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 March 9, 2017 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,

[Signature]

David E. Zimmer, CFA
Assistant Secretary

Enclosure

cc: Honorable Stephen Sweeney, President of the Senate
    Honorable Vincent Prieto, Speaker of the General Assembly
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

OPEN PUBLIC MEETING

MINUTES – March 9, 2017

1. CALL TO ORDER:

A meeting of the New Jersey Environmental Infrastructure Trust was convened on Thursday, March 9, 2017 in the conference room of 3131 Princeton Pike, Building 4, Suite 216, Lawrenceville, New Jersey. Treasurer Ellis called the meeting to order at 10:02 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. Nancy Collazo conducted roll call to which Mr. Ellis, Mr. Griffin, Mr. Cunningham, and Mr. Kennedy all responded affirmatively.

DIRECTORS
Roger Ellis, Treasurer
Mark Longo, Secretary *
Dan Kennedy
(for DEP Commissioner Martin)
Michael Griffin
(for State Treasurer Scudder)
Timothy Cunningham
(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
Thomas Huth, Governor’s Authorities Unit
Clifford T. Rones, Deputy Attorney General
Richard Nolan, McCarter & English LLP
Geoffrey Stewart, Public Financial Management
Scott Shymon, Municipal Finance & Construction Element
Judy Karp, Legal and Compliance Officer

(*) Mark Longo, Secretary arrived at 10:08 am
4. **APPROVAL OF THE MINUTES:**

Treasurer Ellis opened discussion of the minutes of the Wednesday, February 15, 2017 Trust Board meeting. There were no comments or questions. Treasurer Ellis requested a motion for approval.

Mr. Cunningham moved for the approval of the minutes. Mr. Griffin seconded the motion. The motion was carried 4 to 0 with 0 abstentions.

5. **ANNOUNCEMENTS:**

Executive Director Zimmer summarized a number of recent substantive events and correspondence:

- On **March 8, 2017**, Executive Director Zimmer participated in a Water Financing Roundtable sponsored by NJELEC;
- On **March 6, 2017**, Executive Director Zimmer and Assistant Director Scangarella attended a meeting with senior DEP SRF staff to discuss the development of the DEP’s Asset Management initiative for water systems;
- On **February 10, 2017**, The Alliance for Action (AFA) recognized the Program’s two SAIL Program Projects with MCUA as part of the AFAs “NJ’s Leading Infrastructure Projects Awards” program. Executive Director Zimmer, Assistant Director Scangarella, and Construction Project Manager Rolon attended the ceremony;
- The next Trust Board meeting is scheduled for Thursday, April 13, 2017 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](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:**

Treasurer Ellis invited comments from the public. There were no comments.

7. **UNFINISHED BUSINESS:**

A. Mr. Shymon, of the NJDEP’s Municipal Finance and Construction Element, reported that there are 226 active projects with long-term loans totaling $1,038,644,180 and 1165 closed projects with long-term loans outstanding totaling $5,551,488,635 for a grand total of 1391 projects at $6,590,132,825.
B. Mr. Shymon discussed the SFY2017 Combined Financing Loan Programs:

**SFY2017 Short-Term Clean Water Financing Program:**

<table>
<thead>
<tr>
<th>Project Type</th>
<th>No.</th>
<th>$ Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Certified with Construction Loan:</td>
<td>40</td>
<td>$380,264,468</td>
</tr>
<tr>
<td>Project Certified - not Closed:</td>
<td>20</td>
<td>$41,034,650</td>
</tr>
<tr>
<td>Project Received Authorized to Advertise; approval expected by 6/30/17</td>
<td>28</td>
<td>$175,096,441</td>
</tr>
<tr>
<td>Project Planning &amp; Design Loan</td>
<td>9</td>
<td>$39,839,133</td>
</tr>
<tr>
<td>Project Approval expected by 6/30/17</td>
<td>83</td>
<td>$1,104,631,947</td>
</tr>
<tr>
<td>Project Approval not expected by 6/30/17</td>
<td>51</td>
<td>$660,545,577</td>
</tr>
</tbody>
</table>

**Total Clean Water Projects** 231 $2,401,412,216

**SFY2017 Short-Term Drinking Water Financing Program:**

<table>
<thead>
<tr>
<th>Project Type</th>
<th>No.</th>
<th>$ Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Certified with Construction Loan:</td>
<td>22</td>
<td>$105,193,596</td>
</tr>
<tr>
<td>Project Certified - not Closed:</td>
<td>15</td>
<td>$77,456,047</td>
</tr>
<tr>
<td>Project Received Authorized to Advertise; approval expected by 6/30/17</td>
<td>17</td>
<td>$72,131,000</td>
</tr>
<tr>
<td>Project Planning &amp; Design Loan:</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>Project Approval expected by 6/30/17</td>
<td>54</td>
<td>$354,738,676</td>
</tr>
<tr>
<td>Project Approval not expected by 6/30/17</td>
<td>41</td>
<td>$216,700,567</td>
</tr>
</tbody>
</table>

**Total Drinking Water Projects** 149 $826,219,886

**SFY2017 Grand Totals:**

| Clean & Drinking Water Program Totals | 380 | $3,227,632,102 |

Mr. Shymon also reported that since January 1, 2017, 24 projects received Authorization to Award; 26 projects received Authorization to Advertise; and 8 projects received their Environmental Decision Documents (EDDs).

Treasurer Ellis asked if the Program had procedures in place to track the Program’s prevailing wage requirements. Mr. Shymon responded yes, the DEP is responsible for and confirms compliance with federal Davis-Bacon requirements.

There were no additional comments or questions.

C. Executive Director Zimmer reported that there were no outstanding Requests for Proposals (RFPs):

There were no comments or questions.
D. Executive Director Zimmer next reported on the changes to the Construction and SAIL Loan Programs:

- The Trust received 4 new applications for Construction and SAIL Loans totaling $112.7M.
  - The Trust has received 81 Construction and SAIL Loan applications to-date totaling $743M.

- The Trust closed 1 Construction Loan application since the last Board Meeting totaling $271K.
  - The Trust has 70 Construction and SAIL Loan closed applications outstanding totaling $511.2M.

- The Trust disbursed $8.0M of funds to 20 projects since the last Board Meeting.
  - 67 projects with outstanding Construction & SAIL Loans have received disbursements from the Trust totaling $166M (32.5% of the total closed loans).

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. 16-22 adopted on May 12, 2016.

There were no comments or questions.

8. **NEW BUSINESS:**

A. Executive Director Zimmer requested that the Trust’s Chief Budget Officer Hansbury, introduce Resolution No. 17-13 accepting the January 2017 Treasurer’s Report.

<table>
<thead>
<tr>
<th>Revenues earned in January 2017:</th>
<th>$ 952,423</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD Total Revenues Earned:</td>
<td>$ 3,974,667</td>
</tr>
<tr>
<td>YTD Total Revenues Budgeted:</td>
<td>$ 3,855,122</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses Incurred in January 2017:</th>
<th>$ 739,341</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD Total Expenses Incurred:</td>
<td>$ 3,318,251</td>
</tr>
<tr>
<td>YTD Total Expenses Budgeted:</td>
<td>$ 3,346,644</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Difference YTD v. Budgeted YTD:</th>
<th>$ 147,938</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unanticipated excess cash flow</td>
</tr>
</tbody>
</table>

Chief Budget Officer Hansbury asked if there were any comments or questions. Hearing none, Treasurer Ellis requested a motion for approval.

The resolution was moved for adoption by Mr. Griffin and seconded by Mr. Longo. The motion was carried 5 to 0 with 0 abstentions.

B. Executive Director Zimmer requested Assistant Director Scangarella to introduce Resolution No. 17-14. Assistant Director Scangarella state that the Resolution authorizes three NJEIFP Construction Loans to the New Jersey American Water Co., for Project Nos. 2004002-011, 2004002-500 and 1345001-016, each in excess of $10 million. Resolution No. 16-22 and Resolution No. 17-11 require Board approval for Construction Loans in an excess of $10 million for the SFY2017 and SFY2018 Financing Programs, respectively. Specifically: Project No. 2004002-500 is for flood wall improvements to the Raritan Millstone Water Treatment Plant with an estimated project cost not to exceed $37 Million, Project No. 2004002-
011 is for raw water pumping improvements to the Raritan Millstone Water Treatment Plant with an estimated project cost not to exceed $12 Million and Project No. 1345001-016 is for improvements to the Sunset Road Water Treatment Plant expansion with an estimated project cost not to exceed $13 Million.

Assistant Director Scangarella asked if there were any comments or questions.

Mr. Kennedy recognized Executive Director Zimmer and NJEIT’s Senior Staff efforts in building stronger relationships with the senior management of the State’s larger water systems. Executive Director Zimmer thanked Mr. Kennedy and added that NJEIT Executive Staff has been working closely with executives of investor-owned drinking water utilities to ensure these companies are using the Program to finance as many projects as are eligible so that these systems’ rate payers receive the full benefits of the Program.

Hearing no additional questions or comments, Treasurer Ellis requested a motion for approval.

The resolution was moved for adoption by Mr. Cunningham and seconded by Mr. Longo. The motion was carried 5 to 0 with 0 abstentions.

C. Executive Director Zimmer requested Assistant Director Scangarella to introduce Resolution No. 17-15. Assistant Director Scangarella stated that the Resolution authorizes an NJEIFP Construction Loan to Newark City, in excess of $10 million for Project No. 071400-016. Resolution No. 16-22 and Resolution 17-11 require Board approval for Construction Loans in excess of $10 million for the SFY2017 and SFY2018 Financing Programs, respectively. Newark City is requesting a construction loan for project #071400-016 for the rehabilitation of the Pequannock Water Treatment Plant with an estimated project cost of $13 million. Newark City will provide the Financing Program with Qualified Bonds at the time of long-term financing.

Assistant Director Scangarella asked if there were any comments or questions.

Mr. Cunningham asked when the Trust expects the City of Newark to submit project documentation for the $22 million Small Diameter Scoping project. Assistant Director Scangarella responded that Newark is eligible to secure short-term financing for planning work now, but he anticipates it will seek financing in the next 6 months.

Hearing no other questions, Treasurer Ellis requested a motion for approval.

The resolution was moved for adoption by Mr. Kennedy and seconded by Mr. Longo. The motion was carried 5 to 0 with 0 abstentions.

D. Executive Director Zimmer requested Chief Financial Officer Kaltman to introduce Resolution No. 17-16. Chief Financial Officer Kaltman stated that the Resolution approves an Amended Investment Policy. Chief Financial Officer Kaltman reported that the Investment Policy was originally adopted in 2005, and amended in 2007 and 2013. This Resolution seeks two revisions to further safeguard the Trust’s assets. Specifically, the amendments limit investments made by the Trust’s Investment Officer without the advice of the Investment Advisor to money market funds and this amendment also reinforce the definition of “fund” as noted in the State’s Investment Policy.
Chief Financial Officer Kaltman asked if there were any comments or questions. Hearing none, Treasurer Ellis requested a motion for approval.

The resolution was moved for adoption by Mr. Griffin and seconded by Mr. Longo. The motion was carried 5 to 0 with 0 abstentions.

E. Executive Director Zimmer requested Chief Financial Officer Kaltman to introduce Resolution No. 17-17. Chief Financial Officer Kaltman stated that the Resolution authorizes the issuance of an RFP for Investment Advisory Services. The current Investment Advisor contract awarded under Resolution No. 14-33 expires June 30, 2017. The Trust continues to require the services of an Investment Advisor to invest the Trust’s assets in compliance with both the Trust’s Investment Policy and the State’s Investment Policy. This resolution authorizes the Trust to issue an RFP for Investment Advisory Services for a term from July 1, 2017 through June 30, 2019 with an option to extend one-year subject to Board approval.

Chief Financial Officer Kaltman asked if there were any comments or questions.

Mr. Griffin asked if the Trust pays its Investment Advisor a flat fee. Ms. Kaltman responded the Trust pays a flat fee for managed accounts based on assets under management as well as preset fees in the instance of one-time trades.

Hearing no other questions, Treasurer Ellis requested a motion for approval.

The resolution was moved for adoption by Mr. Longo and seconded by Mr. Cunningham. The motion was carried 5 to 0 with 0 abstentions.

F. Executive Director Zimmer requested Legal and Compliance Officer Karp to introduce Resolution No. 17-18. Legal and Compliance Officer Karp stated that the Resolution approves a contract extension for Custodial Bank services. Resolution 15-32 authorized the Trust to enter into an agreement for Custodial Bank services with TD Bank, NA for a two-year contract term with the option for a one-year extension requiring further Board action. The original contract term expires June 30, 2017. Trust staff is satisfied with the services provided by TD Bank and recommends a continuation of TD Bank’s services. This Resolution authorizes a one-year extension of the contract as allowed under the original terms to run through June 30, 2018.

Legal and Compliance Officer Karp asked if there were any comments or questions. Hearing none, Treasurer Ellis requested a motion for approval.

The resolution was moved for adoption by Mr. Longo and seconded by Mr. Cunningham. The motion was carried 5 to 0 with 0 abstentions.

G. Executive Director Zimmer noted the Resolution for awarding a contract for Software Outsourcing Services has been deferred. No action was taken.

H. Executive Director Zimmer introduced Resolution No. 17-19 authorizing the issuance of an RFQ for General Engineering services. This resolution authorizes the issuance of an RFQ that pre-qualifies firms to provide General Engineering services to the Financing Program for additional resources to supplement project review and construction oversight activities. It authorizes the Executive Director to create a
Review Committee consisting of staff members from the Department and the Trust to review and rank all responsive proposals for recommendation. A pool of qualified firms will be approved by the Board and all consulting work will be bid on a competitive basis through individual RFPs to the qualified firms and ranked based on the terms included in the RFQ. The contract term is 2 years with the option for a one-year extension requiring further Board action. The DEP will be responsible for overseeing technical work done by the Consulting firms and certifying project eligibility. The Trust will be responsible for overseeing all legal, credit, financial and documentation processes. Each borrower will be responsible for any expenses generated on their behalf.

Executive Director Zimmer asked if there were any comments or questions.

Mr. Longo asked if this RFQ could displace DEP workers? Executive Director Zimmer yielded the floor to Mr. Kennedy who responded that this contract will only complement the current Program, and that it provides the Program with the flexibility to hire consultants for work overloads, not at the expense of current staff but to supplement current staff. Mr. Kennedy also acknowledge the excellent productivity of his staff.

Hearing no other questions, Treasurer Ellis requested a motion for approval.

The resolution was moved for adoption by Mr. Cunningham and seconded by Mr. Longo. The motion was carried 5 to 0 with 0 abstentions.

9. **EXECUTIVE SESSION:**

Treasurer Ellis asked if there was a need for an Executive Session. Executive Director Zimmer responded there was not.

Mr. Kennedy offered news that the US Geological Survey had come out with a report on the positive quality improvements to the State’s water bodies over the past 40 years and noted the contributions that the Financing Program had made towards this end.

Treasurer Ellis asked Executive Director Zimmer if there was any further action required by the Board. Mr. Zimmer answered there was not.

Treasurer Ellis then asked for a motion for an adjournment.

Mr. Longo moved to adjourn the meeting. The motion was seconded by Mr. Kennedy.

The motion was carried 5 to 0 with 0 abstentions.

The meeting was adjourned at 10:40 AM.
RESOLUTION NO. 17-13

RESOLUTION AUTHORIZING APPROVAL OF THE JANUARY 2017 TREASURER’S REPORT

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust") has reviewed the Treasurer’s Report for January 2017; 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 January 2017 and requests that the same be entered into the record.

Adopted Date: March 9, 2017

Motion Made By: Michael Griffin

Motion Seconded By: Mark Longo

Ayes: 5

Nays: 0

Abstentions: 0
RESOLUTION NO. 17-14

RESOLUTION OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
APPROVING THREE CONSTRUCTION LOANS TO
NEW JERSEY AMERICAN WATER COMPANY, INC.

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. 16-22 on May 12, 2016 entitled “Amended and Restated Resolution Authorizing Various Short-Term Financing Programs for State Fiscal Year 2017” (the “2017 Authorizing Resolution”) to provide funding for the implementation of the Interim Financing Program during State Fiscal Year 2017 including the Construction Financing Program (the “SFY 2017 Construction Loan Program”); and

WHEREAS, the Trust duly adopted Resolution No. 17-11 on February 15, 2017 entitled “Resolution Authorizing the Construction Loan Financing Program for State Fiscal Year 2018” (the “2018 Authorizing Resolution”) to provide funding for the implementation of the Interim Financing Program during State Fiscal Year 2018 including the Construction Financing Program (the “SFY 2018 Construction Loan Program”); and

WHEREAS, it is the desire of the Board to authorize Construction Loan Closings pursuant to the Interim Financing SFY2017 Construction Loan Program for loan closings occurring in SFY2017 and the Interim Financing SFY 2018 Construction Loan Program for loan closings occurring in SFY2018 (each the “Applicable Construction Loan Program”); and
WHEREAS, pursuant to the terms of the 2017 Authorizing Resolution and 2018 Authorizing Resolution (each the “Applicable 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 Applicable 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 Applicable Authorizing Resolution; and

WHEREAS, pursuant to Section 4 of the 2017 Authorizing Resolution and Section 5 of the 2018 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 Applicable Construction Loan Program shall not exceed $10,000,000 in principal amount (Construction Loan Limitation); and

WHEREAS, pursuant to Section 2 of the Applicable 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, the New Jersey American Water Company, Inc. (“NJAWC”) has requested from the Trust three (3) construction loans, in anticipation of a long-term loan from each of the Trust and the Department, for the purpose of constructing the following environmental infrastructure projects: (i) flood wall improvements to the Raritan Millstone Water Treatment Plant in Bridgewater Township, designated by the Department as Project # 2004002-500; (ii) Raw Water pumping improvements to the Raritan Millstone Water Treatment Plant in Bridgewater Township, designated by the Department as Project # 2004002-011; and (iii) Sunset Road Water Treatment Plant expansion in Lakewood Township, designated by the Department as Project #1345001-016 (cumulatively, the “NJAWC Projects”); and

WHEREAS, pursuant to the construction schedule with respect to each NJAWC Project, a Construction Loan not to exceed three full fiscal years will be made available for the construction, all or a portion of which will be completed prior to NJAWC’s receipt of the Trust and Department long-term New Jersey Environmental Infrastructure Financing Program loans, thereby resulting in requests by NJAWC for Construction Loans as follows: (i) Project #2004002-500 in an amount not to exceed $37 million; (ii) Project #2004002-011 in an amount not to exceed $12 million; and (iii) #1345001-016 in an amount not to exceed $13 million; and

WHEREAS, with respect to the Applicable Authorizing Resolution’s Construction Loan Limitation 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 applicable 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 Applicable Construction Loan Program, to the aforementioned project sponsor in amount not to exceed the amount stated for the purpose of completing the NJAWC Projects; and
WHEREAS, it is the desire of the Trust that, other than the Applicable Authorizing Resolution’s Construction Loan Limitation described in the immediately preceding recital, the project sponsor shall comply with (i) all other requirements of the Applicable 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 Applicable Authorizing Resolution’s Construction Loan Limitation providing that all Loans approved by the Authorized Officers, following the requisite consultations, and made by the Trust to Borrowers as part of the Applicable 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 the Construction Loan Limitation, an Interim Loan, as part of the Applicable Construction Loan Program, to the following project sponsor for the stated project in an amount not to exceed the amount stated for the purpose of completing each such project.

<table>
<thead>
<tr>
<th>Project Sponsor</th>
<th>Project #</th>
<th>Description</th>
<th>Total Authorized Loan Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NJ American Water Co., Inc.</td>
<td>2004002-500</td>
<td>Flood wall improvements to the Raritan Millstone Water Treatment Plant</td>
<td>$37 million</td>
</tr>
<tr>
<td>NJ American Water Company, Inc.</td>
<td>2004002-011</td>
<td>Raw Water pumping improvements to the Raritan Millstone Water Treatment Plant</td>
<td>$12 million</td>
</tr>
<tr>
<td>NJ American Water Company, Inc.</td>
<td>1345001-016</td>
<td>Sunset Road Water Treatment Plant expansion</td>
<td>$13 million</td>
</tr>
</tbody>
</table>

Section 2. Other than the exceptions created by the provisions of Section 1 of this Resolution, the Construction Loans made to the aforementioned project sponsor as part of the Applicable 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: March 9, 2017

Motion Made By: Tim Cunningham

Motion Seconded By: Mark Longo

Ayes: 5

Nays: 0

Abstentions: 0
RESOLUTION NO. 17-15

RESOLUTION OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
APPROVING A CONSTRUCTION LOAN TO NEWARK CITY

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. 16-22 on May 12, 2016 entitled “Amended and Restated Resolution Authorizing Various Short-Term Financing Programs for State Fiscal Year 2017” (the “2017 Authorizing Resolution”) to provide funding for the implementation of the Interim Financing Program during State Fiscal Year 2017 including the Construction Financing Program (the “SFY 2017 Construction Loan Program”); and

WHEREAS, the Trust duly adopted Resolution No. 17-11 on February 15, 2017 entitled “Resolution Authorizing the Construction Loan Financing Program for State Fiscal Year 2018” (the “2018 Authorizing Resolution”) to provide funding for the implementation of the Interim Financing Program during State Fiscal Year 2018 including the Construction Financing Program (the “SFY 2018 Construction Loan Program”); and

WHEREAS, it is the desire of the Board to authorize Construction Loan Closings pursuant to the Interim Financing SFY2017 Construction Loan Program for loan closings occurring in SFY2017 and the Interim Financing SFY 2018 Construction Loan Program for loan closings occurring in SFY2018 (each the “Applicable Construction Loan Program”); and
WHEREAS, pursuant to the terms of the 2017 Authorizing Resolution and 2018 Authorizing Resolution (each the “Applicable 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 Applicable 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 Applicable Authorizing Resolution; and

WHEREAS, pursuant to Section 4 of the 2017 Authorizing Resolution and Section 5 of the 2018 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 Applicable Construction Loan Program shall not exceed $10,000,000 in principal amount (Construction Loan Limitation); and

WHEREAS, pursuant to Section 2 of the Applicable 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, Newark City (“Newark”) has requested from the Trust a construction loan, in anticipation of a long-term loan from each of the Trust and the Department, to finance the construction of Project # 0714001-016 - Pequannock Water Treatment Plant Rehabilitation, (the “Newark Project”); and

WHEREAS, pursuant to the Newark Project construction schedule, a Construction Loan not to exceed three full fiscal years will be made available for construction, all or a portion of which will be completed prior to Newark’s receipt of a Trust and Department long-term New Jersey Environmental Infrastructure Financing Program loan, thereby resulting in Newark’s request for a construction loan in an amount not to exceed $13 million; and

WHEREAS, with respect to the Applicable Authorizing Resolution’s Construction Loan Limitation 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 Applicable 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 Applicable Construction Loan Program, to the aforementioned project sponsor in amount not to exceed the amount stated for the purpose of completing the Newark Project; and

WHEREAS, it is the desire of the Trust that, other than the Applicable Authorizing Resolution’s Construction Loan Limitation described in the immediately preceding recital, the project sponsor shall comply with (i) all other requirements of the Applicable 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 Applicable Authorizing Resolution’s Construction Loan Limitation providing that all Loans approved by the Authorized Officers, following the requisite consultations, and made by the Trust to Borrowers as part of the Applicable 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 Construction Loan Limitation, an Interim Loan, as part of the SFY 2017 Construction Loan Program, to the following project sponsor for the stated project in an amount not to exceed the amount stated for the purpose of completing each such project.

<table>
<thead>
<tr>
<th>Project Sponsor</th>
<th>Project #</th>
<th>Description</th>
<th>Total Authorized Loan Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newark City</td>
<td>0714001-016</td>
<td>Pequannock Water Treatment Plant Rehabilitation</td>
<td>$13 million</td>
</tr>
</tbody>
</table>

Section 2. Other than the exceptions created by the provisions of Section 1 of this Resolution, the Construction Loans made to the aforementioned project sponsor as part of the Applicable 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: March 9, 2017

Motion Made By: Dan Kennedy

Motion Seconded By: Mark Longo

Ayes: 5

Nays: 0

Abstentions: 0
RESOLUTION NO. 17-16

RESOLUTION OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST AUTHORIZING AND ADOPTING AN AMENDED AND RESTATED INVESTMENT POLICY WITH RESPECT TO THE ADMINISTRATION AND INVESTMENT MANAGEMENT OF FUNDS OF THE TRUST AND FUNDS FOR WHICH THE TRUST IS RESPONSIBLE

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 (the “State”) (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 invest moneys of the Trust not required for immediate use, including, without limitation, proceeds from the sale of any bonds, notes or other obligations, all as provided in the Act; and

WHEREAS, prior to the date hereof, the Trust adopted, and thereafter amended, a policy (as amended, the “Prior Policy”) for the administration and investment management by the Trust, pursuant to the Act, of moneys of the Trust not required for immediate use, including, without limitation, proceeds from the sale of any bonds, notes or other obligations; and

WHEREAS, in furtherance of the responsible and prudent administration and investment management by the Trust, pursuant to the Act, of moneys of the Trust not required for immediate use, including, without limitation, proceeds from the sale of any bonds, notes or other obligations, a comprehensive policy statement, amending and restating the Prior Policy, has been developed that establishes standards for such administration and investment management, in a manner consistent with the Act (the “Policy Statement”), which Policy Statement is attached hereto as Exhibit A and made a part hereof; and

WHEREAS, it is the desire of the Trust to amend and restate the Prior Policy through the authorization and adoption of the Policy Statement in the form attached hereto as Exhibit A and made a part hereof.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Trust (the “Board”) that the Board hereby authorizes and approves (i) the amendment and restatement of the Prior Policy through the adoption by the Trust of the Policy Statement, 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 of such Policy Statement 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: March 9, 2017

Motion Made By: Michael Griffin

Motion Seconded By: Mark Longo

Ayes: 5

Nays: 0

Abstentions: 0
New Jersey Environmental Infrastructure Trust

INVESTMENT POLICY

March 2017
NO. 1.22

SUBJECT: Investment Policy

REVISION HISTORY: Adopted: March 9, 2017 Effective: March 24, 2017
# Table of Contents

## DIAGRAMS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Responsibilities – Trust Cash-on-Hand</td>
<td>3</td>
</tr>
<tr>
<td>2. Responsibilities – Bond Proceeds</td>
<td>4</td>
</tr>
</tbody>
</table>

## TEXT

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Purpose</td>
<td>5</td>
</tr>
<tr>
<td>II. Scope</td>
<td>5</td>
</tr>
<tr>
<td>III. Investment Objectives</td>
<td>5</td>
</tr>
<tr>
<td>1. Safety of Principal</td>
<td>5</td>
</tr>
<tr>
<td>2. Maintenance of Liquidity</td>
<td>6</td>
</tr>
<tr>
<td>3. Return on Investment</td>
<td>7</td>
</tr>
<tr>
<td>IV. Internal Procedure and Governance</td>
<td>7</td>
</tr>
<tr>
<td>1. Investment Committee</td>
<td>7</td>
</tr>
<tr>
<td>2. Delegation of Authority</td>
<td>7</td>
</tr>
<tr>
<td>3. Competitive Selection of Advisory Firm</td>
<td>7</td>
</tr>
<tr>
<td>V. Standards of Care</td>
<td>8</td>
</tr>
<tr>
<td>1. Standards of Prudence</td>
<td>8</td>
</tr>
<tr>
<td>2. Ethics and Conflict of Interest</td>
<td>9</td>
</tr>
<tr>
<td>VI. Authorized Investments</td>
<td>9</td>
</tr>
<tr>
<td>1. Government Investments</td>
<td>10</td>
</tr>
<tr>
<td>2. Money Market and Money Market-like Investments</td>
<td>11</td>
</tr>
<tr>
<td>3. Corporate Securities</td>
<td>12</td>
</tr>
<tr>
<td>VII. Policy Considerations</td>
<td>13</td>
</tr>
<tr>
<td>1. Credit Downgrade</td>
<td>13</td>
</tr>
<tr>
<td>2. Exemptions</td>
<td>13</td>
</tr>
<tr>
<td>3. Authorized Financial Institutions</td>
<td>13</td>
</tr>
<tr>
<td>4. Sale of Securities</td>
<td>14</td>
</tr>
<tr>
<td>5. Competitive Selection of Investment Instruments</td>
<td>14</td>
</tr>
<tr>
<td>VIII. Safekeeping and Custody</td>
<td>14</td>
</tr>
<tr>
<td>IX. Performance Standards</td>
<td>15</td>
</tr>
<tr>
<td>X. Reporting</td>
<td>15</td>
</tr>
<tr>
<td>XI. Exceptions to this Policy</td>
<td>15</td>
</tr>
<tr>
<td>XII. Investment Policy Adoption</td>
<td>15</td>
</tr>
<tr>
<td>XIII. Exhibit A: Defined Terms</td>
<td>16</td>
</tr>
<tr>
<td>XIV. Exhibit B: Investment Policies &amp; Procedures</td>
<td>22</td>
</tr>
<tr>
<td>XV. Exhibit C: Quarterly Report – Review of Investment Portfolio</td>
<td>22</td>
</tr>
</tbody>
</table>
1. Responsibilities - Trust CA$H-on-Hand

**NJEIT Board of Directors**
- Appoints Investment Committee Members
- Approves Investment Policy
- Approves exceptions to Policy
- Authorizes the signing of the contract for Investment Advisory Services
- Authorizes the signing of the contract for Custodial Services

**Investment Committee**
- Annual Review of Investment Policy
- Oversight of Investment Activities
- Reviews quarterly and annual summary investment reports
- Monitors credit downgrade situations
- Recommends final selection of Investment Advisory Firm

**Investment Officer (Exec. Dir.)**
- Advises the Investment Committee
- Evaluates RFPs and recommends Investment Advisory Firm to Committee
- Reviews credit downgrade situations
- Reviews monthly, quarterly and annual investment reports
- Determines appropriate benchmarks for each account
- Reconciles positions in investment reports and custodial reports

**NJEIT Staff**
- Assists Investment Officer
- Limited to money market investments without advice of Investment Advisor

**Investment Advisory Firm**
- PFM-AM*
- Recommends/chooses specific securities compliant with Investment Policy
- Purchases securities through a competitive bid process (minimum of 3 bids)
- Monitors and manages compliance with investment policy
- Prepares monthly, quarterly and annual reports

**Custodian**
- TD Bank*
- Holds securities in the name of the Trust
- Issues safekeeping receipt to the Trust
- Issues Monthly holdings report

* External firms which are currently under contract. Continued service subject to competitive bid procurement.
2. Responsibilities - Bond Proceeds

NJEIT Board of Directors
- Approves Bond Resolution specifying Investment Criteria
- Authorizes the awarding of the contract for Financial Advisory Services
- Authorizes the awarding of the contract for Trustee Services for NJEFP Bond Issues

Investment Officer (Exec. Dir.)
- Evaluates RFPs and recommends Financial Advisory Firm to Board
- Approves investment process for NJEFP Bond Issue proceeds
- Approves investment selection for Bond Proceeds and DSR Funds
- Selects Money Market Fund for Borrower Accounts with undrawn funds

NJEIT Staff
- Assists Investment Officer
- Reviews monthly, quarterly and annual investment reports
- Reconciles positions in investment reports and Trustee reports
- Limited to money market funds without advice of Investment Advisor

Financial Advisory Firm [PFM*]
- Engages Investment Advisory Firm to recommend investment of Bond Proceeds (and DSR accounts as necessary)

Investment Advisory Firm [PFM-AM*]
- Advises NJEIT of alternative investment plans
- Purchases securities through a competitive bid process

Trustee [TD Bank*]
- Monitors investment compliance with Bond Resolutions
- Holds securities in the name of the Trustee FE0 Bond Trust
- Prepares monthly and quarterly holdings reports
- Transfers funds from the Net Funding Account to Borrowers’ Accounts
- Invests borrower funds (e.g., DSR Funds)

* [External firms] which are currently under contract. Continued service subject to competitive bid procurement.
I. Purpose

The purpose of this Investment Policy Statement (“Policy”) is to set forth the investment and operational policies for the management of the Investment Activities (“Activities”) on behalf of the New Jersey Environmental Infrastructure Trust (“NJEIT” or the “Trust”).

The underlying policies are designed to ensure that the Activities are consistent with the Trust’s overall financial needs and result in compliance with the Policy, the prudent management of invested funds, the timely availability of operating, administrative, and capital funds, all while generating a sound Investment Return.

Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in “Investment Policy Defined Terms” attached hereto as Exhibit A.

II. Scope

This Policy governs the overall administration and investment management of all funds available for investment (“Investment Portfolio”) by or on behalf of the Trust, including, without limitation, the Proceeds of bonds or notes issued by the Trust, funds being utilized for Debt Service Reserve purposes, funds of the State of New Jersey, and funds of the New Jersey Department of Environmental Protection (“Department”). This Policy may only be superseded by and shall be subject to the terms and provisions of (i) bond resolutions duly adopted by the Trust and specific to bonds or notes issued by the Trust and the Proceeds of such bonds or notes, and (ii) the New Jersey State Investment Code for funds of the Trust, the State or the Department. This Policy shall apply to Investment Portfolio funds from the time of receipt until such time that the funds are no longer held by or on behalf of, or are the responsibility of, the Trust. The guidance set forth herein is to be strictly followed by all those responsible for any aspect of the Activities and management or administration of the Investment Portfolio, including NJEIT staff, NJEIT Board members, NJEIT’s executive personnel, and, when applicable, NJEIT’s outside Investment Advisory Firm.

III. Investment Objectives

The primary objective of the Trust’s Activities, in order of priority, shall be (i) safety of Principal, (ii) Liquidity, and (iii) yield/Investment Return.

1. Safety of Principal

Safety of Principal is the foremost objective of the Activities. The objective is to mitigate both credit risk and interest rate risk.

a. Credit Risk

NJEIT will seek to minimize credit risk, defined as the risk of an adverse change in market value or loss of Principal due to either (i) the actual or perceived failure of the
Issuer of any security held in the Trust’s portfolio, or (ii) the actual or perceived failure of an Investment Intermediary performing investments services to the Trust by:
- Limiting investments to the types of securities listed in Section VI of this Policy;
- Pre-qualifying the Financial Institutions, Brokers/Dealers, intermediaries, and advisors with which the Trust will do business (See Section VII.3 of this Policy for specific criteria);
- Diversifying the Investment Portfolio so that the impact of potential losses from any single asset class or Issuer will be minimized:
- Limiting Counterparty Risk by following the provisions in Section VII.3 of this Policy, maintaining an approved list of pre-approved counterparties, and having programs in place to monitor those pre-approved counterparties. The Trust may rely on outside Investment Advisory Firm(s) for maintaining the list of pre-qualified counterparties and having adequate Due Diligence programs in place; and
- Limiting the Trading Exposure or the amount of trades outstanding with any one counterparty at any given time. Except for Activities associated with bond sale Proceeds, neither the Trust nor any of its representatives shall execute and have outstanding investment trades with one counterparty at any given time, whereby the Principal amount represented by such trades exceeds 20% of all Investable Funds thereby minimizing the risk of loss or litigation to the Investment Portfolio should the counterparty be unable to fulfill its obligation for any reason.

b. **Interest Rate Risk**

NJEIT will seek to minimize interest rate risk, the risk that the market value of securities in the portfolio will fall due to rising interest rates, by:
- Structuring the Investment Portfolio so that security maturity dates meet cash requirements for ongoing operations, and that Durations are managed in-line with the liability nature of each individual fund, thereby avoiding the need to sell securities prior to Maturity.
- Limiting the Duration of each individual account to between 85% and 110% of the Duration of the identified Benchmark for each account. Such Durations shall be identified each quarter and investment compliance of this requirement shall be stated in the Trust’s quarterly performance reports.

2. **Maintenance of Liquidity**

The Investment Portfolio shall be structured to meet all operating requirements that may be reasonably anticipated. This shall be accomplished by structuring the Investment Portfolio so that securities mature concurrent with cash needs to meet anticipated demands (Static Liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary or resale markets (Dynamic Liquidity).

Monthly cash flow analyses will be conducted by the Investment Officer, with the assistance of the Investment Advisory Firm to ensure that the Investment Portfolio is positioned to provide sufficient Liquidity.
3. **Return on Investment**
   The Investment Portfolio shall be designed with the objective of attaining an optimized market Rate of Return throughout budgetary and economic cycles, taking into account the investment risk constraints and Liquidity needs of the Trust. Return on Investment is of secondary importance compared to the safety and Liquidity objectives described above.

IV. **Internal Procedure and Governance**

1. **Investment Committee**
   Duly appointed members of the NJEIT Board of Directors (“Board”) shall be appointed by Board resolution to serve as the Trust’s Investment Committee (“Committee” or “Investment Committee”). The Committee shall meet at a minimum of once a year to review the progress of the Activities. By adoption of this Policy, the Board hereby grants oversight of the Activities to the Committee. The Committee may, at its discretion, refer any matter to the Board for discussion and action.

   This Policy shall be reviewed at least annually by the Committee and the Investment Officer (as hereinafter defined) to ensure its (i) consistency with the overall objectives of the Trust and the Activities (ii) compliance with applicable law, as well as (iii) relevance to financial and economic trends. Any modifications to this Policy will be recommended by the Investment Officer to the Committee and approved by the Board.

2. **Delegation of Authority**
   Management responsibility for the Activities is delegated by the Board to the Trust’s Executive Director (herein referred to as the “Investment Officer”), with support from the Assistant Director of the Trust and the Chief Financial Officer of the Trust, and under the general direction of the Committee. The Investment Officer shall act in accordance with established written procedures and internal controls for the operation of the Activities in a manner consistent with this Policy. (See Exhibit B). If so affirmed by the Committee and in accordance to the Investment Advisory Firm selection process as detailed in Section IV.3 of this Policy, the Investment Officer may delegate certain investment management responsibilities to an outside Investment Advisory Firm. The Investment Advisory Firm must abide by all terms of this Policy as stipulated in the terms of the contract for Investment Services agreed to by the Investment Advisory Firm and the Trust.

3. **Competitive Selection of Investment Advisory Firm**
   It may be the policy of the Trust to delegate certain investment management responsibilities to a qualified institution through a formal and competitive Investment Advisory Firm selection process.

   The Trust shall solicit bids through a Request for Proposal (“RFP”) and evaluate all received responses. An Evaluation Committee, made up of no fewer than three (3)
officers of the Trust, including the Investment Officer, (the “Evaluation Committee”) shall review the proposals submitted in response to the RFP. Through the Evaluation Committee, the Investment Officer shall make recommendations to the Investment Committee, which will then evaluate these recommendations and make a final recommendation to the Board. Proposals will be evaluated based on the major evaluation criteria set forth in the Procurement Policy and considering the following factors:

− The proposed cost for services and the methodology stated for setting Investment Advisory Firm compensation;
− The Investment Advisory Firm’s experience and capability to efficiently manage funds, maintain accounts and records, and provide all required services;
− The experience and qualifications of the Investment Advisory Firm’s team proposed for the Activity;
− The sufficiency of the Investment Advisory Firm’s assets to assume and execute required responsibilities;
− The Investment Advisory Firm’s reputation as a respected, nationally known, experienced investment management firm;
− Investment Services available and offered by the Investment Advisory Firm; and
− The Investment Advisory Firm’s online capabilities and functionality available to the Trust.

V. Standards of Care

1. Standards of Prudence

There are currently two commonly accepted standards of care in the United States with respect to the general management of investment funds; (i) Prudent Person Rule and (ii) Prudent Expert Rule:

(i) **Prudent Person Rule** directs fiduciaries as follows - “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.” *(Harvard College v. Armory (1830) MA).*

(ii) **Prudent Expert Rule** directs fiduciaries as follows – A portfolio shall be managed “with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.” *(Employee Retirement Income Security Act (ERISA), Section 404(a)(1)(B)).*

*(n.b. The main difference between these standards is the “familiar with such matters”*
clause, which suggests a higher level of standard required by the “Expert” and the acceptance of a portfolio approach to investments under the Expert Rule which allows for greater flexibility involving individual investment decisions).

Management of the NJEIT’s Investment Activities, responsibilities and action, as outlined in this Policy, by the NJEIT Board, Investment Committee, Investment Officer, and Staff regarding funds available for investment on NJEIT’s behalf shall be subject to the "Prudent Person" standard. Further, the Investment Officer and Staff, acting in accordance with this Policy and exercising Due Diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that any deviations from the Policy are reported to the Committee in a timely fashion.

While the Prudent Person Rule is the standard of prudence to be used by investment officials who are officers or employees of the Trust, any person or firm, including, without limitation, the Investment Advisory Firm, hired or retained to invest, monitor, or advise the Trust concerning the Investment Portfolio and the Activities shall be held to the higher standard of "Prudent Expert".

2. Ethics and Conflict of Interest

Any person involved in the investment process and the Activities, either employed by the Trust, or hired as an advisor to the Trust, including, without limitation, the Investment Advisory Firm (including any individual employed thereby who is assigned by such employer to provide services to the Trust, on behalf of such employer, in connection with this Policy), shall refrain from personal business activity that could conflict with the proper execution and management of the Activities, or that could impair their ability to make impartial decisions. These persons shall not:

1) accept any money, loan, gift, favor, service, or business or professional opportunity that could influence them in the performance of their official duties with respect to the Activities;
2) accept any business or professional opportunity when they know there is a reasonable likelihood that the opportunity is being afforded to influence them in the performance of their official duties;
3) enter into any personal investment transactions with the same individual with whom business is conducted on behalf of the Trust; or
4) disclose or use confidential information that is not generally available to the public for their own or another person's financial benefit.

The responsibilities of Trust employees pursuant to the State of New Jersey Conflict of Interest’s standards and Rules of Professional Conduct are neither superseded nor limited by this Policy.

VI. Authorized Investments and Asset Classes

The Trust is permitted to invest in those investment securities and vehicles that are
specifically listed below, provided, however, that, at the time any investment is made, (i) such investment shall be (a) permitted pursuant to the rules and regulations of the New Jersey State Investment Council or (b) approved by the Director of the Division of Investment in the Department of the Treasury upon a finding that such investments are consistent with the corporate purposes of the Trust, and (ii) if and to the extent the amounts being invested constitute Proceeds of bonds or notes of the Trust, such investment shall be permitted pursuant to the terms and provisions of the duly adopted bond resolution of the Trust pursuant to which such bonds or notes were issued.

Investments made without the advice of the Investment Advisor should be limited to, permissible money market funds.

Credit criteria listed in this section refer to the credit of the issuing organization at the time the security is purchased. Only credit ratings of Nationally Recognized Statistical Rating Organizations (“NRSRO”) will be observed and considered, including Standard & Poor’s, Moody’s Investor Service, and Fitch Ratings Service. Ratings are provided by category. For example, the second highest rating category will include bonds rated AA+, AA and AA- for Standard & Poor’s and Fitch Ratings and Aa1, Aa2 and Aa3 for Moody's Investors Service.

Investment Portfolio percentage restrictions by security type and Issuer are applicable only on the date of purchase of the investment and are based on market value at the Investment Portfolio fund level as defined by the State’s Investment Policy.

1. **Government Investments**
   1) Direct Obligations of the United States of America and securities fully and unconditionally guaranteed as to the Timely Payment of Principal and interest by the United States of America, provided that the Full Faith and Credit of the United States of America must be pledged to any such Direct Obligation or guarantee (“Direct Obligations”).
      a. **Sector Limit**: the Trust may hold 100% of the Investment Portfolio in this asset class.
      b. **Maturity Limit**: no greater than twenty (20) years at time of purchase.

   2) Any obligation that a Federal Agency or a Federal Instrumentality has issued in accordance with an act of Congress.
      a. **Sector Limit**: the Trust may hold up to 75% of the Investment Portfolio in this asset class.
         – Mortgage-Backed Securities shall make up no more than 10% of the Investment Portfolio.
      b. **Issuer Limit**: no single Issuer shall exceed 35% of the Investment Portfolio.
      c. **Maturity Limit**: no greater than ten (10) years at time of purchase, unless the security type is a Callable or Mortgage-Backed Security. Callable Federal Agency Securities shall be further limited to a five (5) year Maturity limit at the time of purchase. Mortgage-Backed Securities shall have a maximum Duration no greater than five (5) years at the time of purchase.
3) Municipal Obligations. Taxable and tax-exempt securities issued only by states and state agencies in the United States may be purchased if the following conditions are met:
   a. Sector Limit: up to 30% of the Investment Portfolio may be invested in Municipal Obligations as described above.
   b. Issuer Limit: no single Issuer shall exceed 5% of the Investment Portfolio.
   c. Maturity Limit: no greater than five (5) years at the time of purchase.
   d. Credit Quality: the Issuer has a long-term debt rating in one of the two highest categories by at least two NRSROs and is rated not lower than AA (or its equivalent) by any one NRSRO, or a minimum short-term rating in the top category by at least two NRSROs, depending on whether the security is issued with short-term or long-term ratings.

2. Money Market and Money Market-like Investments
   1) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52: 18A-90.4), if the following conditions are met:
      a. Sector Limit: up to 100% of the Investment Portfolio may be invested in this asset class.

   2) Money Market Mutual Funds may be purchased, if the following conditions are met:
      – Fund must be registered with the U.S. Securities and Exchange Commission (“SEC”) as a Money Market Mutual Fund, comply with SEC Rule 2a-7, and maintain a stable Net Asset Value (“NAV”);
      – Investment is permitted in Treasury-Only, Government and “Prime” funds;
      – Fund sponsor must be domiciled in the United States of America; and
      – Before investing in any fund, the most current prospectus must be obtained and reviewed by the Investment Officer or the Investment Advisory Firm.
      a. Sector Limit: up to 100% of the Investment Portfolio may be invested in this asset class.
      b. Fund Limit: The Trust may hold 100% of the Investment Portfolio in Treasury-only or Federal Government-only funds. No other single fund shall exceed 50% of the Investment Portfolio.
      c. Credit Quality: the fund is rated in the top Money Market Mutual Fund category by any one NRSRO.

   3) Agreements for the repurchase of fully Collateralized securities, if:
      – The Custody of Collateral is transferred to a Third Party;
      – The Maturity of the agreement is not more than 30 days;
      – The underlying securities are purchased through a Public Depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41);
A Master Repurchase Agreement providing for the custody and security of collateral is executed; and

The Fair Market Value of the securities in relation to the amount of the repurchase obligation, including Principal and interest, must be equal to at least 102%.

a. Sector Limit: up to 10% of the Investment Portfolio may be invested in this asset class.

b. Issuer Limit: no single Issuer shall exceed 10% of the Investment Portfolio. For purposes of clarity, other than short-term, Repurchase Agreements described in this Section (VI.2), Guaranteed Investment Contracts (GICs), Forward Delivery Agreements and other such Structured Investment Products are prohibited investments unless agreed to on a case-by-case basis by a vote of the full Board.

3. Corporate Securities

Corporate Debt instruments, including Commercial Paper, Corporate Notes, Certificates of Deposit, Bank Deposit Notes, and Bankers’ Acceptances. In aggregate, these instruments are limited by Sector and Issuer as follows:

− Sector Limit: in the aggregate, up to 50% of the Investment Portfolio may be invested in Corporate Debt instruments of the types listed below;

− Industry Limit: in aggregate, no greater than 25% of the Investment Portfolio may be invested in Corporate Debt Issuers that are categorized by industry type as “Financials”; and

− Issuer Limit: no single Corporate Debt Issuer shall exceed 5% of the Investment Portfolio.

1) Bankers’ Acceptances. Bankers’ Acceptances issued by a domestic bank or a Federally Chartered Domestic Office of a foreign bank, which are eligible for purchase by the Federal Reserve System may be purchased for the Investment Portfolio if the following conditions are met:

− Maturity Limit: no greater than one hundred-eighty days (180) days; and

− Credit Quality: the issuing corporation, or its guarantor, has a short-term debt rating in the highest category by at least two NRSROs.

2) Commercial Paper. Unsecured short-term debt of U.S. domiciled corporations may be purchased for the Investment Portfolio if the following conditions are met:

− Maturity Limit: no greater than two hundred-seventy (270) days; and

− Credit Quality: the issuing corporation, or its guarantor, has a short-term debt rating in the highest category by at least two NRSROs.

3) Certificates of Deposit and Bank Deposit Notes. Deposit obligations of domestic banks and Federally Chartered Domestic Offices of foreign banks may be purchased for the Investment Portfolio if the following conditions are met:

− Maturity Limit: no greater than five (5) years at the time of purchase; and

− Credit Quality: the issuing corporation, or its guarantor, has a short-term
debt rating in the highest category by at least two NRSROs or a long-term debt rating in the highest two categories by at least two NRSROs and is rated not lower than A (or its equivalent) by any one NRSRO.

4) Corporate Notes. Senior debt obligations issued by corporations organized and operating under the laws of the United States may be purchased if the following conditions are met:
   – Maturity Limit: no greater than five (5) years at the time of purchase; and
   – Credit Quality: the issuing corporation has a long-term debt rating in one of the three highest categories by at least two NRSROs and is rated not lower than A (or its equivalent) by any one NRSRO.

VII. Policy Considerations

1. Credit Downgrade
   If a security(ies) in the Investment Portfolio is downgraded to a level below the quality required by this Policy, the Investment Officer shall consult with the Investment Advisory Firm to review the credit situation of the security(ies). Upon completion of such review, the Investment Officer shall make a determination as to whether to sell or retain such security(ies) in the Investment Portfolio and provide a written report to the Committee, informing the Committee of the situation, the investment decision, and the justification for such a decision.

   If a decision is made to retain a downgraded security in the Investment Portfolio, its presence in the Investment Portfolio will be monitored and reported monthly, in writing, to the Investment Officer and the Committee.

2. Exemptions
   If the Investment Portfolio falls out of compliance with this Policy, the Investment Advisory Firm shall notify the Investment Officer and present a plan of action, the objective of which will be to bring the Investment Portfolio back into compliance with the Policy. The Investment Officer shall provide regular written reports with respect to such developments to the Committee for as long as the Investment Portfolio is non-compliant with this Policy.

3. Authorized Financial Institutions
   All transactions of individual investments shall be executed with qualified Broker/Dealers that meet all of the following criteria:
   a. Primary Dealers and regional Dealers that qualify under Securities and Exchange Commission Rule 15c3-1 (uniform net capital rule);
   b. Capital of at least $25,000,000;
   c. Registered as a Dealer under the Securities Exchange Act of 1934;
   d. Member of the Financial Industry Regulatory Authority (FINRA);
   e. Registered to sell securities in the State of New Jersey; and
   f. Engaged in the business of effecting transactions in authorized investments of
this Policy for at least five (5) consecutive years.

NJEIT may delegate the selection of qualified Broker/Dealers to its Investment Advisory Firm.

4. Sale of Securities
From time to time, securities held in the Investment Portfolio may be traded for other similar securities to improve yield, Maturity, and/or credit risk. For these transactions, a loss may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security:

a. Yield has been increased;
b. Maturity has been adjusted in anticipation of interest rate changes; or
c. Quality of the investment has been improved.

5. Competitive Selection of Investment Instruments
It will be the policy of NJEIT to transact all security purchases/sales only with qualified institutions through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers. NJEIT will accept the offer which (a) provides the highest Rate of Return within the Maturity required; and (b) optimizes the investment objective of the overall Investment Portfolio. When selling a security, the Trust, or when designated, the Investment Advisory Firm on behalf of the Trust, will select the bid that generates the highest sale price. A report of all bid results shall be electronically transmitted or faxed, by the Investment Advisory Firm, the Financial Advisor or other Financial Intermediary who was responsible for managing the bid process, to the Investment Officer for additional record keeping at the Trust. Records of all transactions shall be stored electronically and made available by the Investment Officer to any member of the Committee upon request.

VIII. Safekeeping and Custody

All investment securities purchased for the Investment Portfolio or held as collateral on deposits or investments shall be held by the Trust or by a third-party Custodial Agent who may not otherwise be a counterparty to the investment transaction. All securities in the Investment Portfolio shall be held in the name of the Trust.

Further, all investment transactions will be conducted on a Delivery vs. Payment (DVP) basis. DVP is a means of limiting risk in financial transactions, whereby payment is made through a third-party intermediary simultaneously as securities are delivered and accepted. The Custodial Agent shall issue a safekeeping receipt to the Trust listing the specific instrument, Rate, Maturity, and other pertinent information. On a monthly basis, the Custodial Agent will also provide reports that list all securities held for the Trust, including the book and market values of holdings as of month-end. The Trust will reconcile its account holdings monthly with its custodian’s records.
IX. Performance Standards

The Investment Portfolio shall be structured and managed with the objective of obtaining a market Rate of Return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the Trust. Appropriate Benchmarks shall be selected for comparison to the various accounts that make up the Investment Portfolio and identified in all quarterly performance reports to the Committee.

X. Reporting

The Investment Officer shall prepare or have prepared an investment report on a monthly basis. The report will include the following:

a. Listing of individual securities held at the end of the reporting period.
b. Listing of investments by Maturity date.
c. Percentage of the total portfolio that each type of investment represents.
d. Average Weighted Yield to Maturity of investments.

Additionally, on at least a quarterly basis, the Investment Officer shall prepare or have prepared a written investment report that, in addition to the above requirements, includes a management summary that provides analysis of the status of the current Investment Portfolio and transactions made over the last quarter, attached hereto as Exhibit C. The Investment Officer shall provide the quarterly overview report to the Committee. The report will show the investments held in, and performance for, the Investment Portfolio and individual accounts, and shall include a comparison to the relevant Benchmarks for each account, for the current quarter and year-to-date period.

XI. Exceptions to this Policy

Exceptions to this Policy are prohibited without the prior written approval of the NJEIT Board.

XII. Investment Policy Adoption

This Policy is adopted by the Board of Directors of the New Jersey Environmental Infrastructure Trust this 9th day of March 2017.
XIII. Exhibit A: Defined Terms

Advisory Firm: A firm that provides professional investment or financial advice to an organization or an individual for a fee. The primary purpose of an Advisory Firm in this case, is to provide subject matter expertise as well as access to industry-specific specialists and advisors.

Average Weighted: To aggregate data into an average, based on the relative value weights of each data point. For example, to calculate the average interest rate of a group of securities, it is useful to calculate the average on a weighted basis, with the yield of each security being given a weighting based on the dollar value of that security as a percentage of the dollar value of all the securities.

Bankers Acceptances: A type of investment that is used to facilitate trade transactions between two entities, especially useful in trading international goods. Bankers’ Acceptances are used as a short-term investment instrument, and are usually traded at a discount from face value on the basis of the credit quality of the guaranteeing bank. Typically issued with maturities less than one year; may be rated with a short-term rating by any NRSRO (see subsequent definition).

Bank Deposit Notes: A debt security issued by a bank, and backed by federal deposit insurance up to the FDIC insurance coverage amount (the current standard deposit insurance amount is $250,000 per depositor, per insured bank, for each account ownership category).

Benchmark: An unmanaged Investment Portfolio whose overall performance is used as a market index for measuring the comparative performance of a managed Investment Portfolio. A performance Benchmark should represent a close correlation to the investment guidelines and risk tolerance of the managed Investment Portfolio.

Bond Proceeds: The total monies paid to the Issuer by the purchasers of a new issue of bonds.

Broker/Dealers: A person or firm transacting securities business with customers. A Broker acts as an agent between buyers and sellers, and receives a commission for these services. A Dealer trades financial assets from its own Investment Portfolio, placing its own capital at risk in the trade. A Dealer takes risk by owning an inventory of securities, whereas a Broker merely matches up buyers and sellers.

Callable Bond/Security: Securities which contain an option that provides the Issuer the right to redeem the securities prior to the stated original Maturity, at a predetermined price and time.

Certificates of Deposit (CDs): Obligations issued by a bank or thrift institution, generally offering a fixed Rate of Return for a specified period of time. CDs may be rated with a short-term or long-term rating, depending on the original Maturity date and may be
backed by FDIC insurance coverage.

**Collateralized:** Process by which a borrower pledged securities, property, or other deposits for securing the repayment of a loan and/or security.

**Commercial Paper:** Short-Term unsecured Corporate (promissory) Notes, issued at a discount with a redemption value at Maturity equal to par or face value. Maximum Maturity is typically 270 days; may be rated with a short-term rating by an NRSRO.

**Corporate Notes/Debt:** Unsecured debt instruments issued by a corporation with a Maturity of greater than one year; may be rated with a long-term rating by an NRSRO.

**Counterparty Risk:** The risk that the other party to a transaction will fail in its related obligations. For example, in the case of buying a security, the risk that the Broker/Dealer will not deliver the security to an entity’s custodian on the agreed-upon date.

**Custody of Collateral:** Collateral (including but not limited to cash, Government securities, securities, real estate, commodities, and assets) held by a Custodial Agent.

**Credit Downgrade:** A reduction in the rating assigned to an Issuer. A rating agency downgrades the debt of a company or governmental entity when its ability to meet its financial obligations deteriorates or is expected to deteriorate.

**Custodial Agent:** A Financial Institution that holds a customer’s securities, in the customer’s name, so as to minimize the risk of their theft or loss. Service normally includes the holding and reporting of the customer's securities and values, the collection and disbursement of income/coupon payments and maturities received.

**Debt Service Reserve Fund:** An account usually funded in whole or in part with Bond Proceeds. This account is set aside in reserve to pay debt service if revenue sources are insufficient to pay debt service.

**Delivery vs. Payment (DVP):** Settlement procedure in which securities are delivered simultaneously upon the transfer of cash payment for said securities. Most security transactions are performed via DVP as a protection for both parties to a transaction.

**Direct Obligation:** A security issued under obligation of the U.S. Government, backed by the Full Faith and Credit of the Federal Government.

**Due Diligence:** Exercising proper care when presenting or acting on a potential investment, idea, or strategy, with a goal of avoiding or preventing unanticipated harm.

**Duration:** A measurement of interest rate sensitivity, which shows the effective Maturity of a fixed income obligation, using the average of the time to each revenue stream (coupon or Principal payment) made on the obligation on a weighted basis. The greater the Duration of an obligation, the greater the percentage price sensitivity/volatility with
respect to changes in interest rates.

**Dynamic Liquidity:** Obligations having active secondary or resale markets.

**Fair Market Value:** The price that a given asset or security is expected to sell for in the market, at a specific point in time.

**Federal Agency:** Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a Financial Intermediary by borrowing in the marketplace (issuing bonds and notes) and directing Proceeds to specific areas of the economy. The most common federal agencies are GNMA, FNMA, FHLMC, FHLB, FFCB, and TVA.

**Federal Instrumentality:** An entity that serves a public purpose and is closely tied to federal and/or state government.

**Federal Reserve System:** The independent central bank system of the United States that establishes and conducts the nation's monetary policy. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven-member Board of Governors known as the “Federal Reserve Board” and led by its Chairman.

**Federally Chartered Domestic Office:** Financial Institutions authorized and regulated by the federal government rather than the state government.

**Financial Institutions:** An entity that focuses its business on transacting in the financial markets, such as investments, loans and deposits. Conventionally, Financial Institutions are composed of organizations such as banks, Broker/Dealers, custodians, insurance companies, and trust companies.

**Financials:** Issuers that focus their business on providing financial services, such as banks and trust companies.

**FINRA:** Financial Industry Regulatory Authority, a private corporation that acts as a self-regulatory organization (SRO), performing financial regulation of member brokerage firms and exchange markets. FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD).

**Forward Delivery Agreements:** An agreement for the delivery of an underlying asset at a date agreed upon in a forward contract. At the Forward Delivery date, one party will supply the underlying asset and the other will purchase the asset at a price agreed upon at the onset of the contract or trade date.

**Full Faith and Credit:** The unconditional guarantee that accompanies the interest and Principal of obligations issued by in this case, either the United States of America or U.S. Municipalities.
**Guaranteed Investment Contracts (GICs):** Insurance contracts that guarantee the repayment of Principal and a fixed or floating interest rate for a predetermined period of time.


**Intermediary:** An entity that acts as a Broker between two parties in a financial transaction.

**Investable Funds:** The aggregate amount of funds available for investment.

**Investment Committee:** The Committee, made up of certain members of NJEIT Board of Directors, according to the Trust’s Investment Policy as originally established by Resolution No. 05-52 and further amended in Resolution 13-40, which oversees the investment and operational policies and Activities for NJEIT’s investment program.

**Investment Portfolio:** All funds available for investment on NJEIT’s behalf.

**Investment Return:** Investment performance measured over a period of time that includes income received and any realized and unrealized gains or losses. Realized gains are captured when a security is sold, whereas unrealized gains are estimated gains on paper for current holdings, and are thus not yet realized.

**Investment Services:** Those services offered by an investment advisor related to the prudent management of the Trust’s Investment Portfolio.

**Issuer:** An entity that develops, registers, and sells securities for financing its operations. Issuers are legally responsible for the obligations of the issue and for reporting financial conditions, material developments and any other operational activities required by the regulations of their jurisdictions.

**Liquidity:** The relative ease of converting an asset into cash; also, a relative measure of cash and near-cash items in a portfolio of assets.

**Long-Term Debt Rating:** An NRSRO’s forward-looking opinion of the general creditworthiness of an Issuer over a period exceeding the next 365 days.

**Master Repurchase Agreement:** An agreement that is used to govern and document Repurchase Agreements (see subsequent definition) and protect the interest of parties in a Repurchase Agreement transaction.

**Maturity:** Date on which the final Principal payment of a financial obligation is to be paid and the obligation satisfied in full.
Maturity Limit: A limit to the length of time until financial obligations reach Maturity, set forth by an entities’ investment policy.

Money Market Funds: A type of mutual fund generally believed to provide daily Liquidity, which invests solely in short-term market instruments, generally having maturities less than one year such as: U.S. Treasury bills, Commercial Paper, Bankers' Acceptances, and Repurchase Agreements.

Mortgage-Backed Securities: Mortgage-Backed Securities represent an ownership interest in a pool of mortgage loans made by Financial Institutions, to finance the borrower's purchase of a home or other real estate. The majority of Mortgage-Backed Securities are issued by Federal Agencies, including GNMA, FNMA and FHLMC. Mortgage-Backed Securities carry specific reinvestment risks as Principal and interest payments are uncertain and dependent on the timing of payments on underlying mortgages as determined and paid by the mortgage borrowers (homeowners). Expected payment streams are sometimes “prepaid,” when homeowners refinance or sell their properties.

Municipal Obligations: A security issued by a state, municipality, or county to finance its capital expenditures.

Net Asset Value (NAV): The market value of one share of an investment company, such as a Money Market Mutual Fund.

New Jersey State Investment Code: Regulations, including those of the New Jersey State Investment Council, governing the permitted investments as well as the limitations of investments in various assets and securities for public entities operating in New Jersey.

NRSRO: Nationally Recognized Statistical Rating Organization, an organization of which the SEC has deemed to have a strong national presence in the United States of America. Examples include: Fitch, Moody’s, and S&P.


Principal: The face value of a financial instrument on which interest accrues, or the original investment amount.

Prudent Person: A legal adage restricting a fiduciary’s discretion in a client's account by directing that “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.” (Harvard College v. Armory (1830) MA).
Prudent Expert: A measure contained in Section 404(a)(1)(B) of the Employee Retirement Income Security Act (ERISA) that requires the fiduciary of a defined contribution retirement plan to use the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.” The "familiar with such matters" language has been interpreted to mean "expert". This language creates an important distinction from the earlier Prudent Person guideline, in that it holds fiduciaries to a stricter standard of care and action. In addition, the Prudent Expert identification of a portfolio approach suggests that individual security decisions, taken out of context of an entire portfolio, may be imprudent.

Public Depository: A public entity that accepts deposits of cash for safekeeping of behalf of the depositor.

Rate: Amount of expected earnings/(payments) received/(owed) from/(on) an investment/(liability), expressed as a percentage of the funds that were invested/(borrowed).

Repurchase Agreement: A short-term investment vehicle in which an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the counterparty at an agreed upon time and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the Agreement.

Return on Investment (ROI): The economic benefit of investing. ROI is calculated by first subtracting the cost of the investment from the gains of the investment, then dividing the difference by the cost of the investment. (See below.)

\[
\frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of investment}}
\]

SEC Rule 2a-7: Rule 2a-7 of the Investment Company Act of 1940, which restricts the quality, Maturity, and diversity of investments by Money Market Funds.

Sector Limit: The maximum amount of money that an entity can invest in any one asset class. Sectors are widely defined as U.S. Treasuries, federal agencies, Corporates, Municipals, and Money Market Funds.

Short-Term Debt Rating: Short-Term Debt Rating looks at the probability of an entity defaulting or being unable to repay a financial obligation within a one year time frame. In contrast, a Long-Term Debt Rating evaluates the same probability beyond the one year time horizon.

State of New Jersey Cash Management Fund: An NAV money-market-like investment fund, administered and managed by the New Jersey Department of Treasury, which
provides a legal depository for municipal or school district funds.

**Static Liquidity:** Structuring an Investment Portfolio such that securities will mature and investment funds will be available in cash form concurrent with the expected cash demands / Liquidity needs of the investor.

**Structured Investment Products:** Investment products designed to specifically meet an investor’s financial needs, typically derived from a security, portfolio of securities, index, commodity, or debt issuances.

**Third Party:** An individual or entity that is involved in a transaction but is not one of the principals.

**Timely Payment:** A payment that has been paid on or before the due date, to ensure there is no default or accrual of any interest or penalties.

**Trading Exposure:** The dollar amount of outstanding trades with a single counterparty, expressed as a percentage of Investable Funds of the Trust. The Trust has established a limit such that the amount of outstanding trades with any one counterparty shall not exceed 20% of Investable Funds of the Trust and thereby has mitigated the risk that the default of any single trading counterparty cause irreparable harm to the Trust’s Investment Portfolio.

**Treasury Securities:** Collective term used to describe debt instruments backed by the U.S. Government and issued through the U.S. Department of the Treasury. Includes Treasury bills, Treasury notes, and Treasury bonds.

**Treasury-only MM:** A Money Market Mutual Fund that invests in nothing but short-term U.S. Treasury Securities and other securities that are 100% backed by U.S. Treasuries.

**Yield to Maturity:** Calculated Return on Investment (ROI), assuming all cash flows from the security are reinvested at the same original yield. There are different day count conventions for calculating YTM for various types of securities.

XIV. **Exhibit B:** Investment Policies & Procedures

XV. **Exhibit C:** Quarterly Report – Review of Investment Portfolio
(See attached PDF from PFM Asset Management)
RESOLUTION NO. 17-17

RESOLUTION AUTHORIZING ISSUANCE OF
A REQUEST FOR PROPOSALS FOR INVESTMENT ADVISORY SERVICES

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust") is organized and existing under 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

WHEREAS, pursuant to, and in accordance with Section 5(j) of the Act, the Trust is authorized to invest moneys of the Trust not required for immediate use in accordance with the Rules and Regulations of the State Investment Council or as may otherwise be approved by the Director of the Division of Investment in the Department of the Treasury;

WHEREAS, the Trust desires to retain the services of an Investment Advisor to ensure Trust Funds are managed to preserve the funds’ principal while optimizing liquidity and return objectives in a manner consistent with the Trust’s Investment Policy;

NOW THEREFORE BE IT RESOLVED THAT, the Executive Director of the Trust is authorized to prepare and distribute a Request for Proposal (RFP) for such Investment Advisory Services pursuant to Environmental Infrastructure Trust Policy and Procedure No. 4.00 (“Purchase of Goods and Services”); and

BE IT FURTHER RESOLVED THAT the Executive Director is further authorized to solicit proposals, designate a committee to independently review all proposals received, and to make a report and recommendation as to the selection of an Investment Advisor Firm to the Executive Director; and

BE IT FURTHER RESOLVED THAT the Executive Director shall present the Board with a recommendation to award a contract for Investment Advisory Services for a contract period of two (2) fiscal years, starting July 1, 2017 through June 30, 2019, with an option to extend one-year to June 30, 2020 upon approval by the Board; and

BE IT FURTHER RESOLVED THAT the Executive Director is authorized to take all other actions consistent with the Procurement Policy to procure the services of an Investment Advisor.

Adopted Date: March 9, 2017

Motion Made By: Mark Longo

Motion Seconded By: Tim Cunningham

Ayes: 5

Nays: 0

Abstentions: 0
RESOLUTION NO. 17-18

RESOLUTION OF THE TRUST AUTHORIZING A ONE YEAR EXTENSION OF ITS AGREEMENT WITH TD BANK, NA FOR CUSTODIAL BANKING SERVICES

WHEREAS, the New Jersey Environmental Infrastructure Trust (the “Trust”) is authorized to procure Custodial Banking Services pursuant to N.J.S.A. 58:11B-5L; and

WHEREAS, pursuant to Trust resolution No. 15-25, the Board of Directors of the Trust (the “Board”) authorized the Executive Director of the Trust to solicit proposals for Custodial Banking Services; and

WHEREAS, the Trust competitively procured Custodial Banking Services through formal advertisement and distribution of a Request for Proposals (“RFP”) pursuant to Trust Policy and Procedure 4.0 (Procurements) where in, members of the selection committee independently ranked three (3) proposals received based on the criteria and weights set forth in the notice of solicitation; and

WHEREAS, pursuant to Trust resolution No. 15 -32, the Board authorized the execution of an agreement with the highest ranked firm, TD Wealth, the investment management division of TD Bank, NA, (“TD Bank”) for a term of two years with an option for a one year extension subject to Board approval; and

WHEREAS, on September 8, 2015, an agreement was entered between the Trust and TD Bank (“Original Contract”) to provide custodial banking services for a term ending June 30, 2017; and

WHEREAS, the Original Contract approved by the Board pursuant to Resolution 15-32 provides for an extension for up to one year, subject to Board authorization; and

WHEREAS, it is the desire of the Board to exercise the one-year option for renewal of its Original Contract with TD Bank as outlined in the Original Contract as the Board deems the continuation of utilizing TD Bank’s services for custodial banking services to be appropriate.

NOW THEREFORE BE IT RESOLVED THAT the Board hereby approves and authorizes the renewal of its Original Contract with TD Bank for Custodial Banking Services for an additional term of one year, for the period of July 1, 2017 through June 30, 2018; and

BE IT FURTHER RESOLVED THAT the Vice Chairman of the Trust is hereby authorized to issue a contract extension to TD Bank to provide the services set forth in the Original Contract pursuant to the terms and conditions thereof. The terms and conditions of the amended agreement shall include, but not be limited to:

a. The provision of services as outlined in the Trust’s RFP distributed on June 30, 2015 and the proposal submitted by TD Bank dated August 5, 2015; and
b. The payment of all fees for all services as detailed in the August 5, 2015 submittal; and

c. Such other terms and conditions as may be contemplated by the RFP and the materials enclosed therewith as deemed necessary and appropriate by the Vice Chairman of the Trust.

Adopted Date: March 9, 2017

Motion Made By: Mark Longo

Motion Seconded By: Tim Cunningham

Ayes: 5

Nays: 0

Abstentions: 0
RESOLUTION NO. 17-19

RESOLUTION AUTHORIZING THE ISSUANCE OF
A REQUEST FOR QUALIFICATIONS FOR
GENERAL ENGINEERING CONSULTING SERVICES

WHEREAS, the New Jersey Environmental Infrastructure Trust (Trust) is authorized to make and enter all contracts necessary or incidental to the performance of its duties pursuant to N.J.S.A. 58:11B-5(d); and

WHEREAS, the NJEIT and the New Jersey Department of Environmental Protection have together administered the New Jersey Environmental Infrastructure Financing Program for over 30 years to enhance and protect water quality and public health through low interest clean water and drinking water loans to local government units and public water systems; and

WHEREAS, the Trust and NJDEP both share the responsibility of ensuring projects funded through the NJEIFP comport with NJEIFP standards pertaining to loan applications, environmental planning, cultural resources, permitting, credit worthiness, engineering design and contract specifications, construction management, the disbursement of funds, and all other activities necessary for the construction and financing of eligible projects by eligible borrowers; and

WHEREAS, the efficient review and approval of loan applications to expedite construction of critical environmental infrastructure projects is central to the NJEIFP’s mission of enhancing and protecting water quality and public health; and

WHEREAS, in the event of a limitation of resources, utilization of engineering consulting services to assist in the review and approval of applications, construction design, requisition, and site inspection of NJEIFP funded projects (Project Assistance), will aid the DEP and Trust in ensuring the efficient review of loan applications;

WHEREAS, it is the desire of the Trust to issue a request for qualifications to establish a pool of qualified engineering firms, from which one or more firms will be selected for Project Assistance pursuant to a subsequent solicitation of proposals; and

WHEREAS, the pool to be procured pursuant to this resolution is independent of a pool of pre-qualified firms to provide engineering services for loan applications pertaining to redevelopment projects, and combined sewer overflow projects and projects arising in natural disasters, was established by the Trust on December 15, 2015 pursuant to Resolution No. 15-49.

NOW THEREFORE BE IT RESOLVED THAT, the Executive Director of the Trust is authorized to prepare and distribute a Request for Proposal (RFQ) for the purposes of establishing a pre-qualified pool of consulting engineers pursuant to Policy and Procedure No. 4.00 (Procurement Policy).

BE IT FURTHER RESOLVED THAT, the procurement authorized in this resolution shall exclude engineering services for loan applications pertaining to redevelopment projects, combined sewer overflow projects and projects arising in natural disasters for the duration of Resolution No. 15-49.

BE IT FURTHER RESOLVED THAT the Executive Director is further authorized to designate a procurement committee pursuant to the Procurement Policy to independently review all proposals.
received and provide a written recommendation to the Executive Director as to the firms which qualify for participation in the pool; and

BE IT FURTHER RESOLVED THAT the Executive Director shall present the Board with a recommendation for contract award to establish the pool of Consulting Engineers for a contract period of two (2) fiscal years with an option to extend one-year upon approval by the Board; and

BE IT FURTHER RESOLVED THAT the Executive Director is authorized to take all other actions consistent with the Procurement Policy to procure the services of an Investment Advisor.

Adopted Date: March 9, 2017
Motion Made By: Tim Cunningham
Motion Seconded By: Mark Longo
Ayes: 5
Nays: 0
Abstentions: 0
SUMMARY OF ANNOUNCEMENTS:

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

- On March 8, 2017, Executive Director Zimmer participated in a Water Financing Roundtable sponsored by NJELEC;
- On March 6, 2017, Executive Director Zimmer and Assistant Director Scangarella attended a meeting with senior DEP SRF staff to discuss the development of the DEP’s Asset Management initiative for water systems;
- On February 10, 2017, The Alliance for Action (AFA) recognized the Program’s two SAIL Program Projects with MCUA as part of the AFAs “NJ’s Leading Infrastructure Projects Awards” program. Executive Director Zimmer, Assistant Director Scangarella, and Construction Project Manager Rolon attended the ceremony;
- Trust staff attended and held various conference calls to discuss prospective financing program participation by:
  - Northfield Borough
  - Marlboro Township
  - NJ American Water Co
  - Pennsauken Township
- Trust senior staff held various conference calls with professional advisors to discuss preparation for the Spring bond pool;
- Executive Director Zimmer continues to serve as co-Chair of the Jersey Water Works Finance Committee and co-hosts quarterly meetings;
- Assistant Director Scangarella and the Trust’s I.T. staff continue to meet with the DEP technology and process staffs to further the development of the Financing Program’s H2LOans computer system;
- Trust senior staff continue to meet with consultants from CohnReznick to discuss testing of the Trust’s Policies and Procedures; and
- The next Board meeting is scheduled for April 13, 2017 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:
  - 2006 Camden County MUA S340640-08-1
  - 2006 Camden County MUA S340709-03/04
  - 2012A Hammonton Town W0113001-004(PF)
  - 2014A Delran Twp S340794-07
  - 2014A Gloucester Twp S340364-10
  - 2014A Willingboro MUA W0338001-004/006/007
  - 2016A-1 Brielle Borough W1308001-002/003
  - 2016A-2 Burlington County S340818-07

A copy of the announcements is 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.