Lauren Kaltman, introduce Resolution No. 16-25 approving amending the Trust's agreements with the Bank of New York Mellon to conform the fees across outstanding Bond Series. The Bank of New York Mellon serves as Trustee and Escrow Agent for six original Series and the associated Refunding Bonds.

Ms. Kaltman asked if there were any comments or questions. Hearing none, Vice Chairman Briant requested a motion for approval.

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

D. Executive Director Zimmer requested Trust's Assistant Director, Frank Scangarella, introduce Resolution No. 16-26 approving seven SFY2016 NJEFP Construction Loans exceeding \$10 million. Mr. Scangarella explained that on January 15 2015, the Board approved Resolution 15-03 which requires that any Short Term loan exceeding \$10 million be brought to the Board for approval prior to the issuance of such loan. The seven borrowers are:

1. Cumberland County Improvement Authority, not to exceed \$16.1 million;
2. Franklin Township Sewage Authority, not to exceed \$17.1 million;
3. City of Newark, not to exceed \$18 million;
4. City of North Wildwood, not to exceed \$13.8 million; and
5. City of Rahway, not to exceed \$14.5 million
6. Middlesex Water Company, not to exceed \$14 million in aggregate;
7. Middlesex Water Company, "

Mr. Scangarella asked if there were any comments or questions. Hearing none, Vice Chairman Briant requested a motion for approval.

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

E. Executive Director Zimmer introduced Resolution No. 16-27 approving two SAIL Loans to the Middlesex County Utilities Authority (MCUA). The MCUA seeks funding under the SAIL Program for two projects; the Sayreville Pump Station (S340699-12) not to exceed \$86 million and the Edison Pump Station (S340699-13) not to exceed \$43 million. The majority of the cost will be reimbursed by FEMA.

Mr. Zimmer asked if there were any comments or questions. Hearing none, Vice Chairman Briant requested a motion for approval.

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

F. Executive Director Zimmer introduced Resolution No. 16-28 approving a SAIL Loan to the Bayshore Regional Sewerage Authority (BRSA). The BRSA seeks funding under the SAIL Program for Phase 2 of the Sandy resiliency project not to exceed \$12 million. The majority of the cost will be reimbursed by FEMA.

Mr. Zimmer asked if there were any comments or questions. Hearing none, Vice Chairman Briant requested a motion for approval.

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

Vice Chairman Briant asked Executive Director Zimmer if there was any further action required by the Board. Mr. Zimmer answered there was not.

Vice Chairman Briant then asked for a motion for an adjournment.

Mr. Ellis moved to adjourn the meeting. The motion was seconded by Mr. Kennedy. The motion was carried 6 to 0 with 0 abstentions.

The meeting was adjourned at 11:07 a.m.

RESOLUTION NO. 16 - 23

**RESOLUTION AUTHORIZING APPROVAL OF THE
APRIL 2016 TREASURER'S REPORT**

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust") has reviewed the Treasurer's Report for April 2016; and

WHEREAS, the Trust has placed in its files certain correspondence relating to expenses incurred in relation to the Trust.

NOW THEREFORE BE IT RESOLVED, that the Trust hereby accepts the Treasurer's Report for April 2016 request that the same be entered into the record.

Adopted Date: June 9, 2016

Motion Made By: Michael Griffin

Motion Seconded By: Roger Ellis

Ayes: 6

Nays: 0

Abstentions: 0

RESOLUTION NO. 16 - 24

RESOLUTION OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST APPROVING THE TRUST'S AMENDED AND RESTATED CREDIT POLICY

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust"), pursuant to and in accordance with the "New Jersey Environmental Infrastructure Trust Act", constituting Chapter 334 of the Pamphlet Laws of 1985 of the State of New Jersey (codified at N.J.S.A. 58:11B-1 et seq.), as the same has been, and in the future may from time to time be, amended and supplemented (the "Act"), is authorized to make and contract to make loans to project sponsors to finance a portion of the costs of the respective environmental infrastructure system projects thereof, which project sponsors may lawfully undertake or acquire and for which they are authorized by law to borrow funds, subject to such terms and conditions as the Trust shall determine to be consistent with the Act and the purposes of the Trust; and

WHEREAS, prior to State Fiscal Year 2013, applicants for financing through the New Jersey Environmental Infrastructure Financing Program (the "NJEIFP") were required to comply with the creditworthiness standards set forth in a letter, dated October 29, 2001, from the State Treasurer to the Executive Director of the Trust;

WHEREAS, in recognition of possible enhanced credit risks posed by certain NJEIFP applicants, the staff of the Trust, commencing in November of 2011, undertook a comprehensive review of the credit risk as it related to all NJEIFP borrower classes;

WHEREAS, as a result of such comprehensive review, the Trust developed a new policy (the "2013 Creditworthiness Policy") intended (i) to ensure consistency and appropriate management of all credit risk on the part of the Trust with respect to all NJEIFP borrower classes on a programmatic basis, and (ii) to provide improved and consistent transparency to all NJEIFP applicants with respect to the creditworthiness standards of the NJEIFP;

WHEREAS, the Board of Directors of the Trust (the "Board"), passed Resolution No. 13-02 on January 10, 2013, wherein it adopted that certain "Resolution Approving a Credit Policy," pursuant to which the January 2013 Creditworthiness Policy was approved and implemented; and

WHEREAS, thereafter, the Board periodically adopted resolutions approving the Trust's amended and restated credit policy, the most recent of which was Resolution No. 15-05 approved on January 15, 2015 (hereafter "Amended Creditworthiness Policy"); and

WHEREAS, each project financed through the New Jersey Environmental Infrastructure Financing Program (NJEIFP) typically consists of a Trust loan and State (Fund) loan; and

WHEREAS, prior to the Trust's adoption of the January 2013 Creditworthiness Policy, a

single set of credit worthiness standards were applied to both Trust loans and Fund loans; and

WHEREAS, it is the desire of the Board to amend and restate the Amended Credit Worthiness Policy in the form attached hereto as Exhibit A and made a part hereof to (1) provide for the inclusion of repayment obligations related to multi-year Interim Loans based upon the estimated repayment schedule upon conversion to a Long Term Loan; (2) Define and clarify the terms used for the metrics in determining the eligibility of *de-minimus* loan recipients; and (3) Establish credit metrics for evaluating the eligibility of Home Owners Associations.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Trust, that the Board hereby authorizes and approves (i) the adoption by the Trust of the Amended Creditworthiness Policy, in the form attached hereto as Exhibit A and made a part hereof, with such immaterial modifications thereto as the Executive Director of the Trust shall approve, following consultation with Bond Counsel to the Trust, the Office of the Attorney General of the State and the Financial Advisor to the Trust, and (ii) the implementation by the Trust of such Amended Credit Policy pursuant to the terms thereof. This Resolution shall become effective in accordance with the terms of Section 4(i) of the Act (N.J.S.A. 58:11B-4(i)).

Adopted Date: June 9, 2016

Motion Made By: Roger Ellis

Motion Seconded By: Mark Longo

Ayes: 6

Nays: 0

Abstentions: 0

EXHIBIT A

AMENDED CREDITWORTHINESS POLICY

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST



CREDIT POLICY

Revised – June 2016

POLICY AND PROCEDURE

NO. 1.21

SUBJECT: Credit Policy

REVISION HISTORY:	Adopted:	1/10/2013	Effective:	1/29/2013
	Revised:	10/17/2013	Effective:	10/31/2013
	Revised:	2/20/2014	Effective:	3/7/2014
	Revised:	6/12/2014	Effective:	6/30/2014
	Revised:	1/15/2015	Effective:	2/2/2015
	Revised:	6/9/2016	Effective:	6/24/2016

PURPOSE: To define and clarify the credit worthiness standards required for participation in the New Jersey Environmental Infrastructure Program (“NJEIFP”)

It is my pleasure to present the New Jersey Environmental Infrastructure Trust's:

**Credit Worthiness Policy for Trust Loans of the New Jersey Environmental
Infrastructure Financing Program**

Since the Financing Program's first loan in 1987, the Trust has prided itself on staying true to its core mission:

- Promoting and facilitating the construction of water-related infrastructure projects throughout the State by providing low cost funding to local government units and drinking water systems; and
- Fulfilling a fiduciary responsibility to ensure that the credit profile requirements of the Financing Program maintain the highest credit standards, thereby allowing future generations to borrow at the lowest and most efficient costs available.

In its simplest terms, the Financing Program is a pool of subsidized loans dedicated to financing improvements to New Jersey's environmental infrastructure. Since the Trust's inception, more than \$6 billion in zero and low interest rate loans have been provided to local communities through a combination of federal and State funds and Trust bond proceeds, resulting in an estimated interest cost savings of over \$2.3 billion to these local communities. New Jersey's rate payers and tax payers are the direct beneficiaries of the Financing Program's multiple cost savings subsidies and administrative benefits.

Central to the Financing Program's continued success is the dedication of infrastructure project funding in perpetuity. As Program Borrowers repay the State component of their total Program loan, these funds are re-lent to finance new projects through a revolving mechanism to next year's Program Borrowers - hence, the SRF (or State Revolving Fund) moniker.

In the event that a Borrower defaults on its repayment obligation to the Trust, any subsequent loss is absorbed by the Financing Program by reducing the total amount of revolving SRF loan funds available for future generations of Borrowers, thereby illustrating why the Financing Program has always maintained a credit worthiness requirement as a precondition to qualification by a Borrower for a loan. As such, the Financing Program is not now, nor ever was, a lender of last resort, and this Credit Policy along with the State's Credit Policy are the mechanisms that protect the Financing Program as a sustainable source of environmental infrastructure funding for all future generations of Borrowers.

As you read through this Credit Policy, you will note that the Trust has addressed the requirement of credit worthiness through the analysis of risk that each Applicant presents. This risk analysis considers the probability that a Borrower will not fulfill its annual debt service repayment obligation on its Trust loan on time and in full, as well as how each Trust Loan is secured to minimize any corresponding loss. This Credit Policy builds upon the previous policy by clearly articulating the Trust's credit requirements in order to address more effectively the complex range of projects and Applicants to which the Financing Program has been subject in recent years.

To apply this Credit Policy in a manner that is practical, transparent and fair to each Financing Program Applicant, the Credit Policy considers (i) each Applicant's ability to repay its Trust Loan as demonstrated (in almost all cases) by an independent, investment grade credit rating from either Fitch Ratings, Moody's Investors Service or Standard & Poor's, and (ii) the type of collateral that each Applicant will pledge as security for its Program Loan, defined by either (a) a General Obligation (G.O.) Bond that constitutes the full faith and credit secured by a pledge of the *ad valorem* taxing authority of the underlying county or municipalities being served by the project or (b) a Revenue Bond, that is an obligation secured by a pledge of the revenues generated by the underlying project. Accordingly, this Credit Policy segregates Financing Program Applicants by Borrower-type (Municipality, Authority, Private Water System) and collateral-type (G.O. Bond, Revenue Bond). In recognizing the value of an investment grade G.O. pledge, and in order to ensure that all future, qualified Applicants receive fair access to the Financing Program's subsidized zero and low interest loans (*a benefit that has saved the average Borrower more than 25% of their total Program Loans principal amount in interest costs savings*), this Credit Policy requires more collateral from certain, higher-risk Applicants - namely lower or non-rated Revenue Bond Applicants. In this way, the Financing Program is less prone to future default risks.

If you have any questions regarding this Credit Policy, please do not hesitate to contact either the Trust or our legal or financial advisor. We look forward to providing you the top-rated and efficient service that has always been the hallmark of our Financing Program.

Respectfully,

A handwritten signature in blue ink that reads "David E. Zimmer". The signature is fluid and cursive, with the first name "David" being the most prominent part.

David E. Zimmer, CFA
Executive Director

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New Jersey Environmental Infrastructure Financing Program
Credit Policy Statement for Trust Loans

Revised June 9, 2016

I. STATUTORY AUTHORITY

The New Jersey Environmental Infrastructure Trust (“NJEIT” or the “Trust”) is the State Authority charged with making low interest loans to New Jersey Local Government Units, nonprofit entities and private entities authorized to construct, operate, maintain and implement wastewater treatment systems and/or water supply systems, in order to finance all or a portion of the costs of certain Environmental Infrastructure Projects. The Trust was established in 1985 pursuant to N.J.S.A. 58:11B-1 et seq., as amended from time to time, (the “Trust Act”) to finance wastewater treatment system projects. The Trust Act was amended in 1997 in order to expand the statutory authority of the Trust to finance water supply system projects. In order to fulfill its statutory mandate pursuant to the Trust Act to finance wastewater treatment system projects and water supply system projects. The Trust, as a joint partner in the New Jersey Environmental Infrastructure Financing Program (“NJEIFP” or “Financing Program”), is responsible for administering the NJEIFP and ensuring that Trust Loans are administered efficiently and fairly to all *qualified* Applicants in a fiscally responsible manner that safeguards the Financing Program’s future ability to make environmental infrastructure loans in the most cost-efficient manner.¹ This Policy does not address the State of New Jersey’s credit standards utilized in issuing the State loan component of NJEIFP Loans.²

II. OBJECTIVE

The Trust has always maintained minimum credit worthiness standards, compliance with which is a pre-condition to an Applicant’s qualification to receive

¹ *Note: Capitalized terms used herein shall have the meaning ascribed to such terms in Article V hereof, unless otherwise noted.*

² The State’s current Credit Policy for each Fund Loan, was articulated most recently in the two-page letter from former State Treasurer Peter Lawrance to then Executive Director of the Trust, Dirk Hoffman, on October 29th, 2001 (See Attachment 1).

a Trust Loan. These credit worthiness standards help to ensure that publicly issued Trust bonds maintain a AAA/AAA/Aaa Credit Rating from each of the three Nationally Recognized Rating Agencies and, as a result, the Trust is able to issue its bonds at the lowest absolute rate for the benefit of all current and future Borrowers. Currently, the Trust utilizes the credit worthiness standards set forth in the Trust's Credit Policy last updated in January 2015 (the "Current Policy"), which was adopted by the Trust's Board in recognition of the increasing number of non-traditional Borrowers and Environmental Infrastructure Projects applying for participation in the Financing Program.

While recognizing that one of the hallmarks of the Financing Program has always been equal and shared access for all qualified Applicants to the Trust's AAA/AAA/Aaa Credit Rating for its bonds and the corresponding lower financing costs offered by the Financing Program, the Financing Program was neither created nor intended to perform as the lender of last resort for every potential Applicant and Environmental Infrastructure Project in the State. Consequently, the purpose of this Credit Policy is to further define the 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. Notwithstanding the existence of separate credit standards by the State and Trust, absent limited exception, all projects are required to receive funding through a combination of State and Trust funds, and as such, the Trust credit policy provisions will generally be applicable to such loans.

III. RECENT HISTORY

The Financing Program has been subject to a number of policy revisions and product innovations since its inception more than 28 years ago. These changes include: the introduction of a water supply system or drinking water ("DW") component (1998), the introduction of the Master Program Trust Account ("MPTA") which serves as a Trust Loan coverage or reserve fund that is capitalized with Fund Loan repayments owed to the State and that acts as additional collateral support for NJEIT's outstanding bonds (1995), the most recent clarification and revision of the State's credit policy (2001), the introduction of the Emergency Loan Program (2011), the Direct Loan Program (2001), the Small Systems (NANO) Infrastructure Loan Program (2012), the Supplemental Financing Program (2012), the Trust's Credit Policy (2013), the SAIL Program (2013) and the Very Small Systems (NANO-Light) Financing Program (2014).

Over 90% of the loans made by the Trust to date are secured either by (i) a general obligation (“G.O.”) bond issued by a taxing entity (a Municipality or county) and secured by a pledge of its full faith and credit or (ii) a Revenue Bond issued by an Authority and ultimately secured by a G.O. pledge of the full faith and credit of the municipal Participants served by that Authority. The Authority pledges to the Trust, through its indenture or bond resolution, all payments payable to the Authority by the Participants pursuant to the Service Agreement. When applicable, these G.O. pledges obligate the Municipalities and/or counties to raise *ad valorem* taxes “without limitation as to rate or amount” in order to either (i) satisfy their debt service obligation to the Trust or (ii) satisfy any payment obligations pursuant to the Service Agreement in order for the Authority to repay its debt service obligations to the Trust.

The remainder of the loans made by the Trust (i.e., less than 10%) and that remain outstanding are secured by a Revenue Bond. Revenue Bonds are not secured by a G.O. pledge of one or more Municipalities. As such, these Revenue Bonds may pose greater repayment default AND loss risk to the Financing Program. The fact that such Revenue Bonds continue to grow each year as part of the Financing Program’s overall portfolio exposure speaks to the changing nature of the Financing Program and the recognition from non-traditional parties of the cost of capital advantages that the Financing Program offers relative to market-based lending alternatives. While the NJEIT’s publicly held bonds have never suffered a payment default, it is critical to establish and maintain policies that safeguard the Financing Program against the risk of default in the future. It is precisely the greater risks posed by non-traditional, non-municipal and non-G.O. Service Agreement Authority Borrowers that this Credit Policy seeks to address.

IV. RISK PARAMETERS

This Credit Policy segregates default risk by Borrower-type and by credit pledge-type. In the event of a potential bankruptcy, the 90% of Financing Program Borrowers which are Municipalities, counties or local Authorities must make application to, and obtain the approval of, the Local Finance Board within the Department of Community Affairs (“DCA”) before they are legally able to commence bankruptcy proceedings. Given (i) the G.O. pledge that secures the Trust Loan, and (ii) the additional legal hurdle and corresponding oversight from the State associated with bankruptcy proceedings, these entities have a greater hurdle, and therefore, a lower likelihood of experiencing default than their non-

G.O. counterparts. In addition, the strength of a Borrower’s security for their respective loans has a limiting effect on both their probability of default as well as the magnitude of any principal or interest repayment loss should that Borrower default on its repayment obligation to the Financing Program. As such, any Borrower that can be compelled to raise, or compel a Participant to raise, *ad valorem* taxes through their pledge of either a direct or indirect G.O. will be less likely to default and, in the unlikely Event of Default, will be less likely to cause a loss on their repayment obligations to the Financing Program. With this in mind, the Credit Policy divides Financing Program Borrowers into the following categories:

1. G.O. Pledge:
 - a. Municipality/County
 - b. Authority
 - c. Redevelopment Project sponsored by an LGU
2. Revenue Pledge:
 - a. Authority
 - b. Corporate/Private
3. De-minimis Borrowers
4. SAIL Loans

(See Section VI for further discussion of risk categories and corresponding criteria.)

V. DEFINITIONS

“Aggregate Annual Debt Service” means, with respect to any given Applicant, the total of the annual debt service payments for both direct and indirect (i.e., as a result of such Applicant’s participation in an Authority) obligations of the Applicant to the NJEIFP due and payable, or in the instance of an Interim Loan, estimated to be payable on a long term basis, each State Fiscal Year to either the Trust with respect to all outstanding Trust Loans when aggregated, or the State with respect to all outstanding Fund Loans when aggregated.

“Applicant” means an entity having submitted, pursuant to the Trust Act and applicable regulations, a Letter of Intent or an application for the financing of an Environmental Infrastructure Project through the Financing Program.

“Authority” means a State authority, a municipal, county or regional sewerage or utility authority, a municipal sewerage district, an improvement authority, or any other political subdivision of the State, *other than* a Municipality or county, that is authorized to construct, operate and maintain a wastewater treatment system or a public water supply system, or to construct, rehabilitate, operate or maintain water supply facilities or otherwise provide water for human consumption.

“Borrower” means any entity that has any Financing Program loans outstanding with either the State and/or the Trust.

“Credit Eligibility Requirements” means those standards set forth in Section VI:2 below pursuant to an Applicant’s borrower-type and security pledge.

“Credit Rating” means an assessment by one or more of the three Nationally Recognized Rating Agencies of the credit worthiness (i) of an Applicant and the Applicant’s ability to repay principle and interest on its bonds, or (ii) of a Nationally Chartered Bank or a State Chartered Bank and its ability to satisfy its liabilities.

“De-minimis Loan Applicant” means an Applicant with respect to which the *Pro-forma* Aggregate Annual Debt Service owed separately to either the Trust or the State, as the case may be, is less than \$100,000 for Borrowers providing a pledged G.O. and less than \$50,000 for Revenue Bond Borrowers. De-minimis Applicants must provide the Trust with all information necessary for review at least 4 months prior to the date of loan closing.

“Direct Loan Closing” means the date on which a Borrower delivers to the Trust and State, and the Trust and State accepts from such Borrower, a note or other obligation evidencing a Trust Loan and Fund Loan to such Borrower pursuant to the direct loan program of the Trust, established pursuant to N.J.S.A. 58:11B-9 and one or more resolutions of the Trust.

“Escrow Closing” means the date on which the Trust, the State, a Borrower and an escrow agent appointed by the Trust each enter into an escrow agreement, pursuant to which (i) the Trust and the State each commit to make a loan to the Borrower with respect to a particular Environmental Infrastructure Project; (ii) the Borrower commits to accept a loan from each of the Trust and the State with respect to such Environmental Infrastructure Project; and (iii) the Trust Loan

Agreement, the Fund Loan Agreement, the Trust Loan Bond and the Fund Loan Bond, together with certain other documents and legal opinions, are deposited into escrow, to be released by the escrow agent upon the issuance by the Trust of its bonds.

“Environmental Infrastructure Project” means the acquisition, construction, improvement, repair or reconstruction of all or part of any structure, facility or equipment, or real or personal property necessary for or ancillary to any (i) wastewater treatment system project, including any stormwater management or combined sewer overflow abatement projects, or (ii) water supply project, as authorized pursuant to P.L.1985, c.334 (C.58:11B-1 et seq.) or P.L.1997, c.224 (C.58:11B-10.1 et al.), including any water resources project, as authorized pursuant to P.L.2003, c.162.

"Event of Default" means any occurrence or event defined as an Event of Default pursuant to a Trust Loan Agreement or a Fund Loan Agreement.

“Financial Due Diligence Meeting” means a meeting convened by the Trust to discuss elements of an Applicant’s financial health, including, without limitation, the sources of funding for an Applicant’s Environmental Infrastructure Project, the current Credit Rating, the potential impact of such an Environmental Infrastructure Project on the Applicant’s Credit Rating, and other matters deemed necessary or appropriate by the Trust to aid it in assessing (i) an Applicant’s compliance with this Credit Policy and (ii) its financial eligibility to receive and repay a Trust Loan and Fund Loan. Financial Due Diligence Meetings shall include the following representatives:

- Representatives of the Nationally Recognized Rating Agencies that rated the Applicant’s outstanding debt;
- The Applicant’s chief financial officer, highest elected official, and business administrator;
- One or more representatives of the developer of the Environmental Infrastructure Project, if applicable, possessing knowledge and authority to provide detailed information regarding the Environmental Infrastructure Project and its regulatory and financial details;
- A representative of each of the non-NJEIT entities, including other State Agencies, if any, providing funding for any aspect of the Environmental Infrastructure Project;

- A representative of each entity that may provide a guarantee for the financing of the Environmental Infrastructure Project, if applicable;
- Two representatives of the NJEIT’s senior management;
- A representative of any entity that may serve as signatory to a Trust Loan Agreement or Fund Loan Agreement, or another form of contractual obligation in connection with the financing of the Environmental Infrastructure Project; and
- Such other individuals deemed necessary or appropriate by the NJEIT to aid in conducting financial due diligence including, without limitation, representatives from the New Jersey Department of Community Affairs and/or the New Jersey Board of Public Utilities.

“Financing Program” or “NJEIFP” means the program implemented by the NJDEP and the NJEIT in partnership to provide loans to Borrowers for Environmental Infrastructure Projects pursuant to N.J.S.A. 58:11B-1 et seq., the Federal Clean Water Act and the Federal Drinking Water Act.

“Financing Program Principals” means the NJEIT and the State, collectively, as parties to the Financing Program.

“Finding of Unacceptable Credit Risk” means a written finding by the Trust (i) that the Applicant fails to meet the Credit Eligibility Requirements, (ii) that one or more Material Events has occurred within the immediately preceding sixty (60) months, or (iii) that the Trust otherwise identifies credit, liquidity or operational risks deemed by the Trust to constitute unacceptable risks to the Financing Program.

“Fund Loan” means a loan provided by the State, acting by and through the NJDEP, to a Borrower for the financing as part of the Financing Program of all or a portion of an Environmental Infrastructure Project pursuant to the Federal Clean Water Act or the Federal Drinking Water Act.

“Fund Loan Agreement” means an agreement, by and between the State, acting by and through the NJDEP, and a Borrower, pursuant to which the State extends a Fund Loan to a Borrower in connection with the financing of all or a portion of an Environmental Infrastructure Project, and the Borrower agrees to certain terms and conditions, including, without limitation, the construction of the Environmental Infrastructure Project and the repayment of the Fund Loan.

“Fund Loan Bond” means a senior lien bond issued by a Borrower to the State, acting by and through the NJDEP, in order to evidence and secure the Fund Loan repayment obligations of such Borrower to the State, all in connection with the financing of all or a portion of an Environmental Infrastructure Project. The State may, in its discretion, accept a Junior Lien Bond, subject to certain covenant obligations, in lieu of a senior lien bond.

“Interim Financing Closing” means the date on which a Borrower delivers to the Trust, and the Trust accepts from such Borrower, a note or other obligation evidencing a short-term or temporary loan made by the Trust to such Borrower pursuant to the interim financing program of the Trust, established pursuant to N.J.S.A. 58:11B-9(d) and one or more resolutions of the Trust.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto.

“Investment Grade Rated” means an Applicant with at least one current rating assigned by a Nationally Recognized Rating Agency that is not less than BBB- (S&P and Fitch) or Baa3 (Moody’s), as well as no Non-Investment Grade Rated Credit Ratings from any of the Nationally Recognized Rating Agencies.

“Joint and Several Liability Service Agreement” means a Service Agreement, by and among a Special Obligation Entity and two or more Participants, pursuant to which all Participants have contractually agreed to be jointly and severally liable for the obligations of any of the Participants thereunder, including, without limitation, the obligation to pay amounts necessary to meet the debt service obligations of the Special Obligation Entity.

“Letter of Credit” or “LOC” means an irrevocable Letter of Credit issued by a Nationally Chartered Bank or a State Chartered Bank that secures the payment of the principal and/or interest on (as applicable) the Trust Loan Bond and Fund Loan Bond issued to the Trust and the State, respectively, by the Applicant that procured such LOC.

“Loan Loss Reserve Fund” or “LLR” means a fund established by the Trust, pursuant to N.J.S.A. 58:11B-1 et seq., for the deposit of the annual Risk Premium as defined

herein. Risk Premium payments will be deposited by the Trust into the LLR and shall secure repayments owed only on those Financing Program loans in connection with which Risk Premium payments are required.

“Local Government Unit” or “LGU” means (i) a State Authority, county, Municipality, municipal, county or regional sewerage or utility Authority, municipal sewerage district, joint meeting, improvement Authority, or any other political subdivision of the State authorized pursuant to law to construct, operate and maintain wastewater treatment systems, or (ii) a State Authority, district water supply commission, county, Municipality, municipal, county or regional utilities Authority, municipal water district, joint meeting or any other political subdivision of the State authorized pursuant to law to operate or maintain a public water supply system or to construct, rehabilitate, operate or maintain water supply facilities or otherwise provide water for human consumption.

“LGU Sponsor” means a Local Government Unit whose participation in a Trust Loan Agreement and/or a Fund Loan Agreement, or any other form of contractual obligation, is necessary to satisfy Financing Program requirements, including, but not limited to, compliance with this Credit Policy for the purpose of assisting a third party in securing access to funding from the Financing Program for an Environmental Infrastructure Project of mutual benefit to such Local Government Unit and such third party.

“Material Event” means, with respect to a given Applicant, the occurrence of any one or more of the following: (i) an Event of Default under an existing Trust Loan Agreement and/or Fund Loan Agreement to which the Applicant is a party; (ii) the Applicant’s receipt of notice of a criminal complaint, criminal investigation or indictment pertaining to the Applicant or any of its officers or directors; (iii) a material change in financial position demonstrating a material adverse effect upon the Applicant’s financial position within the last two fiscal years; (iv) the filing by the Applicant of a bankruptcy petition or the administration of the Applicant pursuant to the provisions of any applicable bankruptcy statute; (v) any written documentation that is produced by the NJDEP or the Trust which identifies (1) material mismanagement by the Applicant of (a) any of its environmental infrastructure facilities, or (b) the proposed Environmental Infrastructure Project to be financed through the Financing Program, in which the Applicant has been unable to cure such material mismanagement or (2) failure of such Applicant to

properly satisfy its repayment obligations with respect to any outstanding Program Loans, including, without limitation, late payments or (3) failure of such Applicant to properly and promptly apply unexpended proceeds of any outstanding Program Loans; (vi) material misrepresentations by the Applicant in any Financing Program application documents; or (vii) failure by the Applicant to submit timely responses to requests for information presented to the Applicant by the Trust and/or the NJDEP; or (viii) failure of the Applicant to satisfactorily complete all filings with the LFB or any overseeing State agency; or (ix) being placed under oversight by the LFB or any overseeing State agency. Applicants with Material Events may be asked to enhance the security of their loan through mechanisms, such as Qualified Bonds.

“Municipality” means any city, borough, town, township or village situated within the boundaries of the State of New Jersey.

“Nationally Chartered Bank” means a banking institution chartered and supervised by the Office of the Comptroller of the Currency, an agency in the U.S. Treasury Department, pursuant to the National Bank Act, 12 U.S.C. Section 21 *et seq.*

“Nationally Recognized Rating Agency” means any of Fitch Ratings (“Fitch”), Standard & Poor’s (“S&P”) or Moody’s Investors Service (“Moody’s”).

“NJDEP” means the New Jersey Department of Environmental Protection.

“New Jersey Environmental Infrastructure Trust,” “Trust” or “NJEIT” means a body corporate and politic organized under the laws of the State of New Jersey pursuant to N.J.S.A. 58:11B-1 et seq.

“Non-Investment Grade Rated” means an entity that possesses a current Credit Rating which is less than BBB- (S&P and Fitch) or Baa3 (Moody’s) from any of the three Nationally Recognized Rating Agencies.

“Non-Joint and Several Liability Service Agreement” means a Service Agreement, by and among a Special Obligation Entity and two or more Participants, pursuant to which each Participant has contractually agreed to be liable for a portion of the obligations specified thereunder, including, without limitation, the obligation to pay amounts necessary to meet the debt service obligations of the Special

Obligation Entity, and the Participants are not obligated to pay amounts due and owing by any other Participants.

“Non-Rated” means an entity, which does not possess a current Credit Rating from any of the three Nationally Recognized Rating Agencies.

“Participant” means one or more Municipalities and/or Authorities that have entered into a Joint and Several Liability Service Agreement with a Special Obligation Entity or a Non-Joint and Several Liability Service Agreement with a Special Obligation Entity.

“Preliminary Financial Information” means certain written information produced by an Applicant and delivered to the NJEIT pursuant to a written request submitted by the NJEIT, all in furtherance of the assessment by the NJEIT of the Applicant’s compliance with this Credit Policy.

“Privately Owned Water System” means a drinking water system required to comply with New Jersey State primary drinking water regulations for which a PWS ID number exists.

“Pro-forma Aggregate Annual Debt Service” means, with respect to any given Applicant for both direct and indirect obligations to the NJEIFP, the sum of (i) the Aggregate Annual Debt Service and (ii) the additional annual debt service payments due and payable each State Fiscal Year with respect to the Trust Loan and Fund Loan for which the Applicant is then applying to the Financing Program.

“Qualified Bonds” means any bond issued by a Municipality pursuant to the provisions of the Qualified Bond Act, N.J.S.A. 40A:3-1 et seq.

“Qualified Bond Debt Service Coverage Ratio” means the annual debt service to be paid by a municipality each fiscal year on any of its outstanding Qualified Bonds divided by the annual funds available for these payments pursuant to the Qualified Bond Act.

“Ratings” means:

Investment Grade Rating of the three major rating agencies				NJEIT Rank
	Moody's	Standard & Poor's	Fitch	
Best Quality	Aaa	AAA	AAA	12
High Quality	Aa1	AA+	AA+	11
	Aa2	AA	AA	10
	Aa3	AA-	AA-	9
Upper Medium Grade	A1	A+	A+	8
	A2	A	A	7
	A3	A-	A-	6
Medium Grade	Baa1	BBB+	BBB+	5
	Baa2	BBB	BBB	4
	Baa3	BBB-	BBB-	3
Non-Investment Grade	Ba1	BB+	BB+	2
	Ba2	BB	BB	1
	Below Ba2	Below BB	Below BB	0

“Revenue Bond” means a bond supported by the revenue from a specifically sponsored project.

“Risk Premium” means an annual premium imposed by the NJEIT in an amount equal to 1% of the outstanding aggregate principal amount of the Trust Loan and the Fund Loan, provided, however, such amount shall be subject to the limitations imposed by the Internal Revenue Code as such limitations shall be interpreted and applied by the NJEIT following consultation with counsel.

“SAIL Loan” a short term or temporary loan to repair environmental infrastructure that was damaged during a disaster or to improve the resiliency of such infrastructure that otherwise would have been damaged in future disasters pursuant to N.J.S.A. 58:11B-9.5.

“Service Agreement” means an agreement wherein a Special Obligation Entity agrees to provide wastewater treatment service or drinking water to one or more Participants in exchange for monetary compensation.

“Special Obligation Entity” means an Authority, a nonprofit entity, a private entity, or any other Applicant or Borrower with respect to which the obligation to repay the Trust Loan and the Fund Loan is not secured by the irrevocable pledge of such Applicant or Borrower to exercise its unlimited taxing powers for the timely payment thereof.

“State” means the State of New Jersey.

“State Chartered Bank” means a banking institution chartered and supervised by the New Jersey Department of Banking and Insurance pursuant to the laws of the State, including, without limitation, N.J.S.A. 17:9A-1 *et seq.*

“State Fiscal Year” or “SFY” means the period of time beginning on the first day of July of each calendar year and ending on the thirtieth of June of the next succeeding calendar year, such period of time being established as the fiscal year of the State pursuant to N.J.S.A. 52:5-1. Each State Fiscal Year shall be designated by the calendar year in which such State Fiscal Year concludes.

“Trust Loan” means a loan made by the NJEIT to a Borrower for the financing as part of the Financing Program of all or a portion of an Environmental Infrastructure Project pursuant to N.J.S.A. 59:11B-1 et seq.

“Trust Loan Agreement” means an agreement, by and between the Trust and a Borrower, pursuant to which the Trust extends a Trust Loan to a Borrower in connection with the financing of all or a portion of an Environmental Infrastructure Project, and the Borrower agrees to certain terms and conditions, including, without limitation, the construction of the Environmental Infrastructure Project and the repayment of the Trust Loan.

“Trust Loan Bond” means a senior lien bond issued by a Borrower to the NJEIT in order to evidence and secure the Trust Loan repayment obligations of such Borrower to the NJEIT, all in connection with the financing of all or a portion of an Environmental Infrastructure Project pursuant to N.J.S.A. 59:11B-1 et seq. The

Trust may, in its discretion, accept a Junior Lien Bond, subject to certain covenant obligations in lieu of a senior lien bond.

VI. NJEIFP LOAN APPLICANTS

1. GENERAL APPLICABILITY PROVISIONS

Introduction Applicants must meet the Credit Eligibility Requirements of this Credit Policy as set forth in Section VI:2 below in order to evidence and secure an NJEIFP Trust Loan repayment obligation through the issuance of privately negotiated bonds. Such Credit Eligibility Requirements shall apply to all Applicants seeking a Trust Loan, without regard to the relative proportions of the Trust Loan and/or the Fund Loan to the total amount of financial assistance sought by the Applicant from the Financing Program. In assessing compliance by an Applicant with the Credit Eligibility Requirements, the Trust will consider credit, liquidity, and operational risk as well as any other factors deemed necessary and appropriate by the Trust to (i) evaluate the risk of repayment default and (ii) in order to determine that there are no existing Material Events.

Credit Ratings For the purposes of this Credit Policy, Applicant Credit Ratings may be either a public rating or a shadow rating. All public ratings must be currently under surveillance by the Nationally Recognized Rating Agency that issued such public rating. The Trust may require an Applicant to have a rating re-affirmed if a Material Event has occurred since the last review by the Rating Agency. Any Applicant relying on a shadow rating must have received such rating from a Nationally Recognized Rating Agency within twelve months prior to the Trust's Loan Closing. Separately, the unenhanced rating (i.e., giving no consideration to enhancement from, among other sources, the State's "Chapter 72 School Bond Reserve Program") of a contiguous school district may be cited and relied upon by a Municipality(s) not possessing a Credit Rating and which is providing either a direct or indirect obligation in order to evidence and secure an NJEIFP Trust Loan repayment obligation. In the case of a Non-Rated Authority or Non-Rated Privately Owned Water System, a guarantee from an Investment Grade Rated corporate parent or tri-party agreement that includes a municipality with an Investment grade rating, in a form acceptable to the Trust, may be cited and relied upon.

Portfolio Limitations The Trust retains the right to reject outright any Applicant for whom the Trust Loan Bond is a Revenue Bond, the aggregate principal amount of which will serve to increase the Trust Revenue Bond principal exposure to an amount that exceeds 10% of the total outstanding principal amount of publicly issued Trust bonds. Further, the Trust retains the right to reject outright any *De-minimis* Loan Applicant for whom the Trust Loan Bond is a Revenue Bond, the aggregate principal amount of which will serve to increase the Trust's exposure to *De-minimis* Loan Borrowers to an amount that exceeds \$10 million.

Additional Information In assessing an Applicant's compliance with the Credit Eligibility Requirements of the Credit Policy, the Trust may require the Applicant to participate in a Financial Due Diligence Meeting without regard to the Applicant's Credit Rating. The Applicant shall provide Preliminary Financial Information to the Trust no later than 10 business days following receipt of such written request from the Trust.

De-minimis Loan Requirement For all *De-minimis* Loan Applicants, the Applicant shall provide to the Trust, in the case of an Applicant providing a direct or indirect G.O. pledge, evidence of either approval from the Local Finance Bond to incur debt through the NJEIFP for the requested Loan amount, or in the case of a Revenue Bond Applicant, evidence from the Board of Directors, or other governing body of the Applicant, a resolution pursuant to which such governing body acknowledges and agrees to:

- i. The projected debt service repayment obligation of the Applicant over the course of the proposed Trust Loan and Fund Loan;
- ii. With respect to any Applicant that is a Local Government Unit, a contractual obligation to provide an annual certification of an authorized officer of the Applicant that the Applicant has timely provided to the Division of Local Government Services within the New Jersey Department of Community Affairs (the "DLGS") a balanced budget for the forthcoming fiscal year, and that such budget has been approved by the Director of the DLGS, all in accordance with the Local Budget Law or the Local Authorities Fiscal Control Law, as applicable.
- iii. a contractual obligation, to be set forth in the Trust Loan Agreement and Fund Loan Agreement of the Applicant that obligates the Applicant each year, a Program Loan is outstanding, to fix the rates it charges its service customers in an amount at least equivalent to pay all outstanding debt

service, operation & maintenance charges, and further, to pay any other expenses necessary to operate the Applicant's system in compliance with applicable laws and regulations. The Applicant will further covenant to provide to the Trust and the State a certification of an authorized officer of the Applicant, on an annual basis at the conclusion of each fiscal year of the Applicant, to the effect that the Authority has for such fiscal year, complied with the rate covenant set forth above. Failure to provide such certification, upon the expiration of a thirty-day notice and cure period, shall be an Event of Default pursuant to each of the Trust Loan Agreement and the Fund Loan Agreement, and shall give rise to a right of acceleration of the Program Loans by the Trust and the State, respectively.

- iv. In addition, the Applicant shall be subject to a covenant obligation to provide written notice to the NJEIT and the NJDEP within 30 days of the occurrence of any Event of Default, pursuant to and as defined in its indenture of trust or bond resolution, or any event that with the passage of time and/or the giving of notice shall constitute an Event of Default.

Junior Lien Bond Policy The Financing Program does not require debt service reserve funds of Investment Grade Rated Authorities to act as security for the Trust Loan Bond and the Fund Loan Bond issued by such Authority. Furthermore, if such reserve funds are required by the Authorities' own indenture of trust or bond resolution, the Financing Program does not make Trust Loan proceeds or Fund Loan proceeds available to Authorities to fund such debt service reserve funds. However, the Financing Program will accept from such Authorities a junior-lien bond as evidence of and security for the Trust Loan and Fund Loan repayment obligations of such Authority. While this junior-lien bond is subordinated to any senior-lien debt of that Authority, the Financing Program protects itself from repayment default and loss by requiring each Authority to comply with the following: (i) compliance with Credit Eligibility Requirements; (ii) a Service Agreement that is secured by the full faith and credit of one or more Participants; and (iii) a contractual obligation set forth in the indenture of trust or bond resolution that obligates the Authority to raise the rates it charges its service customers by an amount at least equivalent to pay all outstanding debt service (including debt service with respect to the Junior-Lien Trust Loan Bond and the Junior-Lien Fund Loan Bond), operation & maintenance charges, and further, to pay any other expenses necessary to operate the Authority in compliance with applicable laws and regulations. In addition, the Authority shall be subject to a covenant obligation to provide written notice to the NJEIT and the NJDEP within 30 days of the

occurrence of any Event of Default, pursuant to and as defined in its indenture of trust or bond resolution, or any event that with the passage of time and/or the giving of notice shall constitute an Event of Default. The failure by the Authority to satisfy the obligation set forth in (iii), above, shall constitute an Event of Default, pursuant to and as defined in its Trust Loan Agreement and its Fund Loan Agreement.

Determination of Ineligibility Any Finding of Unacceptable Credit Risk shall be issued in writing by the Trust to the Applicant and shall render the Applicant ineligible to receive a Trust Loan for that Financing Program year.

Action by the Trust Pursuant to the Credit Policy Any determination or action authorized or required to be undertaken by the Trust pursuant to the terms and provisions of this Credit Policy may be undertaken or performed by any authorized officer designated as such by the Board of Directors of the Trust through formal action, including but not limited to Trust Board Resolution No. 11-10 enacted on April 7, 2011.

Report of a Material Event to the Board. At the first meeting of the Board of Directors of the Trust immediately following the execution and delivery of any loan instruments relating to any loan made to a Borrower by the Trust, in connection with which the Executive Director of the Trust has determined the occurrence of a Material Event (as defined in the Credit Policy of the Trust) with respect to such Borrower, the Executive Director of the Trust shall provide a report to the Board of Directors of the Trust concerning details of such transaction and the Material Event that was identified by the Executive Director of the Trust. Such report shall include, with respect to such Borrower that was a recipient of such loan, (i) the identity of the Borrower, (ii) a summary of the project(s) for which financing was provided, (iii) the nature of the Material Event at issue, and (iv) a discussion of the Borrower's compliance with the Credit Eligibility Requirements.

2. CREDIT ELIGIBILITY REQUIREMENTS

Applicants shall satisfy the Trust's Credit Eligibility Requirements. A determination as to compliance with the Credit Eligibility Requirements shall be made by the Trust at the earlier of the time of the Environmental Infrastructure Project's:

- i. Interim Financing Program Closing, including, without limitation, the Disaster Relief Emergency Loan Financing Program, or
- ii. Escrow Closing, or
- iii. Direct Loan Program Closing, or
- iv. Receipt from the Trust of a Finding of Unacceptable Credit Risk.

Excepting the existence of a Material Event(s), Credit Eligibility Requirements are waived for supplemental loans with respect to existing Trust Loans.

An Applicant shall establish compliance with the Credit Eligibility Requirement by providing a:

A. PLEDGED G.O., *provided that the Applicant is a(n):*

- i. **Municipality/County, or the beneficiary of a guarantee provided by a Municipality/County, such Municipality/County which is:**
 - i. **Investment Grade Rated:** No additional requirements.
 - ii. **Non-Investment Grade Rated:** For an Applicant that is a Municipality, credit support is provided in the form of (i) a Qualified Bond, and (ii) a covenant obligation on the part of the Applicant to satisfy upon issuance of such Qualified Bond, the Qualified Bond Debt Service Coverage Ratio at $\leq 80\%$ and to immediately notify the Trust if, and when, the applicant's Qualified Bond Debt Service Coverage Ratio exceeds 80% until the maturity of the Trust Loan Bond and Fund Loan Bond;
 - iii. **Non-Rated:** A Credit Rating is obtained by the Municipality or the County from any of the three Nationally Recognized Rating Agencies and the applicable requirements relating to such Credit Rating as outlined in either Sections VI:2-A.a(i) or VI:2-A.a(ii) are satisfied.

A Municipality or a county failing to meet any one of the above criteria is ineligible to receive a Trust loan under this provision.

ii. Authority and is:

- i. **Investment Grade Rated:** No additional requirements.
- ii. **Non-Investment Grade Rated:** A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:

- a. with a Credit Rating(s) of no less than A(flat) and no Non-Investment Grade Credit Rating(s) from any of the three Nationally Recognized Rating Agencies; **and**
- b. which Letter(s) of Credit shall be maintained at least at A (flat), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); **and**
- c. licensed to do business in the State of New Jersey; **and**
- d. which secures the payment of the principal of and interest on (as applicable) the Trust Loan Bond and the Fund Loan Bond issued to the Trust and the State, respectively, by such Borrower for the term of the Trust Loan and Fund Loan.

iii. Non-Rated:

- a. A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements relating to such Credit Ratings as outlined in either Sections VI:2-A.b(i) or VI:2-A.b(ii) are satisfied; **or**
- b. The Authority has entered into a Joint and Several Liability Service Agreement with one or more Participants and no more than 50% of the Authority's annual revenue is derived from Participants with Non-Investment Grade Ratings or that are Non-Rated; **or**
- c. The Authority has entered into a Non-Joint and Several Liability Service Agreement with one or more Participants and no more than 25% of the Authority's annual revenue is derived from Participants with Non-Investment Grade Ratings or that are Non-Rated.

An Authority failing to meet any one of the above criteria is ineligible to receive a Trust loan under this provision.

iii. Redevelopment Project and is sponsored by a(n):

i. Investment Grade Rated LGU Sponsor:

- a. A Financial Due Diligence Meeting is required to discuss the financial impact upon the LGU Sponsor of the proposed additional debt (note: if the Nationally Recognized Rating Agency that has rated the LGU Sponsor does not attend the

Financial Due Diligence Meeting, the LGU Sponsor shall present to the Trust a certification that the Nationally Recognized Rating Agency has been informed in writing of the proposed financing and has chosen not to attend); ***and***

- b. Additional requirements as appropriate are agreed upon to secure the LGU Sponsor including, but not limited to;
 - i. PILOT payments,
 - ii. Statutory rights pursuant to the Redevelopment Area Bond Financing Law,
 - iii. Reserve funds, and
 - iv. Corporate guarantees.

ii. Non-Investment Grade Rated LGU Sponsor:

- a. A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A(flat) and no Non-Investment Grade Credit Rating(s) from any of the three Nationally Recognized Rating Agencies; ***and***
 - ii. which Letter(s) of Credit shall be maintained at least at A (flat), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); ***and***
 - iii. licensed to do business in the State of New Jersey; ***and***
 - iv. which secures the payment of the principal of and interest on (as applicable) the Trust Loan Bond and the Fund Loan Bond issued to the Trust and the State, respectively, by such Borrower for the term of the Trust Loan and Fund Loan; ***and***
- b. All requirements as set forth in Section VI:2-A.c(i) must be satisfied.

- iii. Non-Rated LGU Sponsor:** A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements based on the ratings as outlined in either Sections VI:2-A.c(i) or VI:2-A.c(ii) are satisfied.

A redevelopment project failing to meet any one of the above criteria is ineligible to receive a Trust loan under this provision.

B. REVENUE BOND, *provided that the Applicant is a(n):*

i. Authority and is:

i. Investment Grade Rated:

- a. The indenture of trust or bond resolution pursuant to which the Authority issues its Trust Loan Bond and Fund Loan Bond shall include (i) a debt service coverage ratio covenant, (ii) a rate covenant and (iii) a debt incurrence test, each deemed by the Trust to be acceptable; ***and***
- b. For any time period during the life of the Loan that a Credit Rating has been assigned to the Authority by any Nationally Recognized Rating Agency of less than A- or A3, the annual Risk Premium will be imposed by the NJEIT; provided, however, such amount shall be subject to the limitations imposed by the Internal Revenue Code as such limitations shall be interpreted and applied by the NJEIT following consultation with counsel. The payments will be deposited by the Trust into the LLR. This Provision will be enacted beginning with Financing Program Loans made in SFY 2014.

ii. Non-Investment Grade Rated:

- a. A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A(flat) and no Non-Investment Grade Credit Rating(s) from any of the three Nationally Recognized Rating Agencies; ***and***
 - ii. which Letter(s) of Credit shall be maintained at least at A (flat), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); ***and***
 - iii. licensed to do business in the State of New Jersey; ***and***
 - iv. which secures the payment of the principal of and interest on (as applicable) the Trust Loan Bond and the Fund Loan Bond issued to the Trust and the State, respectively, by such Borrower for the term of the Trust Loan and Fund Loan; ***and***

- b. The indenture of trust or bond resolution pursuant to which the Authority issues its Trust Loan Bond and Fund Loan Bond shall include (i) a debt service coverage ratio covenant, (ii) a rate covenant and (iii) a debt incurrence test, each deemed to be acceptable by the Trust;
- iii. **Non-Rated:** A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements relating to such Credit Ratings as outlined in either Sections VI:2-B.a(i) or VI:2-B.a(ii) are satisfied.

An Authority failing to meet any one of the above criteria is ineligible to receive a Trust loan under this provision.

ii. Privately Owned Water System and is:

i. Investment Grade Rated:

- a. The indenture of trust pursuant to which the Privately Owned Water System issues its Trust Loan Bond and Fund Loan Bond shall include (i) a debt service coverage ratio covenant, (ii) a rate covenant and (iii) a debt incurrence test, each deemed by the Trust to be acceptable; ***and***
- b. For any time period during the life of the Loan that a Credit Rating has been assigned to the Privately Owned Water System by a Nationally Recognized Rating Agency of less than A- or A3, the annual Risk Premium will be imposed by the NJEIT; provided, however, such amount shall be subject to the limitations imposed by the Internal Revenue Code as such limitations shall be interpreted and applied by the NJEIT following consultation with counsel. The Risk Premium payments will be deposited by the Trust into the LLR. This Provision will be enacted beginning with Loans made in SFY 2014.

ii. Non-Investment Grade Rated:

- a. A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A(flat) and no Non-Investment Grade Credit Rating(s) from any of the three Nationally Recognized Rating Agencies; ***and***

- ii. which Letter(s) of Credit shall be maintained at least at A (flat), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); ***and***
 - iii. licensed to do business in the State of New Jersey; ***and***
 - iv. which secures the payment of the principal of and interest on (as applicable) the Trust Loan Bond and the Fund Loan Bond issued to the Trust and the State, respectively, by such Applicant for the term of the Trust Loan and Fund Loan; ***and***
- b. The indenture of trust pursuant to which the Privately Owned Water System issues its Trust Loan Bond and Fund Loan Bond shall include (i) a debt service coverage ratio covenant, (ii) a rate covenant and (iii) a debt incurrence test, each deemed to be acceptable by the Trust;
- iii. **Non-Rated:** A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements relating to such Credit Ratings as outlined in either Sections VI:2-B.b(i) or VI:2-B.b(ii) are satisfied.

A Privately Owned Water System failing to meet any one of the above criteria is ineligible to receive a Trust loan under this provision.

C. *De-minimis* Loan Applicant, provided that the Applicant is:

- i. **Investment Grade Rated:** No additional requirements. The Trust reserves the right to require the Borrower to establish a debt service reserve account as collateral for the Trust Loan and Fund Loan. Funds for a debt service reserve fund may not be borrowed;
- ii. **Non-Investment Grade Rated:** A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - a. with a Credit Rating(s) of no less than A(flat) and no Non-Investment Grade Credit Rating(s) from any of the three Nationally Recognized Rating Agencies; ***and***
 - b. which Letter(s) of Credit shall be maintained at least at A (flat), or be replaced by the Borrower with a Letter of Credit from a

- Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); ***and***
- c. licensed to do business in the State of New Jersey; ***and***
 - d. which secures the payment of the principal of and interest on (as applicable) the Trust Loan Bond and the Fund Loan Bond issued to the Trust and the State, respectively, by such Borrower for the term of the Trust Loan and Fund Loan.
- iii. **Non-Rated:** An Applicant meeting the established financial criteria, as set forth by the Trust from time to time and publicly disseminated (*See Attachment 2*), shall be eligible to receive a Trust loan subject to the requirements as outlined in Section VI:2-C.(i) above. Additionally, such Applicant shall provide proof of authorization to enter into the Loan Agreements with the NJDEP and the Trust from its governing body, such as a Board of Directors. Any Applicant not meeting the established financial criteria, as set forth by the Trust, is subject to the requirements as outlined in Section VI:2-C.(ii) above.

A *De-minimis* Loan Applicant failing to meet any one of the above criteria is ineligible to receive a Trust Loan under this provision.

- D. SAIL Loans:** Notwithstanding anything in this Credit Policy to the contrary, in the event that an Applicant providing a General Obligation pledge seeks financing through the SAIL Program and at least 50% of the loan amount has been obligated by and is anticipated to be reimbursed by FEMA or other similar Federal grant program, such Applicant shall be deemed compliant with the Credit Eligibility Requirements of the Credit Policy.

ATTACHMENT 1



State of New Jersey
OFFICE OF THE STATE TREASURER
PO Box 002
TRENTON NJ 08625-0002

DONALD T. DI FRANCESCO
Acting Governor

PETER R. LAWRENCE
Acting State Treasurer

RECEIVED
OCT 29 2001
NJ ENVIRONMENTAL
INFRASTRUCTURE TRUST

October 29, 2001

Dirk C. Hofman, P.E., Executive Director
New Jersey Environmental Infrastructure Trust
3131 Princeton Pike
Building 6 - Suite 201
Lawrenceville, New Jersey 08648

Dear Mr. Hofman:

It is my understanding that, based upon the enhanced collateralization provided by the Master Program Trust Agreement structure for financing programs beginning in 1995, the New Jersey Environmental Infrastructure Trust (the "Trust") no longer requires borrowers (the "Borrowers") to obtain investment grade ratings (shadow or otherwise) ("Investment Grade Ratings") on bonds issued by such Borrowers evidencing their market rate loans from the Trust (the "Trust Loans"). Accordingly, the State of New Jersey (the "State") will not require any Borrowers participating in future financing programs to obtain Investment Grade Ratings on bonds issued by such Borrowers evidencing their zero-interest loans from the State (the "State Loans"), if such Borrowers can meet at least one of the following safe harbor tests:

(1) De Minimis Test: The annual amortization of the principal amount of the Borrower's State Loan is less than or equal to \$50,000 in each year of scheduled repayment.

(2) Insurability Test: (a) The Borrower can demonstrate that it or an entity that has entered into a full faith and credit service or deficiency agreement that would be sufficient to pay all of the Borrower's outstanding debt, including the proposed Trust Loan and the proposed State Loan (a "Related Entity") has received either (i) bond insurance on any of its debt with a maturity of no less than ten years from the date of issuance, which debt was issued no more than two years prior to the beginning of the calendar year in which the State Loan to the Borrower is proposed to close, (ii) a surety bond by a municipal bond insurer securing the debt service reserve or comparable fund for any Borrower or Related Entity debt, which surety bond was issued in the same time frame as (i) above, (iii) a commitment to issue either (i) or (ii), which commitment is either current or was issued within the same time frame as (i) above or (iv) some other comparable evidence of insurability of debt of the Borrower or Related Entity and (b) the chief financial officer of the Borrower or the Related Entity, as appropriate, certifies to the State

Dirk C. Hofman, P.E., Executive Director
October 29, 2001
Page 2

that there has been no material adverse change to the financial condition of the Borrower or the Related Entity, as appropriate, since the date of existence of such bond insurance, surety bond or other evidence of insurability.

(3) *Qualified Bond Test:* The bond of the Borrower evidencing the State Loan is "qualified" pursuant to the Municipal Qualified Bond Act (N.J.S.A. 40A:3-1 *et seq.*).

(4) *State Oversight Test:* The Borrower has been granted assistance by the State through certain State agencies in the form of financial supervision and oversight pursuant to the Local Government Supervision Act (N.J.S.A. 52:27BB-1 *et seq.*), and at the time the State Loan is funded, the Borrower is in compliance with all of the conditions pursuant to which such assistance has been granted.

(5) *School District Test:* The Borrower is a municipality, the related school district of which either has an investment grade rating or can meet one of the safe harbor tests set forth herein. The Borrower is an authority, the school district of a Related Entity of which either has an investment grade rating or can meet one of the safe harbor tests set forth herein.

Unless the Trust is notified in writing to the contrary, this policy shall be in effect for all future Trust financing programs. This letter amends and supersedes any previous correspondence to you of prior State Treasurers regarding this subject.

Very truly yours,



Peter R. Lawrance

Acting New Jersey State Treasurer

ATTACHMENT 2

Deminimis Credit Metrics Criteria Municipality -- General Obligation Pledge

Water Utility Fund Primary Factors (Required)

Debt Service Coverage Ratio	≥ 1.1
Liabilities to Asset Ratio	≤ 65%
Quick Ratio	> 1.0

Secondary Factors (3 of 5 Required)

Fund Balance (Reserve) as % of Revenue	≥ 10% for last three years
Long Term Debt per customer Year 1 - Pro Forma	≤ \$1,500
Long Term Debt per customer Year 5 - Pro Forma	≤ \$1,500
Account Growth	≥ Stable
Water Charge as % of Median Household Income	< .75 %
Water and Sewer Charge as % of Median Household Income	< 1.5%

Additional Factors (Considered)

Demographics:	
Median Household Income Relative to County	
Median Home Value relative to County	
Town Metrics	
NJ fund Balance as percentage of Muni Revenue	≥ 10% for last three years
Total Full Value per Capita	≥ \$100,000
County Credit Ratings	
Number of Households Served	

Deminimis Credit Metrics Criteria Utility Authority -- No General Obligation Pledge

Primary Factors (Required)

Debt Service Coverage Ratio	>1.25
Liabilities to Asset Ratio	≤ 65%
Quick Ratio	> 1.0
Board Resolution Acknowledging and Agreeing to Loan Terms, Program Requirements and Repayment Obligations	Passed Prior to any Program Financing

Secondary Factors (3 of 5 Required)

Cashflow	Positive for prior two years
Long Term Debt per customer Year 1	≤ \$1,500
Long Term Debt per customer Year 5	≤ \$1,500
Account Growth	≥ Stable
Water Charge as % of Median Household Income	< .75 %
Water and Sewer Charge as % of Median Household Income	< 1.5%

Additional Factors (Considered)

Demographics:
Median Household Income
Median Home Value
Town and County Credit Ratings
Number of Households Served

Deminimis Credit Metrics Criteria Small Systems/HOA's No General Obligation Pledge

Primary Factors (Required)

Debt Service Coverage Ratio	>1.5%
Liabilities to Asset Ratio	≤ 65%
Quick Ratio	> 1.1
Board Resolution Acknowledging and Agreeing to Loan Terms, Program Requirements and Repayment Obligations	Passed Prior to any Program Financing
Reserves - separate line item for reserve contributions	Minimum at least 10% of gross expenses
Delinquent HOA Dues/Policy	No more than 10% of total units can be in arrears, past 30 days for fee payments, a copy of delinquent dues collection policy and procedure must be submitted
Special Assessment	(If Yes) Certified explanation is required

Secondary Factors (3 of 5 Required)

Cashflow	Positive for prior two years
Long Term Debt per customer Year 1	≤ \$1,500
Long Term Debt per customer Year 5	≤ \$1,500
Account Growth	≥ Stable
Water Charge as % of Median Household Income	< .75 %
Water and Sewer Charge as % of Median Household Income	< 1.5%

Additional Factors (Considered)

Demographics:
Median Household Income Relative to County
Median Home Value relative to County
Town and County Credit Ratings
Number of Households Served

DEFINITIONS – FOR MUNICIPALITY (GO PLEDGE)

“DEBT SERVICE COVERAGE RATIO” (DSCR) - measures the ability of a System to pay current debt obligations plus pro forma. DSCR is net operating income expressed as a percentage of debt obligations due within one year, including interest, principal, sinking-fund and lease payments. The higher the ratio, the greater the ability of a system to pay its creditors. These figures are located on the applicant’s Statement of Operations & Changes in Fund Balance.

DSCR is calculated as follows:

$$\text{DSCR} = \text{Net Operating Income} / \text{Annual Debt Service}$$

Net Operating Income = Gross Revenues less Operating Expenses.

Annual Debt Service = Principal, Interest and Lease payments due per year.

Gross Revenues = Annual revenues including all taxes collected, operating service fees, connection charges, wholesale supply charges, consulting fees, etc.

Operating Expenses = Total annual expenditures including all Operations & Maintenance (n.b. excludes capital replacement expenditures).

“LIABILITIES TO ASSET RATIO” means a municipality’s liabilities divided by its total assets as listed in the Statement of Assets, Liabilities, Reserves & Fund Balance of the Current Fund. A measure of leverage which indicates the degree to which a municipality’s assets are financed through borrowing and other obligations. A ratio closer to 0.0 indicates a low level of municipal assets are financed through long term obligations.

“QUICK RATIO” (Q.R.) equals current assets divided by current liabilities as listed in the most recent Statement of Assets, Liabilities, Reserves & Fund Balance of the applicant’s Current Fund. The Q.R. is a measure of liquidity and indicates The ability of the municipality to pay all current liabilities, meet short term expenses and emergencies.

QR is calculated as follows:

$$\text{Q.R.} = \text{Current Assets} / \text{Current Liabilities}$$

“FUND BALANCE” means the difference between a governmental fund’s current assets (I,e, cash, short-term investments, inventories, receivables, and other unrestricted assets expected to be available to finance operations in the immediate future) and its current liabilities. A positive difference of current assets minus current liabilities gives an indication of the resources immediately available to finance ongoing operations. The Fund Balance is located on the applicant’s Statement of Operations & Changes in Fund Balance.

“FUND BALANCE AS % OF REVENUE” means a Municipality’s Fund Balance as a percentage of the Total (annual) Revenues within the Current Fund located on the applicant’s Statement of Operations & Changes in Fund Balance. This ratio measures the ability of a municipality to supplement annual revenues without increasing rates.

Fund Bal/Revenue is calculated as follows:

$$= \text{Fund Balance} / \text{Total Revenues}$$

“LONG TERM DEBT PER CUSTOMER” means the ratio of total bonded debt of the municipality divided by the number of (commercial, non-profits, households) customers located within the municipality as of the most recent U.S. Census.

“ACCOUNT GROWTH” related to service area demographics is growth in a municipality’s residential, commercial, industrial, and government customer bases as well as its customer concentration. Stable growth is considered 3% per annum or less and moderate/rapid growth exceeds 3% per year.

“WATER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage of average annual household water charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is calculated in the Applicant’s Environmental Decision Document (EDD) issued by NJDEP.

“WATER AND SEWER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage of average annual household water and sewer charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is provided by the Applicant and calculated in the Applicant’s Environmental Decision Document (EDD), issued by NJDEP.

“MEDIAN HOUSEHOLD INCOME RELATIVE TO COUNTY” means the applicant’s Median Household Income divided by the County Median Household Income according to the latest U.S. Census figures.

“MEDIAN HOME VALUE RELATIVE TO COUNTY” means the Municipality’s Median Home Value divided by the County Median Home Value according to the latest U.S. Census figures.

“TOTAL FULL VALUE PER CAPITA” means an applicant’s full property value (the value of all taxable property as calculated by the tax assessor) divided by the population of the municipality as of the latest U.S. Census figures.

“COUNTY CREDIT RATING” means an assessment issued by one or more of the three Nationally Recognized Rating Agencies relating to the credit worthiness of the County in which the Applicant is located indicating the County’s ability to repay principle and interest on its bonds in full and on time.

“NUMBER OF HOUSEHOLDS SERVED” means the number of households in the Municipality served by the specific Applicants water or water and sewer system.

DEFINITIONS – FOR UTILITY AUTHORITY (NO G.O. PLEDGE)

“DEBT SERVICE COVERAGE RATIO” (DSCR) - measures the ability of a System to pay current debt obligations. DSCR is net operating income expressed as a percentage of debt obligations due within one year, including interest, principal, sinking-fund and lease payments. The higher the ratio, the greater the ability of a system to pay its creditors. These figures are located on the applicant’s Statement of Operations & Changes in Fund Balance.

DSCR is calculated as follows:

$$\text{DSCR} = \text{Net Operating Income} / \text{Annual Debt Service}$$

Net Operating Income = Gross Revenues less Operating Expenses.

Annual Debt Service = Principal, Interest and Lease payments due per year.

Gross Revenues = Annual revenues including operating service fees, connection charges, wholesale supply charges, consulting fees etc.

Operating Expenses = Total annual expenditures including all Operations & Maintenance (excludes capital replacement expenditures).

“LIABILITIES TO ASSET RATIO” means a Utility Authority’s liabilities divided by its total assets as listed in the Statement of Net Position. A measure of leverage which indicates the degree to which a Utility Authority’s assets are financed through borrowing and other obligations. A ratio closer to 0.0 indicates a low level of the authority’s assets are financed through long term obligations.

“QUICK RATIO” (Q.R.) equals current assets divided by current liabilities as listed in the most recent Statement of Assets, Liabilities, Reserves & Fund Balance of the applicant’s Current Fund. The ability of the utility authority to pay all current liabilities, meet short term expenses and emergencies, measures liquidity.

QR is calculated as follows:

$$\text{Q.R.} = \text{Current Assets} / \text{Current Liabilities}$$

“NET POSITION” means the difference between (1) assets and deferred outflows of resources, and (2) liabilities and deferred inflows of resources. Governments display net position in three components; (i) net investment in capital assets, (ii) restricted, and (iii) unrestricted. Net Position can be located in the applicant’s Statement of Net Position.

“NET POSITION AS % OF REVENUE” means a Utility Authority’s Net Position as a percentage of the Current Fund Total Revenues located on the applicant’s Statement of Revenues, Expenses & Changes in Net Position.

“CASH FLOW” means Incomings and outgoings of cash, representing the operating activities of an organization, the difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance). It is called positive if the closing balance is higher than the opening balance, otherwise called negative. Cash flow is increased by (1) selling more goods or services, (2) selling an asset, (3) reducing costs, (4) increasing the selling price, (5) collecting faster, (6) paying slower, (7) bringing in more equity, or (8) taking a loan.

“NUMBER OF HOUSEHOLDS SERVED” means the number of households in the Authority’s service area served by the specific applicant’s water or water and sewer system.

“LONG TERM DEBT PER CUSTOMER” means the ratio of total bonded debt of the utility divided by the number of (commercial, non-profits, households) customers located within the utility’s service area as of the most recent U.S. Census.

“ACCOUNT GROWTH” related to service area demographics is growth in a utility’s residential, commercial, industrial, and government customer bases as well as its customer concentration. Stable growth is considered 3% per annum or less and moderate/rapid growth exceeds 3% per year.

“WATER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage average annual household water charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is calculated in the Applicant’s Environmental Decision Document (EDD) issued by NJDEP.

“WATER AND SEWER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage average annual household water and sewer charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is calculated in the Applicant’s Environmental Decision Document (EDD) issued by NJDEP.

“MEDIAN HOUSEHOLD INCOME” (MHI) means the calculation computed by the U.S. Census Bureau - Income of Households - This includes the income of the householder and all other individuals 15 years old and over in the household, whether they are related to the householder or not. Because many households consist of only one person, average household income is usually less than average family income. The median divides the income distribution into two equal parts: one-half of the cases falling below the median income and one-half above the median. For households and families, the median income is based on the distribution of the total number of households and families including those with no income. The median income for individuals is based on individuals 15 years old and over with income. Median income for households, families, and individuals is computed on the basis of a standard distribution.

“MEDIAN HOME VALUE” (MHV) means that one half of all homes were worth more and one-half were worth less. The midway point of all the houses/units sold at market **price** (or sold amount) over a set period (monthly, yearly, quarterly, etc.). (See US Census Reports).

“TOWN AND COUNTY CREDIT RATING” means an assessment issued by one or more of the three Nationally Recognized Rating Agencies relating to the credit worthiness of the Town and County in which the Applicant is located indicating the Town’s and County’s ability to repay principle and interest on its bonds in full and on time.

DEFINITIONS – SMALL SYSTEMS/HOA’S (NO G.O. PLEDGE)

“DEBT SERVICE COVERAGE RATIO” (DSCR) - measures the ability of a Home Owner’s Association (HOA) to pay current debt obligations. DSCR is net operating income expressed as a percentage of debt obligations due within one year, including interest, principal, sinking-fund and lease payments. The higher the ratio, the greater the ability of a system to pay its creditors. These figures are located on the applicant’s Statement of Operations & Changes in Fund Balance.

DSCR is calculated as follows:

$$\text{DSCR} = \text{Net Operating Income} / \text{Annual Debt Service}$$

Net Operating Income = Gross Revenues less Operating Expenses.

Annual Debt Service = Principal, Interest and Lease payments due per year

Gross Revenues = Annual fees assessed and collected plus any other miscellaneous charges.

Operating Expenses = Total annual expenditures including all Operations & Maintenance (n.b. excludes capital replacement expenditures).

“LIABILITIES TO ASSET RATIO” means a HOA’s liabilities divided by its total assets as listed in the Statement of Net Position. A measure of leverage which indicates the degree to which a HOA’s assets are financed through borrowing and other obligations. A ratio closer to 0.0 indicates a low level of the HOA’s assets are financed through long term obligations.

“QUICK RATIO” (Q.R.) equals current assets divided by current liabilities as listed in the most recent Statement of Assets, Liabilities, Reserves & Fund Balance of the applicant’s Current Fund. The ability of the HOA to pay all current liabilities, meet short term expenses and emergencies, measures liquidity.

QR is calculated as follows:

$$\text{Q.R.} = \text{Current Assets} / \text{Current Liabilities}$$

“RESERVES” means the funds that are earmarked by an Applicant from its operations set aside for future use, such as for the payment of likely-to-be-incurred bad debts.

“BOARD RESOLUTION ACKNOWLEDGING AND AGREEING TO LOAN TERMS, PROGRAM REQUIREMENTS AND REPAYMENT OBLIGATIONS” means a formally adopted resolution of the Applicant’s governing body acknowledging and agreeing to the loan terms and program requirements of the NJEIFP, and obligating the HOA members to the repayment of any liability on time and in full.

“DELINQUENT HOA DUES/POLICY” means the Small System/HOA Board approved delinquency policy for collection of unpaid dues/assessments. A sound policy will include: due date, grace period, late fee amount and/or penalty amount, timing of collection letters (often on 30-60-90 day schedule, when the matter will be turned over to the association attorney, when a lien will be filed of record, when foreclosure will begin.

“DELINQUENT ACCOUNT BALANCE” means the number of HOA units in arrears (both # and dollar amount), or past 30 days due for fee payments or assessments. At any point over the past 2 years, no more than 10% of the total HOA units can be in arrears, past 30 days for fee payments or assessments.

“SPECIAL ASSESSMENT” means an amount of money that a condominium trust/homeowner’s association (HOA) needs in order to pay for a project or outstanding debt that was not part of the annual budget/assessment. The trustees of the condominium/HOA levy the special assessment against all unit owners and require them to pay their fractional interest of the money being requested. The payment of the special assessment is divided by each unit owner’s interest in the common area. The amount may be requested immediately from each unit owner or may be broken into installments depending on how the trustees have decided to handle it.

“CASH FLOW” means Incomings and outgoings of cash, representing the operating activities of an organization, the difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance). It is called positive if the closing balance is higher than the opening balance, otherwise called negative. Cash flow is increased by (1) selling more goods or services, (2) selling an asset, (3) reducing costs, (4) increasing the selling price, (5) collecting faster, (6) paying slower, (7) bringing in more equity, or (8) taking a loan.

“NUMBER OF HOUSEHOLDS SERVED” means the number of households in the small system’s service area served by the specific Applicants water or water and sewer system.

“LONG TERM DEBT PER CUSTOMER” means the ratio of total debt of the HOA divided by the number of households being serviced by the system.

“ACCOUNT GROWTH” related to service area demographics is growth in a utility’s residential, commercial, industrial, and government customer bases as well as its customer concentration Stable growth is considered 3% per annum or less and moderate/rapid growth exceeds 3% per year.

“WATER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage average annual household water charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is calculated in the Applicant’s Environmental Decision Document (EDD) issued by NJDEP.

“WATER AND SEWER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage average annual household water and sewer charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is calculated in the Applicant’s Environmental Decision Document (EDD) issued by NJDEP.

“MEDIAN HOUSEHOLD INCOME” (MHI) means the calculation computed by the U.S. Census Bureau - Income of Households - This includes the income of the householder and all other individuals 15 years old and over in the household, whether they are related to the householder or not. Because many households consist of only one person, average household income is usually less than average family income. The median divides the income distribution into two equal parts with 50% of the cases falling below the median income and 50% above the median. For households and families, the median income is based on the distribution of the total number of households and families, including those with no income. The median income for individuals is based on individuals 15 years old and over with income. Median income for households, families, and individuals is computed on the basis of a standard distribution.

“MEDIAN HOME VALUE” (MHV) means that one half of all homes were worth more and one-half were worth less. The midway point of all the houses/units sold at market **price** (or sold amount) over a set period (monthly, yearly, quarterly, etc.). (See US Census Reports).

“TOWN AND COUNTY CREDIT RATING” means an assessment issued by one or more of the three Nationally Recognized Rating Agencies relating to the credit worthiness of the Town and County in which the Applicant is located indicating the Town’s and County’s ability to repay principle and interest on its bonds in full and on time.

RESOLUTION NO. 16 - 25

**RESOLUTION AUTHORIZING AMENDMENTS TO
VARIOUS AGREEMENTS WITH BANK OF NEW YORK TO
CONFORM PRICING FOR TRUSTEE SERVICES**

WHEREAS, The New Jersey Environmental Infrastructure Trust (“Trust”) entered agreements with the Bank of New York as Trustee and Escrow Agent pursuant to the Trust’s Procurement Policy (Policy and Procedure 4.0) for six of the Trust’s outstanding bond series, namely, Series 2000A, 2000B, 2001A, 2001B, 2001C, and 2008A and associated Refunding Series; and

WHEREAS, as Trustee and Escrow Agent, the Bank of New York performs various administrative functions such as establish various accounts, make interest payments to bond holders, and represent the interests of bond holders in the event of a default; and

WHEREAS, the terms of compensation to Bank of New York for these Trustee services were established pursuant to separate fee proposals; and

WHEREAS, the inconsistency in pricing provisions for Trustee services among these numerous agreements and the absence of clarity within the agreements has led to confusion, resulting in a number of disagreements between Trust staff and the Bank of New York; and

WHEREAS, in an effort to resolve these disputes, the Trust desires to establish uniform pricing among the fee structures for the aforementioned agreements.

NOW, THEREFORE, BE IT RESOLVED THAT the Trust hereby authorizes amending the pricing terms of the agreements with Bank of New York for Trustee and Escrow Agent Services for Series 2000A, 2000B, 2001A, 2001B, 2001C, and 2008A and any associated Refunding Series agreement with Bank of New York with regard to conforming the fee structure among the cost proposals of the outstanding bond series for which Bank of New York serves as pursuant to the terms and conditions attached as Exhibit A.

Adopted Date: June 9, 2016

Motion Made By: Dan Kennedy

Motion Seconded By: James Requa

Ayes: 6

Nays: 0

Abstentions: 0

RESOLUTION NO. 16 - 26

RESOLUTION OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST AUTHORIZING SEVEN STATE FISCAL YEAR 2016 CONSTRUCTION LOANS

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust"), in accordance with (i) the "New Jersey Environmental Infrastructure Trust Act", constituting Chapter 334 of the Pamphlet Laws of 1985 of the State of New Jersey (codified at N.J.S.A. 58:11B-1 *et seq.*), as the same may from time to time be amended and supplemented (the "Act"), and (ii) the regulations promulgated pursuant to the Act (N.J.A.C. 7:22-2.1 *et seq.*), as the same may from time to time be amended and supplemented (the "Regulations"), is authorized, pursuant to an interim financing program (the "Interim Financing Program"), to make loans (each, an "Interim Loan") to eligible project sponsors (each, a "Borrower") for the purpose of financing the allowable costs of environmental infrastructure projects, provided that each such Interim Loan satisfies the requirements of the Regulations, including, without limitation, N.J.A.C. 7:22-4.47; and

WHEREAS, pursuant to the provisions of N.J.A.C. 7:22-4.47, a proposed project sponsor is eligible to be a Borrower for an Interim Loan pursuant to the Interim Financing Program, provided all of the following conditions are satisfied in full: (i) the project is listed on the project priority list developed in accordance with N.J.A.C. 7:22-4.8(a) for funding in the forthcoming State Fiscal Year; (ii) the proposed project sponsor has submitted a complete application for the project in accordance with N.J.A.C. 7:22-4.11; (iii) the project has been certified for funding by the Trust in accordance with N.J.A.C. 7:22-4.13; (iv) the project is in the fundable range in the forthcoming funding cycle given the project's rank and the anticipated availability of Department of Environmental Protection (the "Department") and Trust monies; and (v) the proposed project sponsor has not previously received an Interim Loan through the Interim Financing Program for the same project scope; and

WHEREAS, the Trust duly adopted Resolution No. 15-03 on January 15, 2015 entitled "Resolution of the New Jersey Environmental Infrastructure Trust Authorizing Various Short-Term Financing Programs of the Trust for State Fiscal Year 2016" (the "Authorizing Resolution") in order to provide funding for the implementation of the Interim Financing Program during State Fiscal Year 2016 including the Construction Financing Program (the "SFY 2016 Construction Loan Program"); and

WHEREAS, pursuant to the terms of the Authorizing Resolution, the Authorized Officers (as defined therein) are each severally authorized, after consultation with Bond Counsel to the Trust and the Office of the Attorney General of the State, to approve the participation of a Borrower in the SFY 2016 Construction Loan Program, provided that such Borrower qualifies for such participation pursuant to the provisions of the Act and the Regulations and the terms of the Authorizing Resolution; and

WHEREAS, pursuant to Section 5 of the Authorizing Resolution, any Interim Loan approved by the Authorized Officers, following the requisite consultations, and made by the Trust to a Borrower as part of the SFY 2016 Construction Loan Program shall not exceed \$10,000,000

in principal amount; and

WHEREAS, pursuant to Section 2 of the Trust Authorizing Resolution, revisions and modifications may be made to terms and provisions of the Short-Term Financing Program pursuant to further official action in the form of the adoption of a resolution by the Board of Directors of the Trust; and

WHEREAS, Cumberland County Improvement Authority (“Cumberland County”) has requested from the Trust a loan from the SFY 2016 Construction Loan Program, in anticipation of a long-term loan from each of the Trust and the Department as part of the SFY 2016 New Jersey Environmental Infrastructure Financing Program, for the purpose of completing an environmental infrastructure project to be constructed in Cumberland County and designated by the Department as Project # S342015-03 (the “Cumberland County Project”); and

WHEREAS, pursuant to the construction schedules with respect to the Cumberland County Project, a Construction Loan not to exceed three full fiscal years will be made available for the Cumberland County Project for construction, all or a portion of which will be completed prior to Cumberland County’s receipt of the Trust and Department long-term New Jersey Environmental Infrastructure Financing Program loans, thereby resulting in a request by Cumberland County for a Construction Loan from the 2016 Construction Loan Program in an amount not to exceed \$16.1 million; and

WHEREAS, Franklin Township Sewerage Authority (“Franklin Township”) has requested from the Trust a loan from the SFY 2016 Construction Loan Program, in anticipation of a long-term loan from each of the Trust and the Department as part of the SFY 2016 New Jersey Environmental Infrastructure Financing Program, for the purpose of completing an environmental infrastructure project to be constructed in Franklin Township and designated by the Department as Project # S340839-06 (the “Franklin Township Project”); and

WHEREAS, pursuant to the construction schedules with respect to the Franklin Township Project, a Construction Loan not to exceed three full fiscal years will be made available for the Franklin Township Project for construction, all or a portion of which will be completed prior to Franklin Township’s receipt of the Trust and Department long-term New Jersey Environmental Infrastructure Financing Program loans, thereby resulting in a request by Franklin Township for a Construction Loan from the 2016 Construction Loan Program in an amount not to exceed \$17.1 million; and

WHEREAS, Middlesex Water Company (“Middlesex Water”) has requested from the Trust a loan from the SFY 2016 Construction Loan Program, in anticipation of a long-term loan from each of the Trust and the Department as part of the SFY 2016 New Jersey Environmental Infrastructure Financing Program, for the purpose of completing two environmental infrastructure projects to be constructed in Middlesex County and designated by the Department as Project # 1225001-16 and 1225001-23 (the “Middlesex Water Projects”); and

WHEREAS, pursuant to the construction schedules with respect to the Middlesex Water

Projects, a Construction Loan not to exceed three full fiscal years will be made available for the Middlesex Water Projects for construction, all or a portion of which will be completed prior to Middlesex Water's receipt of the Trust and Department long-term New Jersey Environmental Infrastructure Financing Program loans, thereby resulting in a request by Cumberland County for a Construction Loan from the 2016 Construction Loan Program in an amount not to exceed \$14.0 million; and

WHEREAS, the City of Newark ("Newark") has requested from the Trust a loan from the SFY 2016 Construction Loan Program, in anticipation of a long-term loan from each of the Trust and the Department as part of the SFY 2016 New Jersey Environmental Infrastructure Financing Program, for the purpose of completing an environmental infrastructure project to be constructed in Newark and designated by the Department as Project #0714001-015 (the "Newark Project"); and

WHEREAS, pursuant to the construction schedules with respect to the Newark Project, a Construction Loan not to exceed three full fiscal years will be made available for the Newark Project for construction, all or a portion of which will be completed prior to Newark's receipt of the Trust and Department long-term New Jersey Environmental Infrastructure Financing Program loans, thereby resulting in a request by Newark for a Construction Loan from the 2016 Construction Loan Program in an amount not to exceed \$18,000,000; and

WHEREAS, the City of North Wildwood ("North Wildwood") has requested from the Trust a loan from the SFY 2016 Construction Loan Program, in anticipation of a long-term loan from each of the Trust and the Department as part of the SFY 2016 New Jersey Environmental Infrastructure Financing Program, for the purpose of completing an environmental infrastructure project to be constructed in North Wildwood and designated by the Department as Project # S340663-06 (the "North Wildwood Project"); and

WHEREAS, pursuant to the construction schedules with respect to the North Wildwood Project, a Construction Loan not to exceed three full fiscal years will be made available for the North Wildwood Project for construction, all or a portion of which will be completed prior to North Wildwood's receipt of the Trust and Department long-term New Jersey Environmental Infrastructure Financing Program loans, thereby resulting in a request by North Wildwood for a Construction Loan from the 2016 Construction Loan Program in an amount not to exceed \$13.8 million; and

WHEREAS, the City of Rahway ("Rahway") has requested from the Trust a renewal of a loan from the SFY 2016 Construction Loan Program, in anticipation of a long-term loan from each of the Trust and the Department as part of the SFY 2016 New Jersey Environmental Infrastructure Financing Program, for the purpose of completing an environmental infrastructure project to be constructed in Rahway and designated by the Department as Project # 2013001-007 and # 2013001-008 (the "Rahway Project"); and

WHEREAS, pursuant to the construction schedules with respect to the Rahway Project, a renewal of a Construction Loan not to exceed three full fiscal years will be made available for the

Rahway Project for construction, all or a portion of which will be completed prior to Rahway's receipt of the Trust and Department long-term new Jersey Environmental Infrastructure Financing Program loan, thereby resulting in a request by Rahway for a Construction Loan from the SFY 2016 Construction Loan Program in an amount not to exceed \$14,500,000; and

WHEREAS, with respect to the limitation established in Section 5 of the Authorizing Resolution providing that any Construction Loan approved by the Authorized Officers, following the requisite consultations, and made by the Trust to a Borrower as part of the SFY 2016 Construction Loan Program shall not exceed \$10,000,000 in principal amount, subject to further official action in the form of the adoption of a resolution by the Board of Directors of the Trust, the Trust now desires, given the facts and circumstances set forth in the recitals hereto, to create as an exception to such limitation of Construction Loans, as part of the SFY 2016 Construction Loan Program, to the aforementioned project sponsors in amounts not to exceed the amounts stated for the purpose of completing the Rahway Project; and

WHEREAS, it is the desire of the Trust that, other than the exception to Section 5 of the Authorizing Resolution described in the immediately preceding recital, each project sponsor shall comply with (i) all other requirements of the Authorizing Resolution, (ii) all applicable requirements of the Act, and (iii) all applicable requirements of the Regulations.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the New Jersey Environmental Infrastructure Trust, as follows:

Section 1. Notwithstanding the limitation established in Section 5 of the Authorizing Resolution providing that all Loans approved by the Authorized Officers, following the requisite consultations, and made by the Trust to Borrowers as part of the Interim Financing SFY 2016 Construction Loan Program, shall not exceed \$10,000,000 in principal amount, the Board of Directors of the Trust, given the facts and circumstances set forth in the recitals hereto, hereby authorizes, as an exception to such limitation established in Section 5 of the Authorizing Resolution, an Interim Loan, as part of the SFY 2016 Construction Loan Program, to the following project sponsors for the stated projects in amounts not to exceed the amounts stated for the purpose of completing each such project.

Project Sponsor	Project #	Description	Total Authorized Loan Amount
Cumberland County IA	S342015-03	Landfill expansion, phase VI development and leachate pump station improvement at the Cumberland County Solid Waste Complex	\$16,100,000
Franklin Twp. SA	S340839-06	Rodney Avenue pump station improvements	\$17,100,000

Middlesex Water Company	1225001-16	Clean and Lining of water mains in Edison	\$6,000,000
Middlesex Water Company	1225001-23	Clean and Lining and replacement of undersized water mains	\$8,000,000
The City of Newark	0714001-015	Rehabilitation of water distribution mains	\$18,000,000
North Wildwood City	S340663-06	2014 street and utility reconstruction work	\$13,800,000
City of Rahway	2013001-007 2013001-008	Construction of new interconnection and water plant improvements at Chestnut Street and Tower Hill	\$14,500,000

Section 2. Other than the exceptions created by the provisions of Section 1 of this Resolution, the Construction Loans made to the aforementioned project sponsors as part of the SFY 2016 Construction Loan Program shall comply fully with (i) each of the terms, provisions and conditions precedent set forth in the Authorizing Resolution, (ii) all applicable requirements of the Act, and (iii) all applicable requirements of the Regulations.

Adopted Date: June 9, 2016

Motion Made By: Roger Ellis

Motion Seconded By: Mark Longo

Ayes: 6

Nays: 0

Abstentions: 0

RESOLUTION NO. 16 – 27

**RESOLUTION APPROVING STATEWIDE
ASSISTANCE INFRASTRUCTURE LOANS (SAIL) TO
THE MIDDLESEX COUNTY UTILITIES AUTHORITY**

WHEREAS, the New Jersey Environmental Infrastructure Trust’s (Trust) enabling legislation, specifically, N.J.S.A. 58:11B-9.5, authorizes the Trust to issue short-term or temporary loans to repair environmental infrastructure damaged during a disaster or improve the resiliency of such infrastructure in future disasters (hereafter “SAIL Loan Program”); and

WHEREAS, the Board of Directors of the Trust (the “Board”) established the terms, requirements and parameters of SAIL pursuant to Resolution No. 13-73, duly adopted by the Board on December 12, 2013 and entitled “Second Amended and Restated Resolution of the New Jersey Environmental Infrastructure Trust Authorizing the Disaster Relief Emergency Financing Program” (the “SAIL Program Resolution”); and

WHEREAS, the SAIL Program Resolution set forth the Relief Funding Eligibility Conditions that must be satisfied prior to the issuance of a Relief Loan, which conditions include, without limitation, the certification of the Project by the Board; and

WHEREAS, the Middlesex County Utilities Authority has applied for SAIL Program Loans for Project No. S340699-12 to provide funds to replace and protect equipment at the Sayreville Pump Station and for Project No. S340699-13 for the restoration work for the Edison Pump Station (the Projects); and

WHEREAS, Pursuant to N.J.S.A. 58:11B-9.5(b), the New Jersey Department of Environmental Protection is required to certify that the environmental infrastructure project is necessary to repair damages arising from an act of terrorism, seismic activity, or weather conditions (Disaster) occurring in the past three fiscal years that gave rise to a declaration by the Governor of a state of emergency provided the facility is located in a county which was the subject of a governor declared State of Emergency or an environmental infrastructure project to improve the resiliency of a facility to withstand a Disaster of similar scope and severity occurring in the past three fiscal years that gave rise to a declaration by the Governor of a state of emergency, provided the facility is located in a county which was the subject of a governor declared State of Emergency (NJDEP SAIL Project Certification), and such certification is anticipated to be received soon after bid opening, scheduled for June 15 and June 17, 2016; and

WHEREAS, it is the desire of the Trust to issue two SAIL Program Loans to the Middlesex County Utilities Authority.

NOW THEREFORE, BE IT RESOLVED, that subject to the prior receipt by the Trust of the project certifications by the Commissioner of the New Jersey Department of Environmental Protection, the Board of Directors of the Trust hereby certifies Project No. S340699-12 in the amount of \$86,000,000 and Project No. S340699-13 in the amount of \$43,000,000 to be undertaken by the Middlesex County Utilities Authority, for financing pursuant to SAIL, in accordance with provisions of the Act and this Resolution.

Adopted Date: June 9, 2016

Motion Made By: Dan Kennedy

Motion Seconded By: James Requa

Ayes: 6

Nays: 0

Abstentions: 0

RESOLUTION NO. 16 – 28

**RESOLUTION APPROVING A STATEWIDE
ASSISTANCE INFRASTRUCTURE LOAN (SAIL) TO
THE BAYSHORE REGIONAL SEWERAGE AUTHORITY**

WHEREAS, the New Jersey Environmental Infrastructure Trust’s (Trust) enabling legislation, specifically, N.J.S.A. 58:11B-9.5, authorizes the Trust to issue short-term or temporary loans to repair environmental infrastructure damaged during a disaster or improve the resiliency of such infrastructure in future disasters (hereafter “SAIL Loan Program”); and

WHEREAS, the Board of Directors of the Trust (the “Board”) established the terms, requirements and parameters of SAIL pursuant to Resolution No. 13-73, duly adopted by the Board on December 12, 2013 and entitled “Second Amended and Restated Resolution of the New Jersey Environmental Infrastructure Trust Authorizing the Disaster Relief Emergency Financing Program” (the “SAIL Program Resolution”); and

WHEREAS, the SAIL Program Resolution set forth the Relief Funding Eligibility Conditions that must be satisfied prior to the issuance of a Relief Loan, which conditions include, without limitation, the certification of the Project by the Board; and

WHEREAS, the Bayshore Regional Sewerage Authority has applied for SAIL Program Loan for Project No. S340697-06 to provide funds for the restoration and mitigation of the water pollution control plant and power distribution system (the Project); and

WHEREAS, Pursuant to N.J.S.A. 58:11B-9.5(b), the New Jersey Department of Environmental Protection is required to certify that the environmental infrastructure project is necessary to repair damages arising from an act of terrorism, seismic activity, or weather conditions (Disaster) occurring in the past three fiscal years that gave rise to a declaration by the Governor of a state of emergency provided the facility is located in a county which was the subject of a governor declared State of Emergency or an environmental infrastructure project to improve the resiliency of a facility to withstand a Disaster of similar scope and severity occurring in the past three fiscal years that gave rise to a declaration by the Governor of a state of emergency, provided the facility is located in a county which was the subject of a governor declared State of Emergency (NJDEP SAIL Project Certification), and such certification is anticipated to be received on June 15, 2016; and

WHEREAS, it is the desire of the Trust to issue a SAIL Program Loan to the Bayshore Regional Sewerage Authority.

NOW THEREFORE, BE IT RESOLVED, that subject to the prior receipt by the Trust of the project certification by the Commissioner of the New Jersey Department of Environmental Protection, the Board of Directors of the Trust hereby certifies Project No. S340697-06 in the amount of \$12,000,000 to be undertaken by the Bayshore Regional Sewerage Authority, for financing pursuant to SAIL, in accordance with provisions of the Act and this Resolution.

Adopted Date: June 9, 2016

Motion Made By: Mark Longo

Motion Seconded By: Dan Kennedy

Ayes: 6

Nays: 0

Abstentions: 0

RESOLUTION NO. 16 - 29

EXECUTIVE SESSION

BE IT HEREBY RESOLVED, That pursuant to N.J.S.A. 10:4-12 and N.J.S.A. 10:4-13, the members of the New Jersey Environmental Infrastructure Trust (the "Trust") hold an executive session regarding contract negotiations, litigation matters and advice from counsel.

BE IT FURTHER RESOLVED, That it is expected that discussions undertaken at this executive session will be made public once a final position is adopted by the Trust regarding such actions.

Adopted Date: June 9, 2016

Motion Made By: Dan Kennedy

Motion Seconded By: Roger Ellis

Ayes: 6

Nays: 0

Abstentions: 0

SUMMARY OF ANNOUNCEMENTS:

Executive Director Zimmer summarized the substantive events and correspondence issued since the last Trust Board meeting.

- On **June 8, 2016**, Assistant Director Scangarella attended the Brown Field Redevelopment Round Table on behalf of NJEIT;
- On **June 7, 2016**, Executive Director Zimmer met with the Tom Walker, Director of State Energy Services at the BPU, to discuss potential coordination between the NJEIFP and the Clean Energy Program;
- On **June 6, 2016**, Executive Director Zimmer, Assistant Director Scangarella, and Chief Compliance Officer Judy Karp presented the NJEIT's annual list of appropriation and Enabling Act bills (S2287, S2292, and S2293), which fund the NJEIFP, to the Senate Committee on Environment and Energy. The package of bills was unanimously approved by the Senate Committee;
- On **June 4, 2016**, Assistant Director Scangarella attended Somerville Green Seam Ground breaking on behalf of the Financing Program;
- On **June 3, 2016**, Executive Director Zimmer assisted DEP Commissioner Bob Martin in kicking off the 2016 Barnegat Bay Blitz in Lakewood NJ. A number of NJEIT staff members joined thousands of volunteers throughout the Bay's watershed in helping with the cleanup;
- On **May 25, 2016**, Executive Director Zimmer worked with Bond Counsel, Rich Nolan and the McCarter & English team to successfully close the Trust's 2016A-1 bond deal and 2 refunding deals totaling approximately \$144 million in Par bond amount;
- On **May 23, 2016**, Executive Director Zimmer, and Assistant Director Scangarella, DEP Assistant Director Eugene Chebra, hosted a conference call with representatives of the Borough of Manasquan regarding change orders for a current NJEIFP funded project;
- On **May 18 - 20, 2016**, Chief Budget Officer Hansbury exhibited for the Trust at the 2016 NJ Association of Counties in Atlantic City;
- On **May 16 - 20, 2016**, I.T. Manager, Victor Tsai attended cybersecurity training, conducted by the State OHS, on behalf of the Trust;
- On **May 16, 2016**, Executive Director Zimmer, Board Representative and DEP Assistant Commissioner, and a number of their respective senior staffs met to review proposed content for Asset Management policy for the Program and the DEP;
- Director Zimmer and DEP Assistant Director, Eugene Chebra, held a meeting with representatives of Princeton to discuss potential innovative green infrastructure financing;
- Trust senior staff continues to meet with consultants from CohnReznick to discuss testing of the Trust's Policies and Procedures;
- Assistant Director Scangarella continues to oversee H₂LOans computer system meetings between the Trust and DEP technology and process staffs to further the development of the Program's enterprise software solution;
- Executive Director Zimmer continues to serve as Co-chair of the Jersey Water Works Finance Committee and co-hosts quarterly meetings; and
- Importantly, the next Board meeting is scheduled for **July 14, 2016** at 10:00 a.m. at the Trust's offices.

SUMMARY OF CORRESPONDENCE:

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 hard copies.

- 5.02 Certificates were sent to the following Program borrowers:

2014A	Long Hill Township	S340404-06/08
2014A	Pine Hill Borough MUA	S340274-04
2014A	Brielle Borough	W1308001-001
2012A	Northwest Bergen CUA	S340700-09
2014A	Ocean County UA	S340372-48
2012A	Ocean County UA	S340372-45/46/47
2013A	Morris Township	S340724-05
2014A	Gloucester City	S340958-05
2014A	Jersey City MUA	S340928-12

A copy of the announcements are available on the Trust's webpage (<https://www.njeit.org>) under the recent Board meeting documents section, the announcements will be at the end of the Minutes for each meeting.