NEW JERSEY INFRASTRUCTURE BANK

OPEN PUBLIC MEETING
Thursday, April 11, 2019

1. **CALL TO ORDER:**

A meeting of the New Jersey Infrastructure Bank was convened on Thursday, April 11, 2019 in the conference room of 3131 Princeton Pike, Building 4, Suite 216, Lawrenceville, New Jersey. Vice Chairman Briant called the meeting to order at 10:00 a.m.

2. **OPEN PUBLIC MEETING ACT STATEMENT:**

Executive Director Zimmer read the Open Public Meeting Act Statement into the record. Executive Director Zimmer reported that he received a letter from Lieutenant Governor Sheila Oliver appointing Assistant Commissioner Kimberly Holmes as her representative as the DCA Commissioner for all Board meetings.

3. **ROLL CALL:**

Ms. Nancy Collazo conducted roll call to which Mr. Briant, Mr. Longo, Mr. Ellis, Ms. Brogel, Ms. Rankin, Mr. Kanef, and Ms. Holmes all responded affirmatively.

**DIRECTORS**
- Robert A. Briant, Jr., Vice Chairman
- Mark Longo, Secretary *
- Roger Ellis, Treasurer
- Janice Brogel
  (for DEP Commissioner Catherine R. McCabe)
- Michael Kanef *
  (for State Treasurer Elizabeth M Muoio)
- Laine Rankin
  (for DOT Commissioner Diane Gutierrez-Scaccetti)
- Kimberly Holmes
  (for DCA Commissioner Sheila Oliver)

**OTHERS**
- David E. Zimmer, Executive Director
- Frank Scangarella, Assistant Director
- Lauren Seidman Kaltman, Chief Financial Officer
- Judy Karp, Legal and Compliance Officer
- John Hansbury, Chief Budget Officer
- Paul Hauch, DEP, Municipal Finance & Construction Element
- Craig Ambrose, Governor’s Authorities Unit *
- Adam Sternbach, Governor’s Authorities Unit *
- Jeet Gulati, Deputy Attorney General
- Richard Nolan, McCarter & English LLP
- Geoffrey Stewart, Public Financial Management
- Tricia Gaparine, Chiesa Shahinian Giantomasi PC

(*) Participated via teleconference

Craig Ambrose of the GAU joined the Board Meeting via conference call at 10 am and Adam Sternbach took over the call at 10:25 am and stayed on the call until the end of the meeting.
4. **APPROVAL OF THE MINUTES:**

Vice Chairman Briant opened discussion of the minutes of the I-Bank’s March 2019 Board meeting.

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

Mr. Ellis moved for the approval of the minutes. Mr. Longo seconded the motion. The motion was carried with all 7 members voting in favor of the motion.

5. **ANNOUNCEMENTS:**

Executive Director Zimmer summarized a number of the substantive events that have occurred since the last Board meeting and the correspondence issued over the same time period:

- **On April 10 and March 25, 2019,** Executive Director Zimmer participated in CIFA / EPA WIFIA conference calls in an effort to develop a template for SRFs that will facilitate borrowing through the new S-WIFIA federal financing program;
- **April 03 and 04, 2019,** Executive Director Zimmer represented the NJ Water Bank and CIFA at National Water Week in Washington, DC;
- **On April 02, 2019,** Executive Director Zimmer participated with members of the Governor’s office and various State Agencies and Authorities to discuss financing for Jersey City;
- **On April 02, 2019,** Executive Director Zimmer participated in an introductory meeting with BPU to discuss potential financing programs;
- **On March 27, 2019,** Executive Director Zimmer and Marketing Assistant Kirkland met with members of DOT’s senior staff to discuss marketing opportunities for the Transportation Bank;
- **On March 26, 2019,** Executive Director Zimmer met with members representing the coalition for the National Infrastructure Bank to share ideas;
- **On March 26, 2019,** Executive Director Zimmer participated in an Applicant’s Guide Coordination conference call with DEP Assistant Commissioner Michele Putnam, Director Janice Brogle as well as members of and consultants to the Jersey Water Works to discuss opportunities for promoting the Guide and Green Infrastructure projects in the State;
- **On March 22, 2019,** Executive Director Zimmer participated in a conference call with Eric Brophy, Executive Director of NJEFA to share best management practices;
- **On March 21, 2019,** Executive Director Zimmer participated in a meeting with Treasury member Michael Kanef, DEP Assistant Commissioner Michele Putnam and Director Janice Brogle to discuss Water Bank leveraging issues;
- **On March 15 and 18, 2019,** the Water Bank and Transportation Bank held the last of their annual applicant seminars here at the I-Bank’s Offices and Rutgers School of Law in Newark respectively. Several Senior staff members of the I-Bank, DEP and DOT either presented or were on hand to answer questions. Ninety people attended the two Water Bank sessions and forty-nine people attended the two Transportation Bank sessions;
- **On March 15, 2019,** Executive Director Zimmer presented at NAIOP’s Infrastructure Symposium to Build a World-Class Infrastructure; and
• The next I-Bank Board meeting is scheduled for Thursday, May 9, 2019 at 10:00 am at the I-Bank’s offices.

Executive Director Zimmer announced the June 13th Board Meeting will be moved to Tuesday, June 11th. A follow up confirmation will be sent.

A copy of the announcements is available on the I-Bank’s webpage https://www.njib.gov/board-agenda/ (locate under “Governance”, “Board Meeting Agendas”, then select “Minutes”, the announcements will be at the end of the file.)

There were no comments or questions.

6. **PUBLIC COMMENTS:**

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

7. **UNFINISHED BUSINESS:**

A. Mr. Hauch, of the NJDEP’s Municipal Finance and Construction Element, reported that there are 270 active projects totaling $1,511,338,428 and 1,309 closed projects with loans totaling $5,956,903,639 for a grand total of 1,579 projects at $7,468,242,067.

B. Assistant Director & CCO Scangarella discussed the status of review for Water Bank Loan applications:

<table>
<thead>
<tr>
<th>Color</th>
<th>Description</th>
<th>Estimated Contract Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purple</td>
<td>Contracts Certified*</td>
<td>$198,465,000</td>
</tr>
<tr>
<td>Green</td>
<td>Contract Authorizations To Award</td>
<td>$231,977,776</td>
</tr>
<tr>
<td></td>
<td>Certifications and Awards: (7/1/18 - 4/10/19)</td>
<td>$430,442,776</td>
</tr>
<tr>
<td>Lt. Green</td>
<td>Authoriz. To Advertise (7/1/18 - 4/10/19)</td>
<td>$362,298,608</td>
</tr>
<tr>
<td></td>
<td>ATAs prior to 7/1/18: 7</td>
<td>$37,922,994</td>
</tr>
<tr>
<td>Yellow</td>
<td>Projects/Contracts Under Active Review</td>
<td>$868,856,821</td>
</tr>
<tr>
<td></td>
<td>LOIs since 7/1/18: 51</td>
<td>$255,785,774</td>
</tr>
<tr>
<td>Lt. Red</td>
<td>Inactive - Reactivation in Current FY</td>
<td>$26,000,000</td>
</tr>
</tbody>
</table>

* Excludes Asset Management Planning Contracts
## New Jersey Transportation Bank
### State Fiscal Year 2019 - Active Project Review
7/1/2018 - 4/10/2019 @ 12:00 pm

(Blue $ = Engineering Estimate)

<table>
<thead>
<tr>
<th>Color</th>
<th>Description</th>
<th># of Contracts</th>
<th>Estimated Contract Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue</td>
<td>Funds Committed (ST Loans closed)</td>
<td>4</td>
<td>$25,835,000</td>
</tr>
<tr>
<td>Lt Blue</td>
<td>Funding Allocations Made</td>
<td>6</td>
<td>$15,956,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total Allocations &amp; Commitments</strong></td>
<td><strong>10</strong></td>
<td><strong>$41,791,000</strong></td>
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<tr>
<td>Green</td>
<td>Authorizations to Award</td>
<td>1</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>Lt. Green</td>
<td>Auth. To Advertise</td>
<td>3</td>
<td>$15,485,000</td>
</tr>
<tr>
<td>Yellow</td>
<td>Contract Specs Under Review</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>Orange</td>
<td>Awaiting Contract Specs</td>
<td>6</td>
<td>$23,806,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total Remaining Projects to be Awarded:</strong></td>
<td><strong>9</strong></td>
<td><strong>$39,291,000</strong></td>
</tr>
<tr>
<td>White</td>
<td>Other SFY19 Eligible Projects</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>Red</td>
<td>Bypass (Since 1/1/2019)</td>
<td>13</td>
<td>$81,756,965</td>
</tr>
</tbody>
</table>

C. Executive Director Zimmer reported on the status of the I-Bank’s outstanding Requests for Proposals (RFPs):

Pursuant to Resolution No. **19-07** regarding Financial Advisor Services, an RFP was published on March 5, 2019, posted on the I-Bank’s website and a notice was distributed directly to 19 firms. Nine firms responded and requested a copy of the RFP. 4 Proposals were received, all were deemed responsive, and are being reviewed by the Review Committee. A recommendation for contract award is expected at the May 2019 Board Meeting.

Pursuant to Resolution No. **19-08** regarding Investment Advisor Services, an RFP was published on March 4, 2019, posted on the I-Bank’s website and a notice was distributed directly to 19 firms. Eighteen firms responded and requested a copy of the RFP. 2 Proposals were received, both were deemed responsive, and are being reviewed by the Review Committee. A recommendation for contract award is expected at the May 2019 Board Meeting.

D. Executive Director Zimmer next reported on status of the Construction and SAIL Loan Programs:

- The I-Bank received **12** new applications in March for Construction and SAIL Loan financing totaling $55.7 million.
  - The I-Bank has received **63** Construction and SAIL Loan applications through March 31, 2019 totaling $359.5 million.
• The I-Bank closed 0 Construction Loan applications in March. One outstanding loan had an Operable Segment certified by the DEP for an additional $711 K
  o The I-Bank has 106 Construction and SAIL Loan’s outstanding to-date totaling $780 million.

• The I-Bank disbursed $29.1 million of funds to 30 projects in March.
  o 103 projects with open Construction and SAIL Loans have received disbursements from the I-Bank through March 31, 2019 totaling $336.7 million, or approximately 43.17% of the outstanding short-term loan balance.

Status of the Transportation Construction Loan Programs:

• The Transportation Bank received 1 new application for Construction Loan financing in March totaling $3.5 million.
  o The Transportation Bank has a total of 4 Loan application outstanding through March 31, 2019 for $15.78 million.

• The Transportation Bank closed 0 loans in March.
  o The Transportation Bank has 2 closed loan outstanding totaling $12.41 million.

• The Transportation Bank disbursed $0 in March.
  o 2 projects with an open Construction Loan has received disbursements from the Transportation Bank through March 31, 2019 totaling $99,419.

Executive Director Zimmer thanked Katie Gaskill who manages the cash for the NJIB and asked her to report on the exception made in the program.

E. Executive Director Zimmer introduced CFO Lauren Kaltman to discuss the status of the quarterly Aged Inventory Report. CFO Kaltman reported that there are 19 open projects from SFY2015 or prior, representing no change of 5 closeouts from the previous quarter.

F. Legal and Compliance Officer Karp and DEP’s Mr. Hauch reported on the Water Bank Regulations as follows.

<table>
<thead>
<tr>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rule Team Assembled</td>
<td>Done</td>
</tr>
<tr>
<td>Team Meets to Establish Scope of Rule Amendments</td>
<td>Done</td>
</tr>
<tr>
<td>Request Legal Assignments from OLA and DAG</td>
<td>In Progress</td>
</tr>
<tr>
<td>Meet with DEP Office of Economic Analysis for Guidance and Support</td>
<td>Scheduled for early Feb</td>
</tr>
<tr>
<td>Consult with Office of Communications for planning and conducting</td>
<td>N/A - no such office currently</td>
</tr>
<tr>
<td>stakeholder outreach procedures, public notification, meeting format,</td>
<td>active at DEP</td>
</tr>
<tr>
<td>review of stakeholder lists and facilitation needs</td>
<td></td>
</tr>
<tr>
<td>Establish Dates, Invitees, and Posting of Notice for Stakeholder Meetings,</td>
<td>Scheduled for March 14, 2019</td>
</tr>
<tr>
<td>Submit Notice for NJ Register Publication through OLA (if required)</td>
<td>Delayed pending Legal Assignments</td>
</tr>
<tr>
<td>Rule Team meets drafting amendments</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

There were no comments or questions.
8. **NEW BUSINESS:**

A. Executive Director Zimmer introduced the I-Bank’s Chief Budget Officer Hansbury to present Resolution No. 19-18 accepting the February 2019 Treasurer’s Report.

<table>
<thead>
<tr>
<th></th>
<th>NJ WATER BANK</th>
<th>NJ TRANSPORTATION BANK</th>
<th>NJ I-BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues earned in February 2019:</strong></td>
<td>$516,085</td>
<td>$177,000</td>
<td>$693,085</td>
</tr>
<tr>
<td>Total Revenues Earned YTD:</td>
<td>$4,227,580</td>
<td>$674,508</td>
<td>$4,902,088</td>
</tr>
<tr>
<td>Total Revenues Budgeted YTD:</td>
<td>$4,331,357</td>
<td>$580,417</td>
<td>$4,911,774</td>
</tr>
<tr>
<td>% of Budget:</td>
<td>98%</td>
<td>116%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Expenses incurred in **February 2019:**

<table>
<thead>
<tr>
<th></th>
<th>NJ WATER BANK</th>
<th>NJ TRANSPORTATION BANK</th>
<th>NJ I-BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses incurred in February 2019:</strong></td>
<td>$398,778</td>
<td>$117,580</td>
<td>$516,359</td>
</tr>
<tr>
<td>Total Expenses Incurred YTD:</td>
<td>$3,082,112</td>
<td>$841,495</td>
<td>$3,923,607</td>
</tr>
<tr>
<td>Total Expenses Budgeted YTD:</td>
<td>$3,823,412</td>
<td>$1,498,733</td>
<td>$5,322,145</td>
</tr>
<tr>
<td>% of Budget:</td>
<td>81%</td>
<td>56%</td>
<td>74%</td>
</tr>
</tbody>
</table>

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

The resolution was moved for adoption by Mr. Ellis and seconded by Ms. Holmes. The motion was carried with all 7 members voting in favor of the motion.

B. Executive Director Zimmer introduced Chief Financial Officer Kaltman to present Resolution No. 19-19 approving the I-Bank’s SFY2020 Operating Budget. The Budget consists of total I-Bank revenues of $8,970,230 derived from anticipated administrative fees, cost of issuance fees, and estimated interest income. The Budget also consists of total anticipated I-Bank expenses of $8,954,113 which includes direct loan program-related costs as well as expenses related to Operations. To the extent necessary, the I-Bank may utilize up to $1.45 million of funds appropriated to the Transportation Bank Financing Program to help cover Administrative costs for the Transportation Program.

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

The resolution was moved for adoption by Ms. Holmes and seconded by Mr. Longo. The motion was carried with all 7 members voting in favor of the motion.

C. Executive Director Zimmer introduced Legal and Compliance Officer Karp to present Resolution No. 19-20 approving the SFY2020 New Jersey Environmental Infrastructure Financing Program Financial Plan (Water Bank May Report). The Water Bank May Report specifies the parameters of the Water Bank Loan Program including interest rates, principal forgiveness and fees. In SFY2020, the majority of projects receiving program certification are expected to receive long-term financing terms of 50% zero interest Fund Loans from the DEP and 50% market-rate I-Bank Loans.
Executive Director Zimmer expressed his gratitude to Legal and Compliance Officer Karp, DEP’s Section Chief Paul Hauch, and other members of DEP for all their hard work put in preparing the May Report.

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

The resolution was moved for adoption by Mr. Longo and seconded by Ms. Holmes. The motion was carried with all 7 members voting in favor of the motion.

D. Executive Director Zimmer introduced Assistant Director & COO Scangarella to present Resolution No. 19-21 approving the SFY2020 New Jersey Transportation Infrastructure Financing Program Financial Plan (Transportation May Report). The Transportation Bank May Report specifies the parameters of the Transportation Bank Loan Program including interest rates, and fees. Unique to the Transportation Bank is the I-Bank’s quarterly allocation of funds for construction ready projects (i.e. projects demonstrating a high likelihood of construction contract award within 1 year of that quarter). The SFY2020 Financial Plan anticipates allocating $20 - $80 million for project financing sourced from Local Aid Infrastructure Funds ($20 million) and private capital (up to $60 million).

Executive Director Zimmer expressed his gratitude to Assistant Director & COO Scangarella, DOT’s Laine Rankin and other members of the DOT for all their hard work in preparing the May Report.

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

The resolution was moved for adoption by Mr. Longo and seconded by Ms. Rankin. The motion was carried with all 7 members voting in favor of the motion.

E. Executive Director Zimmer introduced Assistant Director & CCO Scangarella to present Resolution No. 19-22 authorizing an SFY2019 and SFY2020 NJEIFP Construction Financing Program Loan in an amount not to exceed $37 million to Rutgers University for project # S340500-01.

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

The resolution was moved for adoption by Ms. Holmes and seconded by Mr. Ellis. The motion was carried with all 7 members voting in favor of the motion.

F. Executive Director Zimmer presented Resolution No. 19-23 authorizing the I-Bank to issue loans in State Fiscal Year 2020 under the Small System Loan Program, also known as the NANO Program, to small drinking water systems serving populations of 10,000 or fewer. The SFY2020 NANO Program includes principal forgiveness in an amount equal to 50% of a borrower’s project costs up to $1 million. The Resolution authorizes NANO loans to be made by the I-Bank and the NJDEP in an aggregate Program amount not to exceed $4 million plus any funds remaining from any prior year NANO Program. The Resolution also provides that NANO funding in SFY2020 to any individual borrower shall be not less than $100,000 nor greater than $1 million and is generally consistent with respect to the SFY2019 NANO Program.
Executive Director Zimmer asked if there were any comments or questions. Hearing none, Vice Chairman Briant requested a motion for approval.

The resolution was moved for adoption by Ms. Holmes and seconded by Mr. Longo. The motion was carried with all 7 members voting in favor of the motion.

9. EXECUTIVE SESSION:

Vice Chairman Briant asked if there was a need for an Executive Session. Executive Director Zimmer responded there was not.

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

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

Mr. Ellis moved to adjourn the meeting. The motion was seconded by Mr. Longo. The motion was carried with all 7 members voting in favor of the motion.

The meeting was adjourned at 11:23 am.
RESOLUTION NO. 19 - 18

RESOLUTION AUTHORIZING APPROVAL OF THE
FEBRUARY 2019 TREASURER’S REPORT

WHEREAS, the New Jersey Infrastructure Bank (the “I-Bank”) has reviewed the Treasurer’s Report for February 2019; and

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

NOW THEREFORE, BE IT RESOLVED, that the I-Bank hereby accepts the Treasurer’s Report for February 2019 and requests that the same be entered into the record.

Adopted Date: April 11, 2019
Motion Made By: Mr. Roger Ellis
Motion Seconded By: Mr. Mark Longo

Ayes: 7
Nays: 0
Abstentions: 0
RESOLUTION NO. 19 - 19

ACCEPTANCE AND APPROVAL OF THE SFY2020 OPERATING BUDGET

WHEREAS, the New Jersey Infrastructure Bank (the “Bank”) must secure legislative approval of its annual Financial Plans for both the Water Program and the Transportation Program (“Financial Plans” or “May Reports”) pursuant to N.J.S.A. 58:11B-21 and 21.1; and

WHEREAS, the May Reports must include, among other things, a copy of the I-Bank’s approved operating budget; and

WHEREAS, the I-Bank desires to approve its State Fiscal Year (“SFY”) 2020 Operating Budget for inclusion in the State Fiscal Year Financial Plans.

NOW THEREFORE BE IT RESOLVED, after due consideration of all of the items set forth herein the I-Bank hereby adopts the attached SFY2020 Operating Budget.

Adopted Date: April 11, 2019

Motion Made By: Mr. Roger Ellis

Motion Seconded By: Ms. Kimberly Holmes

Ayes: 7

Nays: 0

Abstentions: 0
# NEW JERSEY INFRASTRUCTURE BANK
## SFY2020 BUDGET

### REVENUES

<table>
<thead>
<tr>
<th></th>
<th>Water Bank</th>
<th>Transportation Bank</th>
<th>Combined Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>DRAFT 2020</td>
<td>2019</td>
</tr>
<tr>
<td>Admin Fee Total</td>
<td>5,771,497</td>
<td>5,589,199</td>
<td>400,000</td>
</tr>
<tr>
<td>Loan Surcharge (COI at closing) (Fall Deal - Nov ’19)</td>
<td>37,500</td>
<td>23,000</td>
<td>-</td>
</tr>
<tr>
<td>Loan Surcharge (COI at closing) (Spring Deal - May ’20)</td>
<td>50,000</td>
<td>35,000</td>
<td>-</td>
</tr>
<tr>
<td>Total Loan Surcharge</td>
<td>87,500</td>
<td>58,000</td>
<td>0</td>
</tr>
<tr>
<td>Interest Income (Direct Loans/IFP Loans/SAIL Loans)</td>
<td>125,000</td>
<td>331,365</td>
<td>-</td>
</tr>
<tr>
<td>Interest Income (Investments)</td>
<td>555,000</td>
<td>750,000</td>
<td>670,625</td>
</tr>
<tr>
<td>Other Income Total</td>
<td>680,000</td>
<td>1,081,365</td>
<td>670,625</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>6,538,997</strong></td>
<td><strong>6,728,564</strong></td>
<td><strong>1,070,625</strong></td>
</tr>
</tbody>
</table>

### EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Water Bank</th>
<th>Transportation Bank</th>
<th>Combined Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>DRAFT 2020</td>
<td>2019</td>
</tr>
<tr>
<td>Bond Counsel - Bond/Loan Issuance Costs (M&amp;E, CSG)</td>
<td>750,000</td>
<td>726,200</td>
<td>30,000</td>
</tr>
<tr>
<td>Bond Counsel - Program / Development Charges (M&amp;E, CSG)</td>
<td>400,000</td>
<td>300,000</td>
<td>350,000</td>
</tr>
<tr>
<td>B.C. Total</td>
<td><strong>1,150,000</strong></td>
<td><strong>1,026,200</strong></td>
<td><strong>380,000</strong></td>
</tr>
<tr>
<td>Financial Advisor - Bond/Loan Issuance Costs (TBD, Lamont)</td>
<td>166,400</td>
<td>153,400</td>
<td>-</td>
</tr>
<tr>
<td>Financial Advisor - Program / Development Charges (TBD, Lamont)</td>
<td>120,000</td>
<td>120,000</td>
<td>120,000</td>
</tr>
<tr>
<td>F.A. Total</td>
<td><strong>286,400</strong></td>
<td><strong>273,400</strong></td>
<td><strong>120,000</strong></td>
</tr>
<tr>
<td>Custodial, Trustee and Loan Servicer Fees (Includes UCC Filings)</td>
<td>185,000</td>
<td>172,000</td>
<td>-</td>
</tr>
<tr>
<td>Rating Service (ST &amp; Bond Programs)</td>
<td>195,750</td>
<td>201,500</td>
<td>-</td>
</tr>
<tr>
<td>SAIL Program Expenses</td>
<td>30,000</td>
<td>40,000</td>
<td>-</td>
</tr>
<tr>
<td>Master Program Trustee</td>
<td>17,000</td>
<td>15,000</td>
<td>-</td>
</tr>
<tr>
<td>Arbitrage Rebate Services</td>
<td>50,000</td>
<td>48,000</td>
<td>-</td>
</tr>
<tr>
<td>3rd Party Bond Issuance Expenses (IPRED, Newspapers, POS/OS)</td>
<td>17,000</td>
<td>15,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL FINANCING PROGRAM EXPENSES</strong></td>
<td><strong>1,931,150</strong></td>
<td><strong>1,974,600</strong></td>
<td><strong>500,000</strong></td>
</tr>
</tbody>
</table>

### FINANCING PROGRAMS

<table>
<thead>
<tr>
<th></th>
<th>Water Bank</th>
<th>Transportation Bank</th>
<th>Combined Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>DRAFT 2020</td>
<td>2019</td>
</tr>
<tr>
<td>Total Salaries &amp; Fringe (Original)</td>
<td>2,899,511</td>
<td>3,107,725</td>
<td>1,355,265</td>
</tr>
<tr>
<td>a. FTE Salaries (Original)</td>
<td>1,632,858</td>
<td>1,717,176</td>
<td>740,240</td>
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<tr>
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### NIB OPERATIONS

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<th>Water Bank</th>
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<td><strong>Unencumbered Contingencies</strong></td>
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RESOLUTION NO. 19-20

RESOLUTION APPROVING
THE NEW JERSEY INFRASTRUCTURE BANK
SFY2020 WATER BANK FINANCIAL PLAN

WHEREAS, pursuant to N.J.S.A. 58:11B-21 and 21.1, the New Jersey Infrastructure Bank (the “I-Bank”) is required to submit to the Legislature on or before May 15, 2019, a financial plan designed to implement the financing of the projects on the Environmental Infrastructure Project Priority List or the Environmental Infrastructure Project Eligibility List “Water Bank May Report”; and

WHEREAS, the Water Bank May Report shall contain an enumeration of the bonds which the I-Bank intends to issue to finance environmental infrastructure projects, including the amounts, terms, and conditions for the loans; a list of loans to be made to participants, including the terms, conditions, and anticipated rate of interest per annum and repayment schedule for the loans; and a complete operating and financial statement covering the I-Bank’s proposed operations during the forthcoming fiscal year including amounts of income from all sources; the schedule of fees and charges collected from borrowers in connection with the I-Bank Water Bank loans; a summary of the status of each project for which loans have been made; and a description of the major impediments to the accomplishment of the planned projects.

NOW THEREFORE BE IT RESOLVED THAT the NJIB Board of Directors hereby approves the proposed State Fiscal Year (“SFY”) 2020 Water Bank May Report substantially in the form as the Plan included in the agenda for the April 11, 2019 NJIB Board meeting with such changes thereto, and as the Executive Director, in consultation with the Chairman or Vice Chairman, shall approve and authorize; and

BE IT FURTHER RESOLVED THAT the Executive Director, in consultation with the Chairman or Vice Chairman, is hereby authorized and directed to take such other actions as are necessary or desirable to publish, file and distribute the Water Bank May Report, including its printing and binding.

Adopted Date: April 11, 2019

Motion Made By: Mr. Mark Longo

Motion Seconded By: Ms. Kimberly Holmes

Ayes: 7

Nays: 0

Abstentions: 0
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FINANCING PROGRAM

STATE FISCAL YEAR 2020 FINANCIAL PLAN

Submitted to the State Legislature by:
The New Jersey Infrastructure Bank
The New Jersey Department of Environmental Protection

MAY 2019
New Jersey Infrastructure Bank

Public Board Members
Robert A. Briant, Jr., Vice Chairman
Roger Ellis, Treasurer
Mark Longo, Secretary

Ex-Officio Members
Elizabeth Maher Muoio, New Jersey State Treasurer
Catherine R. McCabe, DEP Commissioner
Diane Gutierrez-Scaccetti, DOT Commissioner
Sheila Y. Oliver, DCA Commissioner

Executive Director
David E. Zimmer, CFA

Mailing Address
3131 Princeton Pike
Building 4, Suite 216
Lawrenceville, NJ 08648
New Jersey Department of Environmental Protection

Mailing Address
P.O. Box 420
Trenton, NJ 08625
(609) 292-2885

Location Address
401 East State Street
Trenton, NJ 08625
Report to the Legislature
Pursuant to

P.L. 1985, Chapter 334
New Jersey Infrastructure Trust Act

By

Catherine R. McCabe
Commissioner
New Jersey Department of Environmental Protection

Robert A. Briant, Jr.,
Vice-Chairman
New Jersey Infrastructure Bank
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INTRODUCTION

The New Jersey Infrastructure Bank (the “I-Bank” or “NJIB”) and the New Jersey Department of Environmental Protection (“DEP”) are pleased to present the State Fiscal Year (SFY) 2020 New Jersey Environmental Infrastructure Financing Program (“NJEIFP” or “Water Bank”) Financial Plan (the “Report”) to the New Jersey State Legislature in accordance with P.L. 1985, Chapter 334, as amended. Since being established in 1985, the NJIB, formerly known as the New Jersey Environmental Infrastructure Trust (“NJEIT”), has partnered with the DEP to jointly fund and manage the Water Bank to provide low-interest loans for environmental infrastructure projects. The NJEIT continues this work in partnership with the DEP as an organizational division of the I-Bank. This Report for the I-Bank’s 33rd financing program year sets forth the plan by which projects, having applied and qualified for Water Bank loans, will be financed in SFY2020.

Throughout its history, the NJEIFP has focused upon providing financing for the construction and improvement of clean water and drinking water facilities and systems that protect the State’s natural resources and public health. Since issuing its first loan in 1987, the NJEIFP has issued approximately 1,326 long-term project loans totaling over $7.13 billion for water quality and public health related environmental infrastructure projects. In the past thirty-two years, the NJEIFP has reduced total interest costs for municipalities, counties, authorities and public and private water utilities, on average, thirty-six percent (36%) of each borrower’s original loan balance, producing interest savings for taxpayers and ratepayers of $2.58 billion. For a historical perspective on Program Funding History, see Appendix J.

The financial benefits of the NJEIFP have spurred significant improvements to the State’s clean water and drinking water infrastructure and have served as a major catalyst for economic and job growth throughout the State. For an overview of the NJEIFP financing, see the Distribution of Financing Program Funds throughout SFY1987 – SFY2019, attached as Appendix B, and the Status Reports on Projects Funded in SFY1988 through SFY2019 attached as Appendix C.

This Report provides a detailed overview of the SFY2020 Water Bank Financing Program including: i) the Water Bank’s Multi-Year Construction (Short Term) Financing Program; ii) the Base Water Bank Financing Program; iii) Disaster Relief Emergency Financing Program (SAIL); and iv) SANDY Water Bank Financing Program. The SFY2020 Water Bank addresses the challenges created by the increased demand for the Program by using supplemental sources of revenue from private lines of credit and adjusting the distribution of State 0% interest rate funds available for long term financing. With these changes, the Water Bank Financing Program will continue to offer competitive loan rates for the construction and improvement of clean water and drinking water facilities and systems (Base NJEIFP) and at the same time ensure the long-term viability of the Water Bank Program.

THE NEW JERSEY INFRASTRUCTURE BANK

The I-Bank is an independent state financing authority, in but not of the Treasury, authorized to issue revenue bonds to make loans to finance the construction of eligible environmental infrastructure projects. Recognizing the inadequacy of funds available to State and local governments through revenue initiatives and State and federal aid programs for capital financing of wastewater treatment systems, the I-Bank was created by the New Jersey Infrastructure Trust Act, P.L.1985, c.334, N.J.S.A. 58:11B-1 et seq. (the “Enabling Act”) as a way to help meet the cost of upgrading the State’s wastewater treatment capacity to comply with State water quality standards. In 1987 the I-Bank, in partnership with the DEP, began to administer the state revolving fund (SRF) program after the Clean Water Act was amended, replacing the traditional federal grant
program with a revolving fund loan program. The I-Bank leverages the federal funds made available through the federal SRF program by making low cost loans to local government units.

After the federal Drinking Water State Revolving Fund program was created, providing additional SRF funds to states for safe drinking water programs, the Enabling Act was amended in 1997 to change the name of the New Jersey Wastewater Treatment Trust to the New Jersey Environmental Infrastructure Trust and increase its role to include the financing of drinking water projects. The I-Bank’s role in financing State infrastructure was expanded in January 2018 when the Enabling Act was further amended, granting it the authority to finance certain transportation infrastructure projects. The I-Bank now manages two separate financing programs: (i) the longstanding New Jersey Environmental Infrastructure Financing Program (“Water Bank” or “NJEIFP”), and (ii) the newly formed New Jersey Transportation Infrastructure Financing Program. This Report is specific to the Water Bank.

As federal SRF programs have expanded, the types of projects eligible for financing through the Program have also grown to include the water quality related aspects of landfills (for closure activities and new cell construction), land acquisition and conservation, remedial action activities and well sealing.

In addition to the federal SRF funds, the DEP and the I-Bank administer various loan funds capitalized by several State general obligation bond issues to address needed environmental infrastructure improvements.

- **The Wastewater Treatment Bond Act of 1985, P. L. 1985, c. 329 (Wastewater Bond Act)** authorized the State to issue $190 million in general obligation bonds, providing $150 million to capitalize the Fund portion of the NJEIFP and $40 million to capitalize the debt service reserve funds securing the NJIB’s revenue bonds. A portion of these funds were used to satisfy the 20% State match requirement for the CWSRF Program under the Capitalization Grant.
- **In 1992, the voters approved $50 million for wastewater projects as part of the Green Acres, Clean Water, Farmland and Historic Preservation Bond Act of 1992 (Green Acres Bond Act)** providing $5 million to the NJIB to leverage via capitalization of NJIB debt service reserve funds and $45 million to capitalize the Fund portion of the NJEIFP.
- **In 1997, voters approved amendments to the Stormwater Management and Combined Sewer Overflow Abatement Bond Act of 1989 (CSO Bond Act)**, providing $5 million for the NJIB to leverage via capitalization of NJIB debt service reserve funds.
- **Also, in 1997, the Water Supply Bond Act of 1981 (Water Supply Bond Act)** was amended to provide up to $50 million to the NJIB to leverage via the capitalization of debt service reserve funds or project costs. These funds were used to satisfy the 20% State match requirement for the Drinking Water Program under the Capitalization Grant.
- **The Dam, Lake, Stream, Flood Control, Water Resources and Wastewater Treatment Bond Act of 2003** was adopted, authorizing the State to issue bonds for $200 million. It appropriated $5 million to the NJIB for debt service reserve funds and $45 million to the DEP for financing water supply and wastewater treatment projects.

Through these actions, the State Legislature and the public have authorized substantial monies for the DEP and the I-Bank to provide low cost financing for environmental infrastructure projects in the State.
PROGRAM OBJECTIVE

As in the past, the goal of this year's NJEIFP is to provide subsidized financing to eligible applicants in order to spur the construction of environmental infrastructure projects. There are generally five prerequisites to an applicant's eligibility to receive a Base SFY2020 or Sandy NJEIFP loan for a particular project:

i. Availability of funds;
ii. Identification of the project on a project priority list that has been submitted to the Legislature;
iii. Project approval (issuance by the DEP of an “Authorization-to-Award” and project certification by the Commissioner);
iv. The applicant’s satisfaction of financial eligibility and loan closing requirements; and
v. Certification by the I-Bank’s Board of Directors for long-term financing.

THE CLEAN WATER PROGRAM

The Federal Water Quality Act of 1987 requires States to establish a Clean Water State Revolving Fund (“CWSRF”) program to qualify for federal capitalization grants. The CWSRF provides financial assistance for the construction of projects that protect, maintain and improve water quality.

Funding in the amount of approximately $400 million is available for Base SFY2020 CW project loans. Of this amount, approximately $200 million is available from State funds, including prior State bond acts, federal capitalization grants, repayments of prior funds loans, interest earnings, and approximately $200 million available through the issuance of NJIB Environmental Infrastructure Financing Program Bonds which currently carry a AAA/Aaa/AAA rating.

THE DRINKING WATER PROGRAM

The Federal Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (“DWSRF”) to assist publicly owned and privately-owned community drinking water systems and non-profit non-community drinking water systems to finance the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements and to protect the public health in conformance with the objectives of the SDWA. The DWSRF is administered similarly to the State’s CWSRF.

Funding in the amount of approximately $120 million is available for Base SFY2020 DW project loans. Of this amount, approximately $60 million is available from State funds, including prior State bond acts, federal capitalization grants, repayments of prior funds loans, interest earnings, and approximately $60 million is available through the issuance of NJIB Environmental Infrastructure Financing Program Bonds which currently carry a AAA/Aaa/AAA rating.

PROJECT PRIORITY LIST / PROJECT ELIGIBILITY

Each year, the DEP develops a "Proposed Priority System, Intended Use Plan, and Project Priority List" as required by both federal and State law.

- The Priority System (PS) sets forth the ranking methodology for the projects that are eligible for financial assistance through the Water Bank.
• The Intended Use Plan (IUP) provides information on funds available through the CW and DW components of the NJEIFP, including all federal funds allotted to the State under the Clean Water Act and the SDWA and available, respectively, to the CWSRF and the DWSRF. The proposed Federal Fiscal Year (FFY) 2019 Intended Use Plan sets forth the ranking methodologies utilized to rank both Sandy and Base SFY2020 Water Bank projects.

• The Priority List identifies projects targeted for financial assistance from the CWSRF and the DWSRF and identifies the estimated total eligible building costs under the appropriate project category.

### UPDATED CLEAN WATER AND DRINKING WATER PROJECT LISTS


Applicants may submit loan applications at any time of the year. Program staff commence review of the applications upon submittal by borrowers of environmental planning, engineering design and plans & specifications. Issuance of a program “Authorization to Award” the borrower’s construction contract is a condition precedent to disbursement of Water Bank funding, thereby ensuring that the Water Bank’s construction funds are committed only to those projects that are ready to proceed to construction.

The Clean Water and Drinking Water Project Priority Lists are modified four times throughout the year with regard to both structure and project pool due to the rolling application process. The SFY2020 Clean Water and Drinking Water Interim Financing Program Project Priority Lists were submitted to the Legislature on January 18, 2019 and will be modified during the SFY2020 fiscal year as permitted by the Enabling Act.

The projects listed in the amended SFY2020 CW and DW Project Priority lists are prospective recipients of financing in this year's Financing Program. Typically, not all the projects listed in the Project Priority Lists receive funding for numerous reasons such as voluntary withdrawal, failure to secure all permits and technical approvals, and failure to satisfy the Water Bank’s security and credit requirements. As a result, the project lists only serve to define the population of projects from which loans will be made. Similarly, the project costs set forth in these lists are based on each Applicant’s engineering estimates and are subject to adjustments during the application review process for project eligibility.

### ELIGIBILITY LIST

Long-term financing of project loans issued by the I-Bank and the State through the DEP require prior legislative approval specifying the aggregate amount of funds to be expended. The project details of the annual legislation are found in the CW and DW Project Eligibility Lists, which are developed in accordance with the State priority ranking systems and submitted to the Legislature with this Report of each year. The Projects included on the Eligibility List must be identified on the Project Priority List and have received authorization to award as of a date, typically no later than one month prior to submission of the appropriation bills, indicating that construction completion is likely within the fiscal year and thus eligible
for inclusion in an upcoming bond pool. The SFY2020 CW and DW Eligibility Lists are attached as Appendix A.

**EXCESS CAPACITY**

The I-Bank will finance up to 100% of the cost of excess or reserve capacity. However, in support of the Program’s historical Smart Growth and Green Project Initiatives, the DEP may issue a zero-interest loan for a portion of the reserve capacity depending upon the type and location of the project whereby the I-Bank will finance the balance.

**BORROWER ELIGIBILITY**

A municipal borrower for a CW or DW project must be a municipal corporation established under the laws of New Jersey. Local, regional and State authorities that seek funding for a CW or DW project must be constituted as public bodies corporate and politic, with corporate succession. Private drinking water systems that seek funding for a DW project must be corporations or other entities duly organized and existing under or authorized to transact business under the corporation or other applicable laws of New Jersey.

**ASSET MANAGEMENT**

Certain borrowers that which receive funding through the NJEIFP must have in place, or commit to develop, a Fiscal Sustainability (Asset Management) Plan (“FSP”) for each project component and provide the NJEIFP with both a technical (engineering) and financial certification outlining the long-term maintenance and replacement plan for the project’s components. The FSP will assist borrowers to fulfill the federal WRRDA requirement that all SRF loan recipients, which receive funds for the repair, replacement or expansion of a treatment works, develop and implement a Fiscal Sustainability Plan or certify that they have developed and implemented such a plan. An FSP requires a Borrower to:

1. Inventory critical assets that are part of the treatment works;
2. Evaluate the condition and performance of inventoried assets or asset groupings;
3. Certify that the recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan; and
4. Present a plan for maintaining, repairing as necessary, and replacing the treatment works and funding such activities.

All borrowers are also required to develop an Asset Management Plan (“AMP”) which categorizes and prioritizes system assets and lays out a financial plan describing the methods, scheduling and financing of the strategic upkeep and replacement of such assets. The DEP and the I-Bank are working jointly to develop a State-wide AMP Program that is intended to ensure local communities proactively operate and maintain the technical components of their water systems in a cost-effective manner by assisting local systems in the development and implementation of effective AMPS. Included within the AMP Program will be a description of what is required of the systems as well as the corresponding implementation time table, the retainage by the DEP and/or I-Bank of any necessary professional services to assist the Water Bank in implementing and monitoring such an AMP, and the development of sample templates and standardized planning tools to assist water systems with the creation of the AMP.
PROGRAM STRUCTURE

I. SHORT TERM LOAN PROGRAM

Construction loans are available to finance the cost of (i) environmental planning and engineering design activities as well as the development of asset management plans and project-related soft costs (e.g. legal expenses) incurred in preparing a construction loan application, and (ii) project construction upon application approval. Construction Loans are issued to applicants which satisfy the NJEIFP’s credit worthiness standards and who sponsor NJEIFP eligible clean water (“CW”) and drinking water (“DW”) projects. They are available prior to the commencement of any professional services associated with a project application enabling the applicant to cover reasonably related project costs.

The NJEIFP Construction Loan Program features low interest rates, low transaction costs and a streamlined online application process. Multi-year Construction Loans provide efficient funding during the duration of a project’s construction period by reducing the borrowers’ costs of issuance through low cost financing during construction and by avoiding multiple loan closings to secure separate funding for environmental planning and engineering design, construction, and excess construction cost overruns (Supplemental Loans). Short-term loans also provide greater flexibility in addressing project costs adjustments prior to long-term financing. Central to the short-term loan program is the identification of the total estimated project cost as well as the cost of each component for which funding is certified (and committed) for each loan component.

Long-term financing terms, including Principal Forgiveness, are established at the time a loan countenances disbursement of construction funds,\(^1\) and are contingent upon a project receiving long-term financing.

\(^1\) For Construction Loans issued upon certification of engineering contracts, long-term financing terms are established upon certification of the construction contract. For Construction Loans issued at the time of certification of construction contracts,
These terms vary primarily with the nature of the project activities or populations served. The NJEIFP has reduced any uncertainty as to when a sponsor’s short-term loan will be refinanced with long-term financing by confirmation no later than four months prior to long-term financing, which provides sponsors with adequate time prepare for loan closing.

(i) Planning & Design Activities

Planning and design activities (P&D) are eligible to be financed under the Construction Loan Program to finance the cost of environmental planning documents and/or engineering plans and specifications for up to 100% of eligible costs. Planning & Design activities may be financed with construction loans only if such activities are likely to lead to the construction activities of an Environmental Infrastructure Project. P&D financing may be secured at the beginning of the application process to secure capital at the time such planning costs are incurred. SFY2020 P&D financing can be issued for terms of up to two (2) state fiscal years. (If combined with a Construction loan, the planning and design work may extend the total short-term loan term to up to five full fiscal years)

P&D loans specific to the development of Long-Term Control Plans for CSO communities can be issued for the term of the development and implementation of the Plan not to exceed ten (10) years at an interest rate equal to zero percent (0%). Principal repayments for these specific P&D loans commence after the third loan year consistent with the Local Bond Law (N.J.S.A. 40A:2-1 et seq.). Long-term financing for the resulting constructed project shall be in accordance with the CSO loan financing terms discussed below for a term not to exceed the project’s useful life or 45 years (pending approval from US EPA).

FUNDING COMMITMENT FOR THE COSTS OF PLANNING & DESIGN IS AVAILABLE UPON:

- The applicant’s submissions of the following through the Water Bank’s H2LOans on-line system:
  - Project Description form;
  - An executed or draft engineering agreement; and
  - A short-term loan financial addendum form.
- The Water Bank’s issuance of:
  - DEP Certification that proposed project is eligible under either CW or DW SRF
  - Credit Worthiness Approval;
  - Engineering Contract Approval; and
  - Construction Loan closing

ii) Project Construction

Construction Loans are issued for the project’s construction period with a maximum term of up to three (3) full state fiscal years subsequent to construction certification. For projects which do not finance P&D activities in advance of construction certification within the program, the term of the Construction Loan is three (3) full fiscal years from the date of loan closing. Construction loans for the total estimated project cost are available throughout the application process.

-------------------

long-term financing terms are established upon Construction Loan closing. For applicants financing the cost of construction through non-NJEIFP sources/self-funding, long-term financing terms apply at the time of long-term loan closing.
In addition, for all Construction loans, the project must be identified on the Project Priority List submitted to the Legislature; funds must be available in the I-Bank’s Construction Loan Program account; and the project sponsor must execute the requisite Construction loan documentation with the NJIB.

Provisions Pertaining to Construction Loans.

For Clean Water program loans, short-term Construction Loans will be made on a readiness to proceed basis until the funds available for Construction Loan awards are exhausted. For Drinking Water program loans, short-term construction loans will be made based on priority ranked order in the spring of 2020 based on available funds.

Construction Loan financings are funded from the I-Bank using DEP funds to the extent available, and from Water Bank operating revenues or capital from one or more private lending institutions (Private Capital).

Construction draws for project expenses will be made pursuant to requisitions submitted by borrowers. All interest charges will accrue to the I-Bank and be assessed on outstanding requisitioned amounts at a blended rate which will be established to cover interest, fees and administrative expenses incurred from borrowing Private Capital or a market interest rate if the I-Bank’s funds are utilized.

The I-Bank Board sets the interest rates or calculation methodology on Construction Loans at the beginning of each calendar quarter during SFY2020 and may delegate the authority to the I-Bank’s Executive Director. Rates will be posted on the I-Bank website. It is anticipated that short-term loans issued in SFY2020 will be at an effective interest rate of between 0% and 50% of the cost of the I-Bank’s short-term market rate funds.

Interest charges incurred by participants under Construction loans are accrued and capitalized through the term of the loan. Construction loans are termed out at the earlier of construction completion or three fiscal years plus the term of the Planning & Design phase of the loan, with principal and interest repayments commencing after long-term loan closing.
Furthermore, the Borrower is generally not obligated to repay principal or interest during the term of the Construction Loan. These totals are rolled into the Borrower’s long-term Financing Program loan. An exception to the above are Construction Loans for Combined Sewer Overflow Long-Term Control Plans recognized by the NJEIFP and certain conduit loans for redevelopment projects. These short-term CW loans are for terms of up to ten (10) years and funded 100% from DEP funds provided to the I-Bank at an interest rate of 0%. Principal repayments for these specific P&D loans commence after the third loan year consistent with the Local Bond Law (N.J.S.A. 40A:2-1 et seq.).

One-half of the DEP’s Loan Origination Fee, equal to 1% of the amount of the project component certified, will be incurred at the time of Short-term loan closing. The I-Bank will finance such cost as a component of the Short-term loan and such cost will be refinanced as a component of the Long-term loan. The remaining 1% DEP Loan Origination Fee will be incurred and paid as specified in the schedule provided at I-Bank Bond closing. Given the level of DEP and I-Bank resources required to review project applications, including but not limited to the review of applications, environmental planning, and engineering plans and specifications, the DEP Loan Origination Fee paid pursuant to a Short-term loan is non-refundable, regardless of whether a project commences construction.

The repayment of all principal is due upon maturity of the Construction Loan, which is typically refinanced through the NJEIFP long-term loan. Execution of a Construction Loan preserves a project component’s eligibility for long-term funding. Issuing Long-term financing upon completion of construction minimizes loan expenses for participating borrowers and ensures accuracy of project costs in sizing such projects for long-term funding. In the rare case that a Construction Loan borrower fails to meet the requirements of the long-term loan or chooses to self-finance the project upon maturity of the Construction Loan, all amounts are then due and payable.

II. SFY2020 DISASTER RELIEF EMERGENCY FINANCING PROGRAM (SAIL)

PROGRAM OVERVIEW

The Disaster Relief Emergency Loan Financing Program was enacted in August 2013, in recognition of the challenges local governments face in securing funding for Sandy recovery projects from multiple federal and State sources. The Statewide Assistance Infrastructure Loan ("SAIL") Program, provides municipalities and certain private water purveyors, quick access to temporary, low-cost, short-term bridge loans in the aftermath of a declared disaster to repair damages incurred during declared disasters and to improve the resiliency of CW and DW systems in future disasters. Projects funded through SAIL must be identified in a project priority list submitted to the legislature prior to receipt of SAIL financing pursuant to N.J.S.A. 58:11B-9.5(c). The current SAIL Priority List was submitted to the legislature on January 18, 2019.

SAIL loans are available to local government units seeking short-term funding assistance to address immediate cash flow needs for their disaster-related water infrastructure projects whether it be for local match requirement and/or anticipation of reimbursement through federal grant programs such as Federal Emergency Management Act (FEMA) or Housing and Urban Development (HUD) Community Development Block Grants (CDBG). For Local Government Units seeking to rebuild their environmental infrastructure after disasters, New Jersey’s SAIL Program is designed to provide ready cash to alleviate the financial stress that may result from delays in the receipt of federal reimbursement. Importantly, SAIL participants also receive

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2 For additional eligibility requirements see N.J.S.A. 58:11B-9.5.
assistance with compliance oversight as many local communities are neither equipped nor experienced in dealing with federal FEMA or HUD requirements.

**Partnership with NJ OEM and FEMA.** The I-Bank works closely with NJOEM and FEMA on behalf of borrowers to (i) help obtain reimbursement of eligible costs as quickly as possible while optimizing the amount recovered, and (ii) provide compliance oversight to mitigate the potential of FEMA funding rejection or future de-obligation. Given the necessity that project expenses meet FEMA or HUD requirements as a condition of reimbursement, and the need to have such applications approved expeditiously, the NJEIFP, through the I-Bank, has retained an outside engineering consulting firm to assist in the review of construction design and eligible costs, conduct site visits and review disbursement requests. SAIL program borrowers are responsible for payment of the review costs of the consulting engineer, incurred on a borrower’s behalf in an amount not to exceed two and a half percent (2.5%) of the total project cost. Such costs typically are less than the DEP’s administrative fee and are generally incorporated into the long-term financing program package.

SAIL Loans issued in SFY2020 will be at an effective interest rate of between zero percent (0%) and fifty percent (50%) of the I-Bank’s cost for short-term funds. SAIL loans may be issued for terms not to exceed three full fiscal years (potentially up to 47 months).

**LOAN FUNDING SOURCES**

The sources of funds for SAIL loans are I-Bank’s NJEIT cash-on-hand and DEP SRF Fund loan repayments subject to appropriation. The DEP will transfer a maximum of $600 million to the I-Bank for the Water Bank’s Construction Loan and SAIL Loan Programs. In addition, the I-Bank may procure Private Capital to secure additional sums necessary for SAIL Program Loans.

The source of funds for the DEP loan component consists solely of prior loan repayments (i.e. federal capitalization grants previously issued as project loans and subsequently repaid). This funding restriction is designed to avoid any potential conflicts with FEMA’s regulations that restrict the utilization of other federal program capital grants and which would disqualify the borrower from receiving reimbursable FEMA funds. The source of funds for the I-Bank loan portion consists of the I-Bank’s environmental operating revenues or other sources of funds.

SAIL financing will continue to be available in SFY2020 for short-term financing for projects to repair or improve the resiliency of environmental infrastructure systems adversely impacted during Superstorm Sandy or any newly declared disaster. SFY2020 SAIL loan interest rates are structured identically to that of Construction Loans as discussed above.

SAIL project funding is available to local government units, public water utilities or private entities upon the determination and certification in writing by the DEP that the project:

i. is necessary and appropriate to repair damages to a wastewater treatment system or water supply facility directly arising from seismic activity or weather conditions which occurred within the prior three fiscal years that gave rise to a declaration by the Governor of a state of emergency; or

ii. is necessary and appropriate to mitigate the risk of future damage to a wastewater treatment system or water supply facility from seismic activity or weather conditions comparable in scope and severity to seismic activity or weather conditions that gave rise to a declaration by the Governor of a state of emergency which occurred within three fiscal years of the project being identified on the Project Priority List; and
iii. is a wastewater treatment system or water supply facility located in a County included in the Governor’s state of emergency declaration; and
iv. its applicant has satisfied the program eligibility requirements of the funding sources for which reimbursements are sought (e.g., FEMA and/or the NJEIFP); and
v. its applicant has secured all SAIL application and financial approvals.

III. LONG-TERM FINANCING - SFY2020 BASE FINANCING PROGRAM

Long-Term loans are available for allowable project costs and consist of an interest-bearing loan component from the I-Bank, and a zero-percent interest loan component from the DEP or otherwise subject to principal forgiveness as referenced herein. In the Water Bank’s ongoing effort to provide the most attractive financing for project sponsors and also to maximize the number of projects the Program can finance, the Base SFY2020 NJEIFP will offer fifty percent (50%) market rate loans to eligible participants in combination with DEP’s agreement to finance fifty percent (50%) of each project with its zero percent (0%) interest cost funds. On a $1 million loan, this translates into interest savings over 30 years for an average A-rated borrower equal to approximately $257,000, or 25.7% of a borrower’s loan amount above what the borrowers would save had they financed the cost of the project independently. For privately-owned drinking water system borrowers, the Base SFY2020 NJEIFP will offer seventy five percent (75%) market rate loans to eligible participants in combination with DEP financing twenty five percent (25%) of each project with zero percent (0%) interest cost funds with a cap of $10 million per project. The remainder of the project balance will be funded at the I-Bank market rate.

Returning to the financing program’s historical format of a 50% DEP / 50% I-Bank funding ratio will result in slightly higher interest rates than the SFY2019 program. The SFY2020 Base NJEIFP Financing Program continues other significant components of the SFY2019 NJEIFP Financing Program including principal forgiveness opportunities for certain types of projects including Lead Line Replacement, CSO Abatement, Barnegat Bay Watershed, and Small Water System projects. The Program also continues attractive financing terms such as longer loan terms, disbursement of CW funds based on readiness, frequent opportunities for conversion to long term loans and conduit loans for redevelopment projects.

Fund Loans - The Base SFY2020 Financing Program Fund Loan (a.k.a. State loan component) will be issued at a zero-percent (0%) interest rate with the possible exception of DW projects in which the DEP may utilize CWSRF invested funds, as such funds will require an interest rate component. Participants will begin repaying the principal on their Base Fund Loans coincident with the initiation of debt service payments on the NJIB long-term Loans. Unless changed due to specific project circumstances, annual repayments of Fund Loan principal are designed to be level for the duration of the loans when combined with the NJIB bond principal and interest repayments and NJIB annual administration fee payments. Fund Loans are also structured to be co-terminus with I-Bank loans.

DEP funds are generally derived from five sources: 1) current and prior annual federal CWSRF and DWSRF grants (capitalization grants), 2) proceeds of various previously issued State Bonds, 3) State legislative Appropriations; 4) Repayments from outstanding Fund loans; and 5) interest earnings. Federal capitalization grants and other State funds are being utilized as the source of funding for those loan funds eligible for PFLs in the SFY2020 Financing Program. The DEP estimates that the State will receive approximately $65.5 million and $18.7 million in the next federal fiscal year in Clean Water State Revolving Fund (“CWSRF”) and Drinking Water State Revolving Fund (“DWSRF”) capitalization grants respectively.

NJIB Loans - The I-Bank generally provides long-term financing by issuing environmental infrastructure revenue bonds. Bond proceeds and Fund loan proceeds are disbursed to project sponsors to repay a
borrower’s short-term loan that covers the costs of eligible project expenses incurred for planning and construction activities. In those cases where construction activities are not yet complete at the time of long-term financing, some bond proceeds are held in project accounts by the Trustee to cover the costs of future eligible project expenses. Long-term funding from the I-Bank in the SFY2020 Financing Program for a large majority of projects will be fifty percent (50%) of each loan but may equal seventy five percent (75%) for certain loans depending upon the nature, type and location of the project.

The I-Bank’s interest-bearing loans are typically financed from the sale of tax-exempt Revenue Bonds. Two bond sales to finance SFY2020 Base NJEIFP and Sandy NJEIFP Loans are scheduled to occur in November of 2019 and May of 2020. Loan closings will occur within weeks thereafter. Proceeds from these Bonds serve as the I-Bank’s funding source for the “market rate” loan component of each loan referenced herein. (Note that for some “direct” loans, cash-on-hand related to the I-Bank’s environmental operating revenues serve as a source of funds for the I-Bank.)

The NJEIFP utilizes five (5) criteria when determining whether a project is to be included in the next bond pool:

i. Inclusion of the project in the legislative appropriation.;

ii. Programmatic assessment of project readiness for conversion. Barring exigent circumstances, Projects must be deemed construction complete by the NJIB as of the date of communication to borrowers;

iii. Statutory deadline for short-term maturity (currently up to three full fiscal years plus up to 2 year for a project’s Planning & Design phase);

iv. External regulatory considerations (e.g., expiration of NJ-BPU approval); and

v. Programmatic need for Construction Financing Program funding dollars.

A minimum of $460 million in loans is available through the Base SFY2020 NJEIFP. This total amount will consist of approximately $230 million DEP Fund loans and $230 million I-Bank loans backed almost entirely by AAA issued, tax-exempt bonds (it is anticipated there will be a small number of NJIB Direct Loans, de-minimis in size, which will be financed with the I-Bank’s Water Bank cash-on-hand).

**Principal Forgiveness**

In addition to the Base SFY2020 CW and DW NJEIFP which finances Base project loans with an interest rate equal to fifty percent (50%) of the NJIB market rate, or seventy-five (75%) for privately-owned drinking water systems, Principal Forgiveness Loans (PFLs) are available for certain projects of between nineteen percent (19%) (i.e. Superstorm Sandy), to one hundred percent (100%) (i.e. asset management) of eligible project costs with the remaining portion of the loan typically bearing an effective interest rate of fifty percent (50%) of the I-Bank market rate, with the exception of the DW Lead Line Replacement Program (see below). The loan structures also vary based on project types.
SET-ASIDES AND RESERVES FOR THE BASE SFY2020 NJEIFP

a. Combined Sewer Overflow (CSO) Green Infrastructure - $12 million is dedicated to PFLs for Combined Sewer Overflow (CSO) Abatement projects with a focus on utilizing green practices (such as green roofs, rain gardens, porous pavement, and other activities that maintain and restore natural hydrology through infiltration, evapotranspiration, the harvesting of stormwater) offering 50/25/25 financing terms for the first $6 million of project costs subject to a $3 million PFL limit per borrower and 75% interest free financing mixed with I-Bank funding at market rate for project costs between $6 million and $10 million and costs in excess of $10 million will be financed through the base rate of 50% interest free financing and 50% I-Bank market rate.

b. Combined Sewer Overflow (CSO) Grey Infrastructure - $10 million is dedicated to PFLs for CSO Grey Infrastructure abatement projects that do not utilize green practices. These projects are eligible for 50% principal forgiveness for up to $2 million dollars in project costs to the extent funds are available. The balance is funded with 25% DEP interest free and 25% I-Bank market rate financing. Any project amounts between $2 million and $10 million are provided 75% interest free financing mixed with I-Bank funding at market rate. Costs in excess of $10 million will be financed through the base CWSRF rate of 50% interest free and 50% market rate.

c. Barnegat Bay Watershed - A maximum of $6 million in PFLs will be made available for stormwater and non-point source pollution management projects in the watershed. These PFLs are structured as follows: up to fifty percent (50%) of each loan is subject to principal forgiveness, twenty-five percent (25%) of the loan is at zero-interest and twenty-five percent (25%) of the loan is at market rate with a $2 million principal forgiveness cap per Borrower. Base program financing is offered for project amounts in excess of $4 million.

d. Coastal Community Water Quality Restoration - A maximum of $5 million is available for the principal forgiveness component of projects that eliminate, prevent, or reduce occurrences of shellfish bed and beach closings due to the presence of pathogens. These loans will be structured as fifty percent (50%) principal forgiveness up to project costs of $5 million with the remaining twenty-five percent (25%) funded interest free from the DEP and 25% funded at the I-Bank market rate. $2.5 million is committed to a potential project by the Cumberland County Improvement Authority to resolve failing septic and prevent shellfish bed closures in Downe Township, limited to Fortescue and Gandys Beach.
e. **Small System Loan Program (NANO)** - A set-aside is being established in an amount of $2 million of the DWSRF to offer principal forgiveness loans to small Drinking Water systems serving 10,000 or fewer residents. The NANO Program has been established in support of the significant improvements to public health served by projects to improve small systems while also recognizing the particular credit risk posed by small system borrowers. Each NANO Loan shall consist of a fifty percent (50%) DEP principal forgiveness loan, a twenty-five percent (25%) DEP zero-interest loan and a twenty-five percent (25%) NJIB loan with a per sponsor cap of $1 million. The I-Bank is authorized to expend a total of $1,000,000 in Water Bank funds for NANO Loans. Unique to the NANO Program is the establishment of a Loan Loss Reserve Fund (LLR Fund). NANO Program applicants that do not directly or indirectly pledge ad valorem taxing authority as security for such loans will pay an annual guarantee fee equal to 1% of the outstanding I-Bank loan (“LLR Fee”). The LLR Fee will be deposited into the LLR Fund. Certain origination and underwriting fees associated with the Base Financing Program are waived for NANO borrowers. Larger water systems which are willing to take ownership of small water systems, and make needed capital improvements, will also be eligible for the same enhanced loan terms as the otherwise eligible small water system. Project costs in excess of the $1 million cap per borrower will be funded in accordance with the Base Long-Term program: 50% I-Bank and 50% DEP interest free funds for publicly owned drinking water systems and 75% I-Bank combined with 25% DEP interest fee funds for privately-owned drinking water systems. The DEP waives its fee for NANO loans.

f. **The Small Water System Engineering Program** - A set-aside will be continued in the SFY2020 Financing Program for the Small Water System Engineering Program of $2 million to offer small systems that serve up to 500 persons and need assistance to come into compliance 100% principal forgiveness loans for assistance by the Community Engineering Corps. There is a $500,000 cap per project on these loans.

g. **Lead Service Line Replacement Program** - A set-aside of $30 million ($33.33 million in total loan amount) is established for public community and nonprofit non-community water systems for the replacement of lead pipes and lead components, including mains and service lines through the Lead Service Line Replacement Program. Water systems with a lead action level exceedance and serving communities with a median household income less than the median household income for the county in which they are located are eligible for financing with the following terms: Loans will be offered as 90% principal forgiveness and 10% DEP interest free funding. Project Applicants are capped at principal forgiveness of $1, $5 or $10 million per water system (PWSID) per year based on the size of the population served by the water system. To qualify for this program, the presence of lead pipes and components must be documented. Any remaining costs are offered the applicable base program rate. Partial line replacements are not allowed.
Unless otherwise specified above, for all Base SFY2020 NJEIFP CW and DW loans, the I-Bank may finance the remaining allowable costs as necessary, increasing the effective interest rate of the project’s total loan. Financing above and beyond the amount set-aside for such projects will be considered if monies are available after the need for funding of higher ranked projects during the funding cycle has been satisfied. Conversely, if there are unexpended funds in the set-aside due to insufficient demand for the stated activities, the residual funds may be used to finance lower ranked projects on the Priority List subject to State and/or federal program constraints.

**Community Development Block Grants (CDBG) Loans** will be offered to qualifying projects in low to moderate income communities as a 100% DEP loan with principal forgiveness for the borrower of up to 25% of the total loan amount. For Sandy-related loans accepting US HUD Community Development Block Grant (“CDBG”) funds, DEP may waive all or a portion of its 2% Loan Origination fee to offset the cost of complying with HUD’s additional requirements.

**Direct Loans** For projects eligible to receive relatively small NJEIFP loans, the I-Bank utilizes its NJEIT cash-on-hand in lieu of bond proceeds as the source of funds for its market rate loan component. Known as “Direct Loans”, these loans are generally available for small projects or for entities that are either fiscally constrained or lack the administrative capability to participate in the I-Bank’s more complex bond transactions. Note: All projects receiving Direct Loans must have fully satisfied all program requirements including but not limited to submission of all application related documents compliant with submission deadlines and receipt of all project, credit worthiness and financial approvals. Direct Loans in the SFY2020 Financing Program are anticipated to be structured as fifty percent (50%) I-Bank market rate loans. Subject to the NJIB Board’s discretion, Direct Loans will otherwise be capped at $1.0 million per project.

**Supplemental Loans** Periodically, a project’s costs exceed the amount financed in its Long-Term or Direct Loan due to differing site conditions or when the low bid building cost exceeds the original loan amount.

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**SET-ASIDES AND RESERVES FOR THE BASE SFY2020 NJEIFP (cont’d)**

**h. Asset Management Programs for Small Systems** - NJEIFP will continue to provide 100% principal forgiveness of up to $100,000 per applicant to small Drinking Water and Clean Water systems (those that serve 10,000 or fewer people) to develop and implement asset management programs (AMP) subject to a program cap of $1,000,000. To qualify for principal forgiveness, the AMP must result in a capital infrastructure project funded by the Financing Program with an aggregate principal amount of not less than $250,000 within three (3) full fiscal years or within the time set forth in the terms of the Note. In addition, for drinking water systems, the AMP must result in a highly ranked drinking water project in order to utilize the 100% principal forgiveness. DEP reserves the right to use these funds to hire a contractor to provide technical services to small communities for asset management. For all other borrowers, certain costs associated with the development of an AMP are eligible for funding though the NJEIFP, in compliance with the federal requirements enacted under the Water Resources Reform and Development Act (WRRDA), to assist with developing and implementing a Fiscal Sustainability (Asset Management) Plan. The DEP waives its fee for Small System AMP loans.
Such costs may be eligible to receive financing through a Supplemental Loan (see N.J.A.C. 7:22-3.11). The loan requirements for a supplemental loan are identical to that of the Long-Term loan subject to the following exceptions: revised planning documents and design documents are not required provided the project scope of work has not increased. The loan structure and maturity for Supplemental Loans is generally identical to that of the borrower’s original project loan. Because most cost increases are expected to occur during construction during the term of the Construction Loan, it is expected that any cost increases will be handled by amending the short-term loan amount.

**Brownfield Redevelopment Loans** – For CW projects where a government unit serves as the applicant on behalf of, or in conjunction with, a private entity for the water quality component costs of a remediation or redevelopment project to statutorily qualify for NJEIFP loans and such government unit secures its repayment obligations pursuant to the provisions of the Redevelopment Area Bond Financing Law or the contractor administers or oversees project construction (“Conduit Borrower”), the loans will be structured as seventy five percent (75%) of the NJIB market rate loans. There is a per project limit of $25 million on the total amount of Fund monies from the DEP for conduit borrower/private entity projects in the SFY2020 Program. Project costs in excess of $25 million are eligible for 100% I-Bank market rate financing. Conduit Borrowers will not be eligible for supplemental fund loans from the DEP to cover unanticipated cost increases due to bid receipt, differing site conditions, change orders or other circumstances.

**Hybrid Loans** - A number of project sponsors have expressed an interest in securing short-term financing to meet cash flow needs in anticipation of reimbursement of federal funds (FEMA/HUD) as well as long-term financing for non-reimbursable costs (typically local share). The review and approval of such projects must contemplate satisfaction of multiple federal funding programs. For example, Hybrid Loan borrowers will receive a SAIL loan for both reimbursable and eligible non-reimbursable project costs and one or more long-term loans for project costs for which federal reimbursement has not been received. The structure of such loans will reflect the underlying short-term loan vehicle (Construction Loan or SAIL Loan) as well as the long-term loan vehicle (Base SFY2020 NJEIFP, Sandy NJEIFP, I-Bank-Only Loan or combination thereof).

**I-Bank-Only Long-Term Loans** - Notwithstanding efforts to ensure project costs to repair and improve the resiliency of Superstorm Sandy impacted systems are compliant with and reimbursed by FEMA/HUD, in the event reimbursement is not received and project components otherwise fail to qualify for CW or DW NJEIFP long-term loans, NJIB only Long-Term Loans are available for such costs. It is anticipated that I-Bank-Only Long-term loans will be utilized to make up for short-falls that may arise in structuring a borrower’s long-term loans to ensure financing for the entire project can be achieved. The I-Bank anticipates utilizing environmental infrastructure bond proceeds for such loans.

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3 However, if a government unit is the applicant for a water quality component related to, and necessary for, a remediation or redevelopment project and (1) the government unit, and not the redeveloper, is undertaking and overseeing the construction of such water quality component as the owner and operator thereof and (ii) the repayment obligations of such government unit are not secured pursuant to the provisions of the Redevelopment Area Bond Financing Law, the loans will be structured at the Base SFY2020 NJEIFP with none of the other programmatic limitations otherwise applicable to a redevelopment project.
IV. SFY2020 “SANDY” NJEIFP FINANCING PROGRAM REVIEW

PROGRAM OVERVIEW

The DEP will continue to issue loans that include PFLs utilizing the appropriations from Federal P.L. 113-2, the Disaster Relief Appropriations Act, 2013 (the “Disaster Relief Act”), for environmental infrastructure resiliency projects involving Clean Water systems affected by Superstorm Sandy. The large majority of these “Sandy NJEIFP” loans will consist of the same general funding terms offered in prior years:

i. Nineteen percent (19%) non-repayment funds (PFLs) from the DEP;
ii. Fifty Six percent (56%) zero interest rate loan from the DEP; and
iii. Twenty Five percent (25%) AAA market rate loan from the I-Bank.

The DEP will make available and award the balance of the Sandy CWSRF funds that was not committed in the SFY2019 or prior year Programs. If all remaining Sandy CWSRF funds are awarded in SFY2019, new submittals will be processed through the NJEIFP Base Loan Program consisting of the Base 50% DEP and 50% NJIB loan structure. Sandy Relief funds were made available in a one-time installment and offered while funds remain. If there are insufficient applications to utilize the funds allocated to the above Sandy reserves and/or set-asides, the unutilized funds may be reallocated to other reserves, set asides or other eligible Sandy CW NJEIFP projects as determined by the DEP subject to state or federal program constraints.

As an alternative to the above structure, the DEP is offering Sandy NJEIFP eligible projects, a 100% DEP Fund Loan (i.e. no I-Bank component loan) which includes Community Development Block Grant (CDBG) funds. This DEP only loan increases the amount of PFL offered to borrowers from 19% to 25% and increases the DEP zero-rate loan portion from 56% to 75%. The DEP will also waive its 2% administration fee on such loans. These additional financial benefits are being offered to encourage individual Sandy NJEIFP borrowers to accept such CDBG monies as a source of their loan funds in light of the added delays, constraints and compliance requirements associated with receipt of such CDBG funds.

i. Twenty-five percent (25%) non-repayment funds (PFLs) from the DEP; and
ii. Seventy-five percent (75%) zero interest rate loan from the DEP.

LOAN FUNDING SOURCES

The State received approximately $229 million from the special federal appropriations through the Disaster Relief Act for the State loan component of Sandy NJEIFP Loans. As with all SRF grants, the State is required to match twenty percent (20%) of this federal grant ($45.87 million) bringing the DEP’s funding total to $276.87 million (collectively the “Sandy SRF Funds”). Specific to this appropriation, the State may not disburse more than thirty percent (30%) of its federal grant funds, or roughly $68.8 million, for which repayment is forgiven (PFLs). The I-Bank is leveraging DEP’s Sandy SRF Funds (excepting any loans associated with CDBG funds as detailed above) by 1/3 to produce a 75% State-DEP / 25% NJIB financing program. In this structure, approximately 25% of the DEP loan component, or 19% of the combined DEP / I-Bank Loan is being offered by the DEP as PFLs. As a result, after a reduction for administrative expenses, the Sandy SRF Program had an initial total of $354.69 million in loan funds available to eligible Borrowers.

The source of funds for the I-Bank loan component are proceeds provided through the I-Bank’s environmental infrastructure long-term bond issuance.
V. OVERVIEW OF SFY2020 FINANCING PROGRAM REQUIREMENTS

1. **Financial Addendum** - Each borrower is required to complete a Financial Addendum form (“FAF”) by the FAF submission deadline to demonstrate a project sponsor’s commitment to proceed with project financing. Two FAFs must be submitted if both clean water and drinking water project loans are sought. This FAF submission is in addition to the NJEIFP loan application. While the actual requirements typically vary by type of applicant (municipal, authority or private water utility/system), applicant obligations generally include but are not limited to completion of a financial addendum form, passage of an authorizing resolution, reimbursement resolution and bond resolution.

2. **Local Finance Board/Board of Public Utilities Approval** – Pursuant to P.L. 15 c. 95, known as “The Division of Local Government Services Modernization and Local Mandate Relief Act of 2015”, NJEIFP loan applicants are **not** required to secure Local Finance Board (LFB) approval of the applicants’ debt instruments issued to the I-Bank pursuant to the NJIB enabling act (N.J.S.A. 58:11B-9(a)) or the Local Fiscal Utilities Control Law (N.J.S.A. 40A:5A-6). Rather, such debt is approved by the Director of DLGS based on information forwarded by the I-Bank in the NJEIFP loan application process. Moreover, P.L. 15 c. 95 relieves NJEIFP loan applicants of securing LFB approval of the waiver of the five percent (5%) down payment requirement provided the local bond ordinance exclusively funds a NJEIFP project. In addition, DLGS approval is **not** required for NJEIFP applicant’s Non-Conforming Maturity schedules. However, approvals of other matters continue to be required by the LFB or Board of Public Utilities, as applicable, as a statutory requirement of the Financing Program (other than private entities which are not subject to its jurisdiction).

3. **DEP Project Certification** – DEP Project certification is required for all projects (e.g. Base SFY2020 NJEIFP, Sandy NJEIFP, SAIL, and Construction program loans), which is issued by the Commissioner of the DEP or his designee. DEP project certification is granted upon a project’s receipt of all permits, compliance with environmental planning, design, and construction contract document requirements, and the Program’s issuance of an Authorization to Award (ATA) the construction contract.

4. **NJIB Project Certification** – Loan Certification is required for all projects seeking program financing. NJIB Loan certification is awarded upon DEP project certification and the applicant’s satisfaction of the Program’s credit worthiness requirements. The Executive Director of the I-Bank certifies projects seeking Short-term Loans less than or equal to $15 million and the NJIB Board of Directors certifies projects seeking Short-term loans greater than $15 million and all Long-Term Loans.

5. **Short-Term vs. Long-Term Funding Eligibility** – Conditions precedent to Short-Term Funding Eligibility consists of project certification from the DEP and the I-Bank and satisfaction of the Financing Program’s credit worthiness standards. Conditions precedent to Long-Term Funding Eligibility consists of project certification from the DEP and the I-Bank, satisfaction of the Financing Program’s credit worthiness standards, and completion of project construction. Sponsors whose projects do not receive a Construction loan from the NJIB prior to long-term funding (self-funded projects) must submit construction expenses on a form SLP101 to the DEP to allow Water Bank staff to monitor percentage of project completion. These sponsors must submit 100% of their project expenses to the DEP to receive long-term financing.

6. **Project Benefits Reporting Forms (PBR and CBR)** – The United Stated EPA requires, as part of receiving funds under the SRF program, submission of project information into the DWSRF
Project and Benefits Reporting System (PBR) and the Clean Water SRF Benefits Reporting System (CBR). The Department obtains this information through the applicants’ completion of the PBR and CBR forms prior to closing.

7. **Loan Closing** – Short-term loans: The I-Bank offers closings for Short-term Loans within as little as three (3) weeks of submission of a Short-term Financial Addendum Form. Long-term Loans: Typically, within two to three weeks of bond sale, the I-Bank will settle its bond sale and conduct simultaneous Long-term loan closings with the participating borrowers.

8. **WISE Calculator** - The Water Infrastructure Savings Enabling (WISE) Act Calculator requires all local government units seeking financing of $1,000,000 or more for an environmental infrastructure project not planning to finance through the Water Bank, to submit a Financing Cost Estimate (FCE), provided by the I-Bank to the Director of DLGS/LFB for approval. The I-Bank developed the WISE Calculator tool and it is available on the I-Bank’s website. It provides project sponsors and their consultants a quick and easy way to quantify the comparative savings offered by Water Bank financing. It is also used by prospective borrowers as a budgeting tool for estimating the annual debt service due for proposed projects. The FCE provides transparency to the public and assists local officials in their due diligence for selecting the most cost-effective project financing. **Minimum Loan Size** - The aggregate principal amount of any loan made by the NJIB and the DEP to any given qualifying project sponsor shall be no less than $100,000 excluding short term Planning and Design loans.

9. **Minimum Loan Size** - The aggregate principal amount of any loan made by the NJIB and the DEP to any given qualifying project sponsor shall be no less than $100,000 excluding short term Planning and Design loans.
**FEES**

**Fund Loan Origination Fee.** The DEP’s Loan Origination Fee, calculated as 2% of project costs, offsets the cost of DEP’s project review and construction management services provided to the borrower. Sponsors may finance half the cost of this fee obligation through a Construction Loan from the I-Bank. These funds are transferred directly to the DEP upon receipt of the funds from the I-Bank. The remaining 1% fee balance is paid by the Borrower to DEP as a component of its first long-term loan repayments. For CDBG, Nano and Small System AMP loans, the DEP Loan Origination Fee is waived.

**NJIB Loan Origination Fee.** For SFY2020, an NJIB Loan origination fee of 0.01% may be applied to only the NJIB loan amount to fund the costs of issuance associated with the bond sale and any such fee shall be uniformly applied to all borrowers participating in the bond pool. This fee is generally financed as part of each borrower’s NJIB Loan and may not cover the entire costs of underwriting new bond issues, the remainder of which is subsidized by the NJIB. Other than in refunded issues, the NJIB pays any uncovered cost of financing from NJEIT cash-on-hand.

**The NJIB Annual Administrative Fee.** The I-Bank will charge long-term SFY2020 borrowers an administrative fee of up to 0.4% per annum on the original NJIB loan amount. This fee is uniformly applied annually to all borrowers receiving loans in the SFY2020 Program for the duration of each loan. Administrative fees collected from borrowers of all financing program years may be utilized to fund NJIB’s activities as enumerated in the SFY2020 operating budget (Appendix G) or provide loans, collateral or match funds for the program as appropriate or needed.

**Security Research Fee.** The NJIB may charge non-governmental participants for any expenses incurred by or on behalf of the I-Bank in connection with the evaluation of the acceptability of any collateral provided as security for the I-Bank and Fund loans, regardless of whether the loan is actually closed. The I-Bank will not incur such expense without the prior notification to the potential borrower.

**Late Fee.** To the extent any Borrower makes its Loan repayment after the due date thereof (February 1 and August 1), the Borrower will be charged a late fee equal to the greater of 12% annualized or the Prime Rate plus 0.50% of the outstanding amount due.

**Event of Default Fees and Expenses.** The Borrower is charged reasonable fees and other expenses incurred in the collection of repayments or any other sum due or the enforcement of the performance of any duties, covenants, obligations, or agreements of the Borrower under the loan agreements including attorney fees.

**Engineering Costs.** To the extent that consulting engineers are used for application review or construction management for a Borrower’s project, the I-Bank may charge the costs thereof to the Borrower.
NJIB LONG-TERM BONDS

The Water Bank enables participants to join together in a pooled financing to fund their environmental infrastructure projects at a lower cost than if they financed their projects independently. The main cost savings are achieved by combining the zero-interest Fund loan and the market-rate, AAA rated NJIB loan. Aggregating many project financings into one diversified bond pool offers multiple benefits to borrowers: 1) better access to the high quality debt market for smaller and lower-rated borrowers; and 2) lower financing and underwriting costs for all program participants. Participating in the NJEIFP has historically resulted in Borrower savings between twenty-five and forty percent of the cost of debt service relative to independent financing. In total, borrowers have saved in excess of $2.58 billion since the NJEIFP’s inception. The addition of aggressive loan terms, including up to fifty percent (50%) principal forgiveness in SFY2020, for CSO communities, Coastal Community Water Quality restoration, and Barnegat Bay Watershed projects through loans provide substantial additional savings.

In addition to low interest rates, I-Bank loans eliminate the need for borrowers to obtain bond insurance, manage arbitrage responsibilities, self-fund an initial five percent (5%) of the loan amount, and reduce many other ancillary borrowing costs. Moreover, throughout the life of the bonds, the I-Bank monitors market conditions to assess when interest rates meet the I-Bank’s savings threshold for refunding prior bonds and coordinates the sale of refunding issues. Net savings from prior bond refundings are passed on to borrowers, further lowering loan costs. Since its inception through February 2019, the I-Bank has returned in excess of $153 million in interest and principal cost savings to participating borrowers through the refinancing of its outstanding bonds.

The two loan agreements entered by borrowers, one with the I-Bank and one with the State, acting by and through the DEP, for the Fund, are drafted to reflect the differences between the security features for G.O. borrowers, revenue borrowers and private water system borrowers. However, the principal terms and conditions are conformed among the versions and permit a generic description of the terms and conditions. The discussion that follows represents the current expectations for the loan agreements under the NJEIFP and is based upon loan agreements with general obligation (“G.O.”) borrowers. Although other agreement forms may be mentioned, not all the differences among the various agreements are presented. Likewise, not every condition appearing in the various loan agreements is described. The I-Bank and the State reserve the right to include special items in individual loan agreements, conditions, and covenants unique to the circumstances of individual borrowers, when necessary even if not anticipated in this document. Additionally, Principal Forgiveness Loan agreements may contain additional representations and covenants that are not contained in the Base loan agreements.

THE FINANCING DETAIL

Projects receive long-term funding upon completion of project construction, determined by the NJIB based on Project Sponsor requisitions. Borrowers must provide final requisitions two months in advance of an upcoming bond sale, or on the date established by the I-Bank, to participate in an upcoming bond sale. The I-Bank intends to issue one or more series of environmental infrastructure tax-exempt bonds for governmental borrowers participating in the SFY2020 NJEIFP. Depending upon the borrowers’ characteristics, the I-Bank may also issue a series of alternative minimum tax (AMT) environmental infrastructure bonds for private drinking water systems or other projects with a significant private use component, as well as a series of taxable bonds for private conduit borrowers in this year’s financing.
The NJIB environmental infrastructure bonds are expected to fund the project accounts established by the NJIB bond resolution, meaning that any unexpended project funds still available for a project at the time of bond issuance held in the account and any interest earnings are passed along to the borrower. The NJIB bonds are also expected to finance the underwriters’ discount, a loan surcharge of 0.1% of the issue size for other costs of issuance, and half of the DEP’s administrative fee. Final maturity of the I-Bank issued bonds will not exceed 30 years. However, for program participants financing CSO projects, pending EPA approval, a maturity term in excess of 30 years may be available beginning in SFY2020.

All Water Bank financing program participants must issue a bond, note or other obligation to the I-Bank and the State to secure their loan repayment obligation to the NJIB and the State respectively. Participants must agree to complete the project and perform under the specific terms and covenants of the loan agreements. Each of the loan agreements will cite the source of funds for the loan. In the case of private drinking water systems, collateral issued to secure the NJIB and Fund Loans (which may include revenue bond pledges, particularly in the case of larger private drinking water systems) must be approved by both the I-Bank and the State.

New Bond Series will be Special Obligations of the NJIB, secured primarily by:

i. The repayments of the Series Borrowers of the Series NJIB Loans (which repayments are, in turn, collateralized by the bond, note or other obligation of each series Borrower issued to the I-Bank to secure the Series Borrower’s obligation to make these repayments on time and in full);

ii. The repayments by the Series Borrowers for the companion Series State Fund Loans (which repayments are, in turn, collateralized by the bond of each Series Borrower issued to the State to secure the Series Borrower’s obligation to make these repayments on time and in full);

iii. Certain of the repayments by those Borrowers in the Coverage Providing Financing Programs that have received Coverage Providing State Fund Loans that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement (MPTA);

iv. Money deposited in the Series Borrower Debt Service Reserve Funds, with respect to certain Authority Series borrowers only;

v. Moneys payable under the Series Borrower Service Agreements and the Series Government Borrower Guaranties; and


Neither the State nor any political subdivision thereof (other than the I-Bank, but solely to the extent of the applicable I-Bank environmental infrastructure estate) is obligated to pay the principal of or interest on the Series Bonds, and neither the full faith and credit nor the taxing power of the State or any political subdivision thereof (the NJIB has no taxing power) is pledged to the payment of the principal of or interest on the NJIB Series Bonds.

Each series of bonds funds a pool of loans. Participants will be assigned to a loan pool, the basis of which may include their individual credit characteristics, effect on the bond pool’s coverage, the terms and conditions of their own outstanding bond documents and the following considerations:

- **NJIB bond ratings** – Because of the cash flow structure of the Financing Program, most participants will be placed in a single uninsured pool for which the NJIB anticipates AAA/AaA/AAA ratings from Fitch, Moody's and Standard & Poor's respectively.

- **The NJIB’s need to minimize transaction costs** – Assigning participants to various pools can minimize the complexity and cost of the bond issue.
• **Participants' need for insurance or other credit enhancement** – Some participants may be required to insure or obtain other credit enhancement with respect to the bonds they pledge to the I-Bank. This may include participants who do not have an investment grade rating of their own, who cannot obtain deficiency agreements, who have certain restrictions in their existing bond documents, or who are required to issue junior lien debt. At times, the I-Bank may request a waiver by the State Treasurer of the State’s credit worthiness standards for a specific borrower.

• **Federal tax law considerations** – AMT bonds, taxable bonds and varying construction draw schedules among participants may make it beneficial to pool certain participants together to comply with federal tax law.

• **State law limitations** – Restrictions in certain State general obligation bond acts preclude the use of certain bond act moneys as security for private borrowers.

**The NJIB Green Bonds.** In the past twelve months, the I-Bank issued three series of new issue “Green” Environmental Infrastructure Bonds (listed below) to finance, two series of governmental borrowers (identified as “A Series”) and one series for AMT borrowers (Identified as “B Series”), to refinance, clean water and drinking water infrastructure projects. Green Bonds are dedicated to financing environmentally friendly projects and appeal to a new group of socially conscious investors. The NJIB green bonds finance or refinance the loan portion of SRF projects that positively impact the environment.

- In May 2018, the I-Bank issued $21.10 million of new issue environmental infrastructure Green bonds (2018A-1) priced with a true interest cost (TIC) of 3.14% and $15.69 million of new issue environmental infrastructure Green AMT Bonds (2018B-1); with a TIC of 3.63%
- In November 2018, the I-Bank issued $17.45 million of new issue environmental infrastructure Green bonds (2018A-2) priced with a TIC of 3.71%

Attached as **Appendix H** are the Green Bond Reports identifying projects funded in these bond series.

**AMT Bonds.** The Tax Reform Act of 1986 imposes restrictions on the types of projects that can be financed with tax-exempt bonds. For projects involving nonprofit use, private use, private payments, or private loans and not otherwise complying with Federal income tax requirements for tax exempt governmental bonds, the I-Bank may issue additional series of Alternative Minimum Tax (“AMT”) bonds or taxable bonds. The issuance of AMT bonds imposes additional conditions precedent to the issuance of I-Bank bonds, including, without limitation, the receipt of a volume cap allocation from the Treasurer, 2% costs of issuance limitation and hearings under the Tax and Equity Fiscal Responsibility Act of 1982 (“TEFRA”).

In past years, the I-Bank has funded a separate series of AMT bonds for projects and may do so again depending on the responses received from borrowers in their FAFs. If CW or DW AMT bonds are necessitated by the operational and financial structure of certain borrowers, the I-Bank will attempt to combine the AMT bonds into a single series of NJIB bonds, to the extent practicable and allowable under the Clean Water Act and the Safe Drinking Water Act and other applicable law in an effort to best manage program expenses.

Loans may be secured by letters of credit, mortgages on drinking water facilities, personal guaranties of system owners or operators, special reserves and/or other available security required by the I-Bank at its discretion to ensure repayment. A taxable series of bonds may also be issued, such as in situations where some projects have non-governmental relationships beyond allowable limits set by Federal income tax law. Any NJIB series of taxable or AMT bonds will have the same security features as any other series of NJIB bonds or, in the case of private drinking water systems, collateral acceptable to the I-Bank and the DEP.
ESCROW CLOSING

Program participants whose projects will be partially funded with I-Bank environmental infrastructure bond proceeds must have all the necessary certifications, ordinances, resolutions, authorizations, counsel opinions and necessary financial covenants in place and escrowed to be included in the NJIB’s bond sale. Participants are required to close and deliver in escrow their loan agreements as well as their bonds or collateral evidencing their repayment obligations, approximately two months prior to the I-Bank’s bond sale. The I-Bank pledges these documents as collateral in the issuance of its bonds to finance the I-Bank Loans. These documents are held in escrow until after bond sale and all conditions precedent to final closing have been met. At that time, the documents are released from escrow and final bond sale closing takes place concurrent with Borrower loan closing.

This process ensures, to the greatest extent possible, that the competitive bond sale and the closing go forward as planned.

COMPETITIVE SALE OF NJIB BONDS

After escrow closing, the NJIB will schedule its respective bond sales. The NJIB enabling legislation requires that the NJIB’s Long-term bonds be sold on a competitive basis. The NJIB publishes a summary of the Notice of Sale once in at least three New Jersey newspapers and once in a recognized bond publication. The bonds will be awarded based on the lowest true interest cost bid. The NJIB will require bidders to submit their bids electronically for the bond series it will issue in SFY2020. The NJIB, depending on market conditions at the time of the publication of the Notice of Sale, will permit underwriting syndicates to increase the amount of original issue discount which they may include in the bids.

Generally, bidders must specify a purchase price which equals or exceeds 98% of the initial aggregate purchase price of the bonds. Given current conditions, a premium bid, e.g., one in which the purchase price exceeds 100% of the initial price, is the likely outcome. Both the use of term bond(s) and a larger original issue discount may provide underwriting syndicates increased flexibility resulting in a lower true interest cost for the NJIB’s bonds and program participants.

Prior to the bond sale, the NJIB will establish the criteria for the investment of any bond proceeds, not disbursed to borrowers at closing as reimbursement for project costs, based upon market conditions in either a portfolio of securities, money market funds or a flexible repurchase agreement on which to be bid. The NJIB may also determine to accept investment bids on an electronic basis. It is anticipated that I-Bank bond sales will occur in November of 2019 and May of 2020 and will include projects essentially construction complete thereby minimizing any potential for non-disbursed bond proceeds. Detailed proposed schedules are set forth in the Appendices G1 and G2. A Preview of the SFY2021 Financing Program Schedule is attached as Appendix F.

DISCLOSURE

Program participants are expected to provide, through completion of their FAF and certification of the data’s accuracy, information necessary for disclosure in the NJIB’s Official Statements. As discussed below, full disclosure will be required for pool participants determined to be “obligated persons. Reduced disclosure will be required from the balance of the participants. It is not anticipated that the NJIB will have any participating borrowers in SFY2020 who meet this requirement.
SECONDARY MARKET DISCLOSURE

Rule 15c2-12 of the Securities and Exchange Commission requires that certain issuers provide information on an ongoing basis for use in the secondary bond market. The I-Bank has developed a policy, consistent with Rule 15c2-12, to determine which borrowers will be required to provide ongoing secondary disclosure.

Those Borrowers (for any particular Financing Program) whose remaining Fund Loan repayments in all Coverage Providing Financing Programs, when aggregated with their remaining NJIB Loan repayments for any such particular Financing Program, if any, exceed ten percent (10%) of the sum of:

1. The aggregate of all remaining Fund Loan repayments from all Borrowers in all Coverage Providing Financing Programs, and
2. The aggregate of all remaining NJIB Loan repayments in any such particular Financing Program from all Borrowers shall be considered material "obligated persons" within the meaning and for the purposes of Rule 15c2-12.

Under certain commentary promulgated by the SEC pursuant to Rule 15c2-12, the Water Bank Financing Programs that provide coverage appear to be considered materially "obligated persons" under the Rule. Accordingly, the NJIB will make the appropriate secondary market disclosures on these Financing Programs in the 2020 Financing Program as it has in past programs commencing in 1995.

UNDERFUNDED OR OVERFUNDED ALLOWABLE COSTS

In those limited circumstances where long-term financing is issued prior to construction completion, if final bids are higher than the estimated costs, or if differing site conditions are encountered during construction, the participant is eligible to return to the Financing Program for supplemental short-term and long-term financing for the increased allowable costs, subject to certain IRS procedural requirements that must be followed. Similarly, if final bids for a participating project are lower than the original awards, or if final building costs are lower than the allowable costs based on the low bid building cost, a surplus of monies may exist. In the case of an NJIB Long-Term Loan, this money is expected to be used to make debt service payments on the participant’s NJIB Loan or be expended through a defeasance (i.e. used to purchase US Treasury securities and placed in escrow to pay down outstanding bonds). These NJIB monies may also be available to fund cost increases for change orders due to differing site conditions, certain other project costs or for allowable reserve capacity costs, subject to approval by the NJIB. In the case of a Fund Loan, this surplus will be de-obligated via an amended debt service schedule eliminating payments starting from the back end of the loan (i.e. year 30) and moving forward until the de-obligated amount is realized.

Because most projects are now funded through flexible short-term construction loans, and there are limited exceptions to the requirement that projects reach construction completion prior to advancing to long-term financing, it is not anticipated that projects will require supplemental loans because cost increases are being handled through amendment of the short-term loan amount. For the same reasons, it is not expected that there will be overfunded costs requiring a defeasance and deobligation.

UNALLOWABLE COSTS

Project financing for the unallowable portion of project costs must come from the program participant, who may bond for this cost or pay for it out of other funds. Municipal or county borrowers must either have cash available or bond ordinances and Local Finance Board approvals (if required) authorizing the borrowing of the necessary funds. Authorities and private drinking water systems must have cash-on-hand or the
equivalent thereof prior to any disbursement of their loans. The NJIB has imposed these requirements to provide assurance that projects will be financed and completed in their entirety.

**PROJECT ACCOUNT DISBURSEMENTS**

For any project not completed with expenses still outstanding, remaining construction drawdown schedules are developed prior to escrow closings by the DEP, based upon the participants' own submissions. The I-Bank then develops a composite drawdown schedule from all of the individual borrowers in any given pool to determine the best investment of bond proceeds.

**LOAN REPAYMENTS**

As the NJIB has not received EPA approval as of the date of this writing for extended term loans of 45 years, all of the NJIB bonds will mature within thirty years from the respective date of issuance thereof. Interest on each NJIB Loan will be payable at least semiannually and, after any initial optional deferment period for construction completion, principal will be retired at least annually. It is possible that nonprofit or private drinking water system borrowers for drinking water projects may be required to pay debt service on a monthly or quarterly basis. Payments are typically structured to provide level debt service payments after the construction period for the life of the loan. The aggregate of the individual participant’s debt service schedules relating to their NJIB loans cover the debt service of the NJIB bonds, plus the I-Bank’s annual administrative fee.

Participants make scheduled debt service payments on both of their I-Bank and Fund loans with a single payment to a loan servicer or trustee. To the extent that a project is not complete prior to long term conversion, payments are required to begin no later than 6 months after construction completion or shorter if the borrower chooses to begin amortization prior to the end of its construction period. Each debt service payment is determined as follows:

- Scheduled principal and interest due the NJIB, net of investment income on the reserve fund credited for the period and net of any other applicable credits;
- Scheduled principal due to the Clean Water or Drinking Water Fund or State Bond Fund; and
- Any administrative fees owed to the DEP and the NJIB.

Borrowers also have the option to capitalize interest during construction for up to three years. As the NJEIFP has transitioned and now offers long-term funding to only those projects which have completed construction, this option should be diminished. In the event there is an opportunity and a Borrower elects to capitalize interest on its long-term loan during construction, the interest earnings derived from bond proceeds in its capitalized interest account will be credited against the amount owed for capitalized interest. The borrower’s allocable share of earnings from any of its own monies provided to a Debt Service Reserve Fund, if any, will also be used in this manner during the capitalized interest period.

For participants who elect not to capitalize interest and for all other participants following the construction period, all such participants will receive their proportionate share of any reserve fund earnings through a credit against their NJIB Loan repayment obligations. The allocations of earnings from the reserve fund are pro-rated based on the total NJIB loan size.
INVESTMENT OF PROJECT LOAN ACCOUNT PROCEEDS

Construction draws for any remaining project expenses will be made pursuant to requisitions submitted by project participants. During the construction period, unutilized funds in each borrower’s project loan account, established under the NJIB bond resolution, will be invested to maximize the cash flow of those funds.

The I-Bank will continue to invest project loan account monies to the expected drawdown dates for any construction not completed under the short-term construction loan program prior to long-term funding. These investments will be invested in accordance with the permissible investments as defined within the Bond Resolution. If determined to be advantageous, the project account may be invested in State and Local Government Securities or other securities as allowed under the bond resolution. Securities will be procured through a competitive bid process.

Each year, the NJIB considers the feasibility of using flexible repurchase agreements, guaranteed income contracts or other forms of investment agreements to reinvest bond proceeds deposited into the project loan account. Subject to State and federal constraints, if any are found to be advantageous, the NJIB will seek authorization from the Director of the Division of Investment in the Department of the Treasury to use them.

FLOW OF REPAYMENTS

The Loan Servicer or Trustee receives the above noted repayments from the borrower and within each pool: (1) satisfies the requirements to pay the bondholders; (2) deposits and disburses the collected administrative fees; and (3) once all bond principal and interest payments have been made in full, transfers the Funds Loan repayments to the Master Program Trustee for deposit into the MPTA. The Master Program Trustee will hold these funds for a period of one semi-annual bond payment period plus one day to provide coverage for the next bond payment due on all outstanding NJIB environmental infrastructure bonds issued. (See below section entitled “Cross Coverage Between Series”) However, no borrower will be responsible for the repayments of any other borrower. Immediately following the second payment upon which the Fund Loan repayment funds were available to secure NJIB Series Environmental Infrastructure Bond payments, the Master Program Trustee will deposit the principal and any interest earnings while invested by the Master Program Trustee in a state DEP account which the DEP will then deposit into the respective State CWSRF, DWSRF and non-SRF accounts. Once deposited in these appropriate revolving fund account, these monies are available to make future loans for CW and DW project purposes, respectively.

CREDIT STRUCTURE AND RATING OF THE NJIB BONDS

Minimizing costs for the participants in the Financing Program requires that the NJIB bonds be backed by the strongest available credit structure. The credit structure for the NJIB’s bonds is created through provisions in the bond documents, loan agreements and related support agreements executed by the participants. The NJIB’s structure has produced AAA/Aaa/AAA bond ratings from all three rating agencies (Fitch, Moody's, and Standard & Poor's) for each series of NJIB bonds issued since this structure was introduced in 1995.

The credit structure of the NJIB’s Bonds allows the Fund loan repayments of one borrower to secure the NJIB loan repayments of all borrowers within the same pool of loans. In addition, Fund Loan repayments from all borrowers participating in outstanding Financing Programs are used to cross collateralize, on a subordinated basis, all or a portion of future NJIB Bond issues as allowable. Since 1995, this technique has been used to enhance NJIB Bond ratings with respect to particular pools or specific loans. In addition, the
NJIB established cross collateralization between the CW and DW Programs to extend the benefits available to CW borrowers and to DW borrowers. This “true pool” structure further secures the NJIB Environmental Infrastructure Bonds, improves the bond ratings, lowers the interest cost of the Bonds for participating borrowers, and eliminates the need for bond insurance.

The NJIB may issue tax-exempt, AMT or taxable bonds that will be uninsured to finance its share of the SFY2020 Financing Program. Security for the NJIB environmental infrastructure bonds relies on the following seven major credit features, as well as other protective covenants typically supporting revenue bonds:

i. The pledge of revenues from self-supporting projects;

ii. For a municipal borrower, the pledge of its full faith and credit of its taxing power to pay debt service on bonds sold to the NJIB. For an authority borrower; a deficiency agreement under which the municipalities being directly or indirectly served by the borrower make this pledge; for a private water system, collateral approved by the NJIB;

iii. Other forms of credit enhancement, if necessary;

iv. Subordination of Fund Loans to the NJIB Loans within the particular pool to increase coverage of debt service on the NJIB bonds;

v. Cross coverage from all outstanding environmental infrastructure bond pools, after the individual pool NJIB payments have been made, to provide additional coverage for outstanding NJIB environmental infrastructure bonds sold between 1998-2018 and into the future (if so designated by the NJIB) as allowable;

vi. Cross-collateralization between CW and DW Programs;

vii. The ability of the State to intercept State-aid payable to borrower municipalities or, in the case of authority borrowers, underlying municipalities; and

viii. A pledge of the debt reserve fund, if any, to pay debt service on the NJIB environmental infrastructure bonds in the event of default by a participant.

i. **Collateral for Private Drinking Water Systems**

All private water system projects must demonstrate that revenue is sufficient to cover operation, maintenance and debt service. For large private drinking water systems, the I-Bank will require a revenue bond to be issued to the I-Bank as part of the collateral for the loan. For very small private community and nonprofit non-community drinking water systems, collateral will be considered on a case by case basis for Small System, *de-minimis*, and other program loans. Some of the collateral that may be considered will include, but not be limited to, a bank letter of credit, a mortgage on the facilities and its property, increased reserve funds, etc. The intermediate private drinking water systems will require some combination of the above based on a case by case determination.

ii. **Credit Worthiness**

NJIB bonds are ultimately secured by a G.O. pledge from each municipal or county borrower to levy and collect taxes to pay debt service or a revenue bond pledge from the Utility or water service provider. Such G.O. pledge must typically carry an investment grade rating from one of the three nationally recognized rating agencies (Fitch Ratings, Moody’s Investors Service, and Standard & Poor’s Rating Services). For applicants that do not have an investment grade rating of at least BBB-, Baa3, or BBB- from Fitch Ratings, Moody’s Investors Service or Standard & Poor’s Ratings respectively, the I-Bank generally requires each applicant to seek and obtain an acceptable private ratings assessment from one of the above agencies. For small (*de-minimis*) borrowers, the I-Bank requires the applicant to meet certain liquidity, leverage and cash
flow metrics. Additional information regarding the I-Bank’s Credit Policy may be obtained on the I-Bank’s website at: https://www.njib.gov/policies-and-procedures/.

In the case of authorities with no taxing power, which must secure their bonds with project revenues and, which absent credit enhancement, do not have an investment grade rating, the NJIB may require the local unit bonds to be additionally secured by G.O. deficiency agreements with underlying municipalities, bond insurance or other form of credit enhancement. The use of deficiency agreements is a conventional tool for governmental utility revenue bond financings in New Jersey. It is anticipated that local unit bonds supported by such deficiency agreements will have the same credit quality as the G.O. bonds issued by the underlying municipalities.

iii. **Deficiency Agreement/Credit Enhancements**

For some of the smaller borrowers, additional security in the form of a borrower financed reserve fund in the amount of two-years of average debt service payments may be required. Drawdowns on the loan may also be restricted to the percentage of the fund-up of the special borrower financed reserve fund.

Unique to the Small System (NANO) Loan Program is the establishment of a Loan Loss Reserve Fund (LLR Fund). NANO Loan Program applicants that do not pledge *ad valorem* taxing authority, either directly or indirectly, as security for such loans will pay an annual guarantee fee equal to 1% of the outstanding NJIB loan (“LLR Fee”). The LLR Fee will be deposited into the LLR Fund to provide additional coverage to the borrower’s debt service payments.

iv. **Subordination of State Loans**

Within each bond series, repayments on each borrower's Fund Loan are subordinated to that borrower's NJIB Loan repayments. Thus, a borrower's Fund Loan repayments provide coverage on its corresponding NJIB Loan repayment obligations. In addition, all Fund Loan repayments may be applied to any NJIB environmental infrastructure bond debt service payment whenever any NJIB environmental infrastructure Loan repayment deficiency by any borrower occurs as allowable. All Fund Loan repayments for each period, once credited to such borrowers and once the NJIB bond debt service payment for the repayment period is satisfied, are paid to the Master Program Trustee.

v. **Cross Coverage Between Series**

In 1995 the I-Bank instituted the concept of Cross Coverage wherein, once NJIB debt service on individual bond issues is satisfied, the remaining funds are transferred to the MPT to cover potential debt service deficiencies for all outstanding NJIB Series Bonds so designated and as allowable. As Fund Loans are repaid, the money is held by the MPT for one semi-annual bond payment period (approximately 6 months) plus one day in the Master Program Trust Account (MPTA) to provide additional coverage as allowable for the next NJIB environmental infrastructure debt service payment due on all outstanding NJIB environmental infrastructure bonds and any future NJIB environmental infrastructure bonds so designated, prior to being paid to the State.

On the following bond payment date, if there is an event of default, Fund Loan repayments retained in the MPTA are available to provide funds to individual Bond Series Trustees to make full and timely payments to bond investors. Fund Loan repayments held for one semi-annual bond payment period that are not used to repay defaults are then transferred back to the State SRF repayment account and made available for originating new loans to participants in future financing cycles.

By continuing to use some or all of the Fund Loan repayments associated with the outstanding 1998 through 2018 NJIB Bond issues, as well as subsequent NJIB Environmental Infrastructure Bonds, to cross collateralize, on a subordinated basis, all or a portion of future NJIB Environmental Infrastructure Bond issues so
designate, this cross-coverage credit structure reduces the risk of default on the NJIB environmental infrastructure bonds by increasing the likelihood that sufficient funds will be available to pay debt service on those bonds.

As noted above, the credit quality of each issue of NJIB Environmental Infrastructure Bonds is enhanced by the fact that Fund Loan repayments from all borrowers, as allowable, within each pool are available to make debt service payments on the NJIB Environmental Infrastructure Bonds in the event of an NJIB Environmental Infrastructure Bond debt service payment deficiency by one or more borrowers in the pool. Since the NJIB began using this technique, it has never become necessary to use the Fund Loan repayments for this purpose. It is important to note that, notwithstanding such subordination, any borrower that has made its NJIB or Fund Loan payments has fully discharged its obligation to make such payment. To date, the I-Bank Bond Financing Program has never suffered a payment default. To the extent permitted by the rating agencies, this practice will be continued in SFY2020.

vi. **Cross Collateralization Between the Clean Water and Drinking Water Programs.**

Under the cross-collateralization option, repayments of CW and DW Fund Loans may be used to satisfy defaults as allowable in NJIB loan repayments from all deposits in the Master Program Trust Account for approximately six months and one day. Notwithstanding the foregoing, to the extent Fund loan repayments are received in connection with Fund loans originally funded by State general obligation bond proceeds, these Fund Loan repayments may not be available to secure NJIB Environmental Infrastructure Loans made to private drinking water systems. Even after allowing for this minor restriction on cross collateralization, the ability to use CW and DW Program funds to support each Financing Program will result in significant savings to the project sponsors under the DW Program. Since there is not a large pool of Fund Loan repayments available for this program, the DW Program NJIB bonds might certainly not receive the AAA programmatic rating without such cross collateralization between Programs. However, the State’s cross collateralization involves only a temporary use of funds from the CWSRF or the DWSRF. If a default in loan repayment did occur, the NJIB and the DEP would take steps to collect the defaulted loan repayments to reimburse the appropriate DW or CW Fund.

vii. **State-Aid Intercept**

I-Bank bonds are also secured by the intercept of State-aid payable to all municipal participants and the municipalities underlying those Authority participants that have executed deficiency agreements with such underlying municipalities. If a participant fails to make timely debt service payments to the I-Bank, the State-aid intercept mechanism authorized in the I-Bank's enabling statute may be triggered and State-aid may be diverted from the participant, or an underlying municipality of the participant, to the bond trustee to pay debt service to the bondholders.

The model for this approach is the State's Municipal Qualified Bond Program, which has been used by the State's lower rated borrowers. Many of the revenues securing Qualified Bonds issued by participants in the Municipal Qualified Bond Program can be intercepted by the I-Bank as well. The State’s experience with the Municipal Qualified Bond Program indicates that the State aid intercept can raise the ratings on bonds issued by weaker borrowers to typically one step below the State’s rating. The NJIB may also require certain participating communities benefiting from projects and receiving small quantities of State aid to execute agreements which allow the NJIB to intercept their State aid in the event of non-payment.

The intercept under the NJIB Program is subordinate to the intercept securing bonds issued under the Municipal Qualified Bond Program. Should participants in the Financing Program have outstanding Municipal Qualified Bonds, financing documents will include covenants requiring that the coverage ratio of debt service by State aid be calculated by including those bonds as well as both Financing Program loans. This will mitigate the adverse effect of the senior claim on State aid of those Qualified Bonds.
The NJIB and/or the State may take other actions to cause the local government unit to repay, in a timely manner, any sums in default. To date the Financing Program has never needed to employ its State aid intercept powers.

viii. **Reserve Fund**

Certain NJIB bonds prior to 2007 were secured by a debt service reserve fund of approximately 10% of the issue size. The NJIB’s Debt Service Reserve Fund was generally funded from a portion of the required state match (20% of the federal grant), General obligation Bond proceeds and project loan repayments. Commencing in 2007, the NJIB utilized these funds for project loans while maintaining its natural AAA credit rating through the Master Program Trustee (MPT).

Because of the collateral structure described above, all outstanding NJIB bond series up to and including the Series 2018 bonds are rated, and the 2019 and May 2020 environmental infrastructure bonds are expected to be rated, AAA/AAA/Aaa by all three rating agencies as previously noted. Cross Coverage mitigates the potential for weaker credits to negatively impact the stronger credits in the uninsured pool.

To the extent a series of taxable or AMT bonds will be issued to accommodate a single borrower, the advantages found in the pooling structures will not apply. However, bond pricing advantages from cross coverage provided by the MPTA and the potential for AAA/Aaa/AAA ratings are still realized. A separate series of taxable or AMT bonds issued for several borrowers realizes the benefits of the pooled structure and the ratings are set accordingly.

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**JUNIOR LIEN BOND POLICY**

NJIB Loan Bonds are typically secured by revenues of the Authority Borrowers’ wastewater or water supply systems under the terms of the Authority Borrowers’ Bond Resolutions, but sometimes are additionally secured by service, deficiency or other agreements of (i) municipalities that possess and use their general obligation taxing power to secure their payment obligations under such service agreements (“Direct Service Agreements”) or (ii) Authority participants or customers, that in turn have service, deficiency or other agreements with municipalities that possess and use their general obligation taxing power to secure their payment obligations under such service agreements) “Indirect Service Agreements” and together with Direct Service Agreements, “General Obligation Service Agreements”).

Some Authority Borrowers are required to fund a debt service reserve fund under the terms of their Authority Borrower Bond Resolutions, but not under the terms of the Financing Program. In order to avoid the costs of funding such Authority Borrower debt service reserve funds, some Authority Borrowers have requested permission from the NJIB to issue subordinate NJIB Loan Bonds to the NJIB under the Financing Program. In response, and upon consultation with the State Treasurer, the Attorney General’s office and borrower bond counsel, the NJIB has adopted a Junior Lien Bond Policy, which provides:

1. The NJIB may accept junior lien NJIB Loan bonds of an Authority Borrower without forcing any such Authority Borrower to close off their senior lien bond resolution, indenture or other related document, so long as such junior lien NJIB Loan Bonds:
   a. Will be directly or indirectly secured by General Obligation Service Agreements;
   b. Carry an investment grade rating (which may be evidenced by a private credit assessment rating or otherwise) from one of the three rating agencies previously identified, if such bonds were not part of the Financing Program or would meet any of the “safe harbors” outlined in the letter of the State Treasurer dated October 29, 2001 or in the NJIB Credit Policy; and
c. The Junior Lien Authority Borrower Bond Resolution under which any such NJIB Loan Bonds are to be issued carries the same rate covenant applicable to such Borrower’s senior lien obligations.

2. Notwithstanding the foregoing, when determined to be in the best interest of the NJEIFP, the Executive Director may determine not to accept a Junior Lien bond which complies with paragraph (a), so long as he reports this action and the reasons therefore to the NJIB Board of Directors at the next scheduled Board meeting after such decision.

COVENANTS AFFECTING THE LOCAL UNIT

The loan agreements are legally valid and binding obligations between the NJIB/State and the borrower. The local unit bonds or approved collateral are legally valid and binding obligations of the municipal government, authority or private water system.

Consequently, each borrower must be able to make unequivocal representations concerning its status in the transaction. Ordinances and resolutions of the governing body must be in place, and proper public notice given to establish that the borrower has the legal right and authority to undertake the specific project, and own, efficiently operate and appropriately maintain an environmental infrastructure system. All applicable permits and approvals for construction must be obtained as a precondition for execution of the agreements and the local unit bonds. The borrower will need to certify that no undisclosed fact or event, and no pending litigation, will materially adversely affect the environmental infrastructure system, the ability to make timely loan repayments, or the prospects for completion of the project. A reasonable and accurate estimate of project costs compiled by a New Jersey licensed professional engineer will be required, and the borrower must obligate itself to assume capital costs in excess of the NJIB and Fund funding from its own resources.

Other covenants include:

- For a G.O. borrower, a pledge of full faith and credit to exercise the unlimited ad valorem taxing power of the local government to insure the timely repayment of principal and interest;
- The intercept of State aid payable to a general obligation borrower who fails to meet NJIB Loan repayment and/or administrative fee payment schedules; or
- For a Revenue borrower, an irrevocable pledge of (1) local or regional authority or private water system revenues and other receipts of the environmental infrastructure system, (2) moneys payable pursuant to service agreements or local unit bond credit enhancement, if any, and (3) State aid of municipalities, if any, which have executed deficiency agreements with the borrower to secure NJIB Loan repayments;
- The establishment of levies, fees or rates sufficient to meet operating and maintenance expenses (particularly with authority/privately owned drinking water system borrowers), to comply with all outstanding covenants relating to bonds or other evidence of indebtedness, and to pay other amounts due;
- A limitation on the borrower's discretion to issue Qualified Bonds unless the coverage afforded by State aid anticipated for the current fiscal year is equal to a reasonable coverage test, which test in the past has been; the annual debt service on all outstanding Qualified Bonds divided by the annual funds available for these payments pursuant to the Qualified Bond Act must not exceed 0.80;
- A limitation on the use of loan proceeds to only finance allowable costs of the project which are funded by the loan;
• A limitation on the borrower's discretion to sell, lease, abandon or otherwise dispose of the environmental infrastructure system without (i) an effective assignment of the borrower's loan obligations, (ii) the prior written approval of each the NJIB and the State, and (iii) an opinion from the NJIB's bond counsel that such sale, lease, etc. will not have an adverse impact on either the security for the NJIB's bonds or the tax-exempt status of the NJIB's bonds;

• A prohibition on actions that may jeopardize the tax status of the bonds issued by the NJIB and, where appropriate, the State;

• A provision to provide secondary market disclosure information in accordance with the provisions of SEC Rule 15c2-12 and the policy established by the NJIB, if required under the Rule; and

• The NJIB and the State may impose additional covenants on PFLs borrowers in order to ensure compliance provisions unique to the FFY2019 USEPA Capitalization Grants.

TERMS OF DISBURSEMENT AND REPAYMENT

The NJEIFP intends to offer each borrower on the CW and DW Project Priority Lists, the full amount authorized by the appropriation bills subject to a borrower’s satisfaction of financing program requirements and funding limitations, and subject to a reduction based on the DEP's review of allowable project costs. Interest begins accruing on the NJIB’s Long-Term Loan component when the NJIB Series Bond is closed and the NJIB Loan proceeds are used to repay the corresponding portion of each borrower’s Short-term loan with residual sums placed in the respective project loan accounts created under the NJIB bond resolution. The Fund Loan is based on the moneys available and the DEP’s review of allowable project costs. In addition, the borrower, if a municipality, must certify to the NJIB and the DEP that it has funds available, or if an authority or private water system, moneys on hand, for project costs that exceed the actual amounts of the loan commitments. This amount includes unallowable project costs.

Disbursement of NJIB Loan proceeds for any allowable project costs still outstanding during long term financing will be made by the Trustee, acting as agent for the NJIB, following receipt of authorization from the NJIB based on a borrower's certified requisitions. Fund Loan disbursements will be made by the State, also upon receipt of a borrower's certified requisitions.

Other terms include:

• A level annual repayment schedule for NJIB Loans with interest payable in semi-annual installments, and principal payable in annual installments, provided however, that private drinking water systems may be required to pay more frequently than semi-annually. Depending on the circumstances, such borrowers could be required to pay 1/12 of their annual principal and 1/6 of their semi-annual interest on a monthly basis;

• A level annual repayment schedule for Fund Loans at zero-interest, with principal payable in semi-annual installments or, with respect to certain authority participants, annual installments; provided, however, that private drinking water systems may be required to pay 1/12 of their annual principal on a monthly basis;

• Semi-annual payment of one-half of the NJIB annual administrative fee; provided, however, that private drinking water systems may be required to pay more frequently than semi-annually. Depending on the circumstances, such borrowers could be required to pay 1/12 of their NJIB annual administrative fee on a monthly basis;
• Payment of the remaining balance of the DEP Loan Origination Fee shall be paid with first debt service payments; provided, however, that private drinking water systems may be required to pay more frequently. Depending on the circumstances, such borrowers could be required to pay 1/12 of their annual administrative fee on a monthly basis;

• A late charge of 12% per annum, or the Prime Rate plus 0.50%, whichever is greater, of the loan payment amount due calculated from the due date and charged daily on a pro-rata basis;

• The application of each NJIB Loan repayment pursuant to the terms set forth each Bond Resolution (typically to interest first, then principal);

• A credit against the debt service obligations of each project for the allocable share of reserve fund income, if any;

• Debt service payments to amortize principal must begin within one year of the anticipated date of completion of construction;

• If not complete at time of long-term financing, the anticipated project construction completion date must be established within three full fiscal years of the long-term loan closing date.;

• Tax exempt borrowers may capitalize interest for a period up to three years of the anticipated date of completion of construction but no more than 6 months from the scheduled date of completion of construction; and

• Alternative Minimum Tax (AMT) borrowers may capitalize interest for a period up to three years of the anticipated date of completion of construction but no more than the payment date immediately preceding the anticipated date of completion of construction.

The long-term loan agreements may also provide borrowers with an option to prepay loan obligations without penalty. Prepayment of either the NJIB or Fund Loan requires a 90-day written notice to the NJIB and a written approval thereof. Fund Loan prepayments also require a 90-day written notice to the DEP and a written approval thereof. NJIB Loan prepayments, at a minimum, must take out accrued interest (if applicable), any premium, principal through the prospective payment date for which the prepayment is to be credited and any fees incurred by the Program to execute such prepayment. Advance repayments will be applied first to interest on the portion prepaid, then to principal. It should also be understood that the NJIB/Fund financing is based on a split between the NJIB and the State for the financing of a project's eligible cost. Therefore, the prepayment of any NJIB Loan must be accompanied by a corresponding pro-rata prepayment on the State Loan. The Borrower is responsible for paying all the costs of the NJIB and the State associated with any prepayments. In addition, whether or not prepayment is involved, any modification of the local government bonds securing the NJIB Loan and the Fund Loan requires prior approval of the NJIB and the DEP respectively.

**DEFAULT**

The loan agreements define an event of default ("EOD") as:

1. the failure by the borrower to make a loan repayment when such failure continues for a period of fifteen (15) calendar days;

2. the failure to make timely payment of an administrative fee on the NJIB or Fund Loan within 30 days after written notice is given;

3. the representation of false and misleading information that has a material effect on the integrity of the loan agreements or related documents;
4. the appropriate filing by or against a borrower of any petition of bankruptcy or insolvency;
5. the general failure of the borrower to pay its debts including any outstanding loan or bond debt service payments in full and on time; and
6. the failure to observe or perform any other duties, obligations or responsibilities required by the NJIB or State for participation in the Financing Program, within 30 days after written notice.

With respect to the EODs specified in (2) and (6), the Trustee may be authorized to provide relief for up to 120 days if the borrower can represent that the failure to pay, observe or perform is correctable within that time frame. In addition, default may be averted if a petition of bankruptcy or insolvency is dismissed without prospects for appeal.

In an event of payment default, the NJIB and/or State may accelerate the NJIB and State loans and in the event of any default, the NJIB and/or the State may elect to take whatever action of law or equity is necessary to recover the deficiencies manifested by the default, or direct the Trustee (in the case of NJIB Loans) to pursue these remedies.

Recovered funds may be applied in the following order. In instances where MPT funds have been utilized to meet the obligations below, recovered funds will be applied back to the MPT:

1. To pay the fees for attorneys and other expenses incurred by virtue of the proceedings;
2. For interest payable on the NJIB Loan obligation;
3. For principal payable on the NJIB Loan obligation;
4. For other amounts due and payable to the NJIB;
5. For interest, principal and other amounts due the NJIB as the obligations become due and payable in accordance with the terms of the loan agreement; and
6. For principal and other amounts due the State for the Fund Loan obligation and for other amounts due and payable to the State.

ASSIGNMENT OF OBLIGATIONS

Each participant will acknowledge that all rights, title and interest of the NJIB in the agreement and the local unit bond or other approved collateral are, except for certain reserved rights, assigned by the NJIB, at its discretion, to the Trustee. Further, each participant will consent to any transfer of the loans deemed necessary by the NJIB for any refunding or additional debt issuance in connection with the NJEIFP.

A participant will be restrained from assigning its debt service obligation on its own bond or any other obligations under the agreement unless certain conditions are met. Prior written approval of the NJIB and the Trustee must be secured for both the NJIB and Fund Loans. In addition, the DEP must provide prior written approval for assignment of Fund Loans. The assignee must have expressly represented in writing its full and faithful observance of the covenants assumed; and the assignee cannot be, at the time of the assignment or as a result of the assignment, in default on any obligations that would materially affect the loan agreement or the local unit bond. Finally, the NJIB must receive an opinion from bond counsel assuring that the terms of the assignment preserve the tax-exempt status of the NJIB bonds, and in addition, will not have an adverse impact on the security for the NJIB’s bonds.
The NJIB and the State reserve the right to make such modifications as may, in their discretion, be necessary, convenient, or desirable to the NJEIFP, provided such modifications are consistent with the purposes of the Financing Program and with the provisions of the enabling legislation and corresponding rules and regulations.
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New Jersey Infrastructure Bank

2019 BOARD MEETING DATES

January 17, 2019
February 14, 2019
March 14, 2019
April 11, 2019
May 9, 2019
June 13, 2019
July 11, 2019
August 8, 2019
September 12, 2019
October 10, 2019
November 14, 2019
December 12, 2019
RESOLUTION NO. 19 - 21

RESOLUTION APPROVING
THE NEW JERSEY INFRASTRUCTURE BANK SFY2020 TRANSPORTATION INFRASTRUCTURE FINANCING PROGRAM FINANCIAL PLAN

WHEREAS, pursuant to N.J.S.A. 58:11B-22.3, the New Jersey Infrastructure Bank (the “I-Bank”) is required to submit to the Legislature on or before May 15, 2019, a financial plan designed to implement the financing of the transportation projects to be approved pursuant to N.J.S.A. 58:11B-20.2 (“Transportation May Report”); and

WHEREAS, State Fiscal Year (“SFY”) 2020 marks the second full year in which the I-Bank in partnership with the New Jersey Department of Transportation will administer the New Jersey Transportation Infrastructure Financing Program to issue loans to finance transportation infrastructure projects (“Transportation Bank”); and

WHEREAS, the Transportation May Report shall contain an enumeration of the loans and bonds which the I-Bank intends to issue, including the amounts thereof and the terms and conditions therefore, a list of loans to be made to participants, including the terms and conditions thereof and the anticipated rate of interest per annum and repayment schedule therefore; and operating and financial statement covering the I-Bank’s proposed operations during the forthcoming fiscal year; and

WHEREAS, The Transportation May Report also includes the amount of income anticipated from all sources; the schedule of fees and charges collected from borrowers in connection with the I-Bank loans; and a summary of the status of each project for which loans have been made and a description of the major impediments to the accomplishment of the planned projects; and

WHEREAS, I-Bank approval of the SFY2020 Financial Plan is critical to its ability to issue loans and administer the Transportation Bank.

NOW THEREFORE BE IT RESOLVED THAT the I-Bank Board of Directors hereby approves the proposed SFY2020 Transportation May Report substantially in the form as the Plan included in its April 11, 2019 I-Bank Board meeting agenda with such changes thereto, and as the Executive Director, in consultation with the Chairman or Vice Chairman, shall approve and authorize; and

BE IT FURTHER RESOLVED THAT the Executive Director, in consultation with the Chairman or Vice Chairman, is hereby authorized and directed to take such other actions as are necessary or desirable to publish, file and distribute the Transportation May Report, including its printing and binding.

Adopted Date: April 11, 2019

Motion Made By: Mr. Mark Longo

Motion Seconded By: Ms. Laine Rankin

Ayes: 7

Nays: 0

Abstentions: 0
New Jersey Infrastructure Bank

Public Board Members
Robert A. Briant, Jr., Vice Chairman
Roger Ellis, Treasurer
Mark Longo, Secretary

Ex-Officio Members
Elizabeth Maher Muoio, New Jersey State Treasurer
Diane Gutierrez-Scaccetti, DOT Commissioner
Catherine McCabe, DEP Commissioner
Sheila Y. Oliver, DCA Commissioner

Executive Director
David E. Zimmer, CFA

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(609) 530-2000

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Report to the Legislature
Pursuant to

P.L. 1985, Chapter 334
New Jersey Infrastructure Trust Act
as amended including P.L.2016, c.56

By

Robert A. Briant, Jr., Vice-Chairman
New Jersey Infrastructure Bank
TO: Honorable Members of the New Jersey State Legislature
FROM: Robert A. Briant, Jr., Vice-Chairman, New Jersey Infrastructure Bank,
SUBJECT: State Fiscal Year 2020 New Jersey Transportation Infrastructure Financing Plan

The New Jersey Infrastructure Bank (the “I-Bank” or “NJIB”) is pleased to present the State Fiscal Year 2020 New Jersey Transportation Infrastructure Financial Plan to the New Jersey State Legislature pursuant to the New Jersey Infrastructure Trust Act N.J.S.A. 58:11 B-1 et seq. (“the Act”).

The Act established the New Jersey Transportation Infrastructure Bank (the “Transportation Bank”) to make low interest loans for local transportation infrastructure projects with a mission of reducing the cost of financing for New Jersey counties’ and municipalities’ critical transportation projects.

There are two state publications required each year:

- The New Jersey Department of Transportation (“DOT or Department”) publishes the January Report, which sets forth the Transportation Infrastructure Bank Priority System, and the Transportation Infrastructure Project Priority List for the ensuing fiscal year. The SFY2020 January Report was published and distributed earlier this year; and
- The I-Bank publishes the Financial Plan in May of each year and sets forth the terms and conditions of the financing program and operating budget for the ensuing fiscal year Financing Program, as well as a status of Transportation Bank Loans issued to date.

We are proud of the Transportation Bank’s achievements during its first year of operations. The first Transportation Bank loan was issued within the Financing Program’s first eight months of operations. To date, loans totaling $25.835 million have been issued to four borrowers; Camden County, Orange City Burlington County, and Cape May County, for roadway repaving and traffic signal improvements, bridge demolition, and bridge rehabilitation respectively. An additional $15.956 million has been allocated to six projects sponsored by Essex County, Little Silver Borough, Pennington Borough, Somerdale Borough (2), and Wildwood City for bridge replacement, sidewalk rehabilitation, and road repaving. All projects are scheduled to close loans with the Transportation Bank prior to June 30, 2019, resulting in the commitment of $41.8 million in loans or 97% of all available funds appropriated to the I-Bank for project loans prior to date.

Thank you for your support as the I-Bank looks forward to advancing this important transportation financing initiative.
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I. EXECUTIVE SUMMARY

INTRODUCTION / PROGRAM OVERVIEW

The New Jersey Infrastructure Bank (the “I-Bank” or “NJIB”) presents the State Fiscal Year 2020 (“SFY2020”) New Jersey Transportation Infrastructure Financial Plan (the “Report”) to the New Jersey State Legislature pursuant to the New Jersey Infrastructure Trust Act N.J.S.A. 58:11B-1 et seq. (“the Act”).

In accordance with the Act, the I-Bank and the New Jersey Department of Transportation (“DOT or Department”) (together, the “Partners”) jointly administer the New Jersey Transportation Infrastructure Bank (the “Transportation Bank” or “Financing Program”) to make low interest loans to New Jersey counties’ and municipalities for critical local transportation infrastructure projects.

Earlier this year, the DOT published the January Report pursuant to the Act that included a discussion of project eligibility requirements, the Transportation Infrastructure Bank Priority System (TIBPS) and the initial Transportation Infrastructure Project Priority List (TIPPL) (“January Report”) for SFY2020.

Also pursuant to the Act, this SFY2020 Financial Plan, published by the I-Bank discusses the following Financing Program initiatives for SFY2020:

- The initial SFY2020 TIPPL identifying projects to be considered for short-term funding;
- The loan application process, parameters and standards of approval for loans;
- The allocation of funds for each quarter to be utilized for project loans;
- Available loans, loan terms, and the loan closing processes to be utilized in SFY2020 for Projects identified in the interim TIPPL’s to be published each quarter in SFY2020; and
- A summary of projects which received short-term loans from the I-Bank in SFY2019.

1. The name of the “New Jersey Environmental Infrastructure Trust” was changed to the “New Jersey Infrastructure Bank” pursuant to statute effective January 16, 2018. The I-Bank is neither a “bank” nor a “savings bank” within the meaning the New Jersey Banking Act of 1948, or a “national banking association” or a “federal savings bank” within the meaning of the National Bank Act, nor is it subject to the supervision of New Jersey Department of Banking and Insurance (DOBI) or the Office of the Comptroller of the Currency (US Treasury Department), the Board of Governors of the Federal Reserve System or the Federal Deposit Insurance Corporation. The I-Bank does not accept “deposits” within the meaning of the New Jersey Banking Act of 1948 or the National Bank Act, and its obligations are not insured by the Federal Deposit Insurance Corporation.

ELIGIBLE PROJECTS / ELIGIBLE BORROWERS

Transportation Bank Loans are available for capital projects for public highways, approach roadways and other necessary land-side improvements, ramps, signal systems, roadbeds, transit lanes or rights of way, pedestrian walkways and bridges connecting to passenger stations and servicing facilities, bridges, and grade crossings (“Transportation Project” or “Project”). Additional guidance regarding project eligibility is set forth in the previously identified SFY2020 January Report.

Transportation Bank financing is limited to Transportation Project costs incurred: construction costs, engineering, legal counsel, financial advisor, permitting, project management and other costs as recognized in N.J.A.C. 16:20B-4, and excluding any costs for which DOT or other grants have been received.

Eligible Borrowers are local government units, defined for purpose of this TIBPS as a county, municipality, municipal, county or regional transportation authority, or any other political subdivision of the State authorized to construct, operate, and maintain public highways or Transportation Projects or consortia thereof. Applicants must demonstrate an ability to satisfy both the loan repayment obligations and the Transportation Bank’s credit worthiness standards, which require, among others, an investment grade credit rated municipal or county general obligation pledge to secure the repayment obligations.

PROJECT FUNDING METHODOLOGY / PROJECT LIST

The TIBPS and ranking methodology are the bases for applying limited Transportation Bank funding to projects and are set forth in the aforementioned SFY2020 January Report. The TIBPS incorporates project eligibility requirements of N.J.A.C. 16:20A and 16:20B. The initial list of Projects eligible for funding in SFY2020 pursuant to the SFY2020 TIBPS are also set forth in the SFY2020 January Report.

PROJECT PRIORITY LIST / FUNDING ALLOCATION

Transportation Infrastructure Project Priority List (TIPPL). Identification of a Project on the TIPPL is a prerequisite to Transportation Bank financing. Projects are placed on the ensuing year’s TIPPL upon DOT’s preliminary project ranking upon receipt of a Step 1 – Application Submission (page 6) and the project sponsor’s representation that the construction award will meet the ensuing year’s Construction Readiness standards. The I-Bank amends the TIPPL up to four times during each financing program year. The SFY2020 TIPPL will be amended at the beginning of each quarter (July, October, January and April). Projects will be placed on an amended TIPPL upon staff’s review and completion of Initial Due Diligence.

3. Projects are listed on the initial SFY2020 TIPPL based on project sponsors’ representations that their projects will award construction on or before June 30, 2021.
Project Funding Allocation. At the beginning of each quarter: (i) the DOT applies its Base Ranking to all unranked projects; (ii) projects for which Initial Due Diligence is complete and deemed Construction Ready will be placed on the amended TIPPL in ranked order; and (iii) Projects having a high probability of construction award within one year of that quarter will receive an additional 25 ranking points. Funds allocated for that quarter (as set forth in the program’s year’s Financial Plan) will be applied to projects in ranked order. The SFY2020 funding allocation for the anticipated appropriation funds is as follows:

<table>
<thead>
<tr>
<th>SFY2020 Quarter</th>
<th>Allocation of Appropriations</th>
<th>Potential Leverage (Private Funds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>$5 million</td>
<td>$5 - $15 million</td>
</tr>
<tr>
<td>Q2</td>
<td>$5 million</td>
<td>$5 - $15 million</td>
</tr>
<tr>
<td>Q3</td>
<td>$5 million</td>
<td>$5 - $15 million</td>
</tr>
<tr>
<td>Q4</td>
<td>$5 million</td>
<td>$5 - $15 million</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$20 million</strong></td>
<td><strong>$20 - $60 million</strong></td>
</tr>
</tbody>
</table>

**PROJECT FINANCING**

The SFY2020 Financing Program features a transparent and intuitive application process to secure low interest loans designed to significantly reduce Borrower financing costs relative to independent financing. Utilizing the TIBPS set forth in the SFY2020 January Report, loans will be offered by the I-Bank to the highest ranked construction ready Projects on a quarterly basis.

Each Transportation Project financed through the Transportation Bank will receive initially a Short-Term Construction Financing Program Loan (“Short-Term CLP”) that, thereafter, will be refinanced through a Long-Term loan, modeled after the Water Bank (formerly, the “New Jersey Environmental Infrastructure Financing Program”). As discussed in Section D (page 10), this structure ensures (i) that capital is available (through a Short-Term CLP) during Project engineering through Project construction completion, (ii) debt service repayments commence subsequent to construction completion, (iii) the term of debt amortization, through repayments is the lesser of the Project’s useful life or 31 years, and (iv) interest rates on Long-Term loans are significantly less than independent financing.

Funds will be disbursed upon Short-Term CLP closing initially upon Transportation Bank approval of the Project engineering contract and subsequently upon approval of the construction contract. Funds are disbursed upon submission and receipt of requisitions and contractor invoices as discussed on page 13.

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5. Any additional private or federal funds procured by the I-Bank for project loans during SFY2020 shall be allocated to quarters remaining in the fiscal year on a prorated basis unless otherwise required by law.
Short-Term CLP interest rates are targeted to be 50% of the I-Bank’s cost of short-term funds and will be set quarterly. Financing will be provided from a combination of funding sources. A detailed discussion of short-term financing terms and conditions are set forth in Section D.

ADVANTAGES OF TRANSPORTATION FINANCING

Program participants realize significant cost-saving measures through the following program features:

- **Interest Cost Savings During Construction** – In SFY2020, Program Borrowers will receive a Short-Term CLP with an interest rate that is reset quarterly and is between 0% and 50% of the I-Bank’s cost of short-term funds;

- **Debt Service Payments Deferred During Construction** – During Project construction, Borrowers’ payment of principal, interest (as applicable) and fees are deferred until construction completion. Such obligations are refinanced and restructured as part of the Long-Term loan, with the accrued interest capitalized as part of the Long-Term loan refinancing and restructuring;

- **Interest Cost Savings During Long-Term Financing** – Although Long-Term Loans are unlikely to be issued in SFY2020, it is anticipated that such loans will bear interest of up to 50% of the I-Bank’s AAA market rate. This lower cost of funds results in interest savings of approximately 25% of the total Long-Term Loan amount for a Project having a useful life of 31 years when compared to the cost to a AAA-rated Borrower of financing their Project independent of the Transportation Bank.

- **Minimized Financing Costs** – Borrowers are charged a flat 2% administrative fee for the review of Project Applications and disbursement of funds, and an annual 0.15% loan servicing fee to process Long-Term loan repayments;

- **Level Debt Service / No Front-Loading Requirement** – Local government units, when issuing their own general obligation debt, are required to “front load” their debt service schedule. This ensures that debt service payments are larger in the early years of the loan and decline over time. The Financing Program provides for level debt service throughout the life of the loan normalizing annual payments for tax payers;

- **Upfront Cash** – Through Short-Term CLPs, funds are available at the commencement of Project engineering (and environmental planning, if applicable) through to Project construction completion. Funds are disbursed through an expedited requisition approval process relieving Borrowers from utilizing cash-on-hand or working capital to pay contractors and vendors up front;

- **Generous Allowable Costs** – Associated project costs, including environmental planning (if applicable), engineering design, project management, and other professional fees necessary to finance or construct the Project may be financed through the Program based upon costs incurred;

- **Flexible Long-Term Loan Maturity** – Shorter amortization schedules are available for Borrowers who wish to minimize the repayment period of their loan.
SFY2019 TRANSPORTATION BANK PROJECT FUNDING

The Act requires the I-Bank to identify Short-Term CLPs issued in SFY2019 in the SFY2020 Financial Plan (See N.J.S.A. 58:11B-20.2(e)). A summary of projects receiving Short-Term financing in SFY2019 to date and anticipated Short-Term CLP closings for the duration of SFY2019 and are set forth in Appendices C1 and C2 respectively.

II. FINANCING PROGRAM STRATEGY

A. SOURCES / USES OF FUNDS – FUNDING ALLOCATIONS

Beginning in SFY2017, the State legislature commenced annual appropriations of State Local Aid Infrastructure Funds (LAIF) to the I-Bank’s Transportation Infrastructure Bank Fund. State LAIF appropriations in SFY2018 and SFY2019 totaled $45.2 million, of which $2.6 million was appropriated in each year to the I-Bank for program administration and operation expenses. Any funds not used for such expenses are made available for lending purposes.

In SFY2020, it is anticipated that an additional $22.6 million appropriation of LAIF funds will be received, of which $2.6 million is again expected to be made available for Program administration expenses. The I-Bank expects to utilize capital from the sale of bonds or one or more private lending institutions (“Private Capital”) as sources of funding for Short-Term CLPs. It is anticipated that as much as $20 million in private capital for each year of appropriations, or a total of $60 million, may be utilized for this purpose. In total, the I-Bank anticipates as much as $80 million in available capital for Project loans in SFY2020.

Importantly, the I-Bank is also in discussions with the United States Department of Transportation (USDOT) to designate the I-Bank as New Jersey’s State Infrastructure Bank and enter a funding agreement for up to $74.9 million in funding pursuant to the Fixing America’s Surface Transportation Act / Transportation Infrastructure Financing Efficiency Act for Transportation Bank Projects.

In SFY2020, Program administration and operations will be funded by interest earnings on undisbursed funds, administrative fees and appropriations for administration and operations.

Appropriated funds available for SFY2020 will be allocated equally at the beginning of each quarter (July, October, January and April), and committed to the highest ranked projects during each quarter as discussed in the Application Process chapter below. Any uncommitted funds from a quarter shall be applied to eligible change orders for existing projects and the following quarter as available. Any additional funding received by the I-Bank for project loans from either private or federal sources shall be applied on a pro-rata basis over the remaining fiscal year quarters in SFY2020 unless otherwise required by law.
B. APPLICATION PROCESS

Overview. A separate application is required for each Transportation Bank Project. Loan applications are accepted at any time throughout the year, and funding is prioritized for projects which are construction ready. Applications are not accepted after construction advertisement.

There are four steps to the loan application process all of which are submitted online and available at https://www.njib.gov/njtib/apply/. Applications will only be accepted from individuals specifically authorized by project sponsors to submit the loan application. The loan application process is as follows:

**Step 1.** Step 1 of the application consists of a brief submission by an individual authorized by the project sponsor to apply for Transportation Bank financing, of (i) information identifying the project sponsor, and (ii) general project information.

Application Meetings / Conference Calls. Upon receipt of Step 1, a Mandatory Application Meetings / Conference Call is held with each applicant and its professional advisors to provide the applicant with an overview of the application process. Of particular relevance, (as discussed in the Environmental Planning Section below), applicants are provided with guidance as to what, if any, submissions are required to document a Project’s potential impact upon the environment and State cultural resources (if applicable). In addition, applicants are provided with other information to further reduce confusion, application related costs and delays. In addition, Transportation Bank staff gathers information relevant to its assessment of Project eligibility, sponsor eligibility (credit worthiness), reasonableness of cost estimates, and the Application Schedule,\(^6\) (hereafter “Initial Due Diligence”). The applicant takes no further action (other than updating their application schedule (as discussed below)) unless and until notified by the I-Bank that funds have been allocated for the Project.\(^7\)

Each quarter, the Transportation Bank formally notifies the sponsors for which funding has been allocated of (i) its decision to reserve project funding in an amount equal to each project’s total estimated project cost, (ii) the applicant’s concurrence with the application schedule, and (iii) the need for applicant’s submission of Step 2 of the Application (Step 2).

**Step 2.** Step 2 consists of a description of the engineering contract, a copy of the executed engineering contract and financial information necessary to close the Short-Term CLP as set forth in Section D. The sponsor is required to submit the engineer’s estimate when available as a condition of the Step 3 Application Submission (Step 3).

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6. The Application Schedule reflects Transportation Bank staff’s determination of the time required for a project sponsor to complete project design, secure permits and approvals, and advertise and award construction based on information presented during the application process.

7. The SFY2020 funding allocation methodology is set forth on page 2 above.
Engineering Contract Certification. Transportation Bank approval of engineering contracts, construction plans, construction contract specifications, and construction contract award is required as part of all Transportation Bank applications. All applicants shall conform with DOT regulations including but not limited to Standards and Specifications set forth in N.J.A.C. 16:20B-5.1 and 5.2 and N.J.A.C. 16:20A-5.1 and 5.2.

Funding Commitment. A commitment of funds for the total estimated project cost occurs upon Short-Term CLP closing. Short-Term CLP closing occurs upon (i) the applicant’s submission of Step 2, (ii) the I-Banks’s approval of the engineering contract, (iii) approval from the Director of the Division of Local Government Services, and (iv) the sponsors satisfaction of other conditions precedent to loan closing.

Environmental Compliance. Transportation Bank funding recipients must meet program environmental compliance requirements. Many State construction Projects exceeding $1 million are required to comply with State environmental regulations detailed in Executive Order 215 (September 11, 1989) (“EO 215”) and in the provisions of the New Jersey Register of Historic Places Act. The DOT annually determines the applicability of EO 215 to candidate projects of its Capital Transportation Programs by assessing whether EO 215 exempts such projects from environmental review (“Exemption”). To that end, it is anticipated that the DOT will continue to provide environmental reviews for I-Bank applicants in SFY2020 and that Exemptions from environmental review may be warranted. Application Meetings / Conference Calls provide a forum to discuss the Project’s eligibility for an EO 215 Exemption. In the event an EO 215 Exemption is not applicable, an applicant will be notified by DOT of the need to submit documentation demonstrating compliance with EO 215 requirements. Transportation Bank Borrowers are also required to satisfy relevant State permits.

The Transportation Bank is also in discussions with the federal government as to the potential federal funding sources for certain project loans. To that end, projects funded with federal funds will be required to meet federal compliance requirements such as the National Environmental Policy Act as a condition of funding, Davis Bacon, and American Iron and Steel.

Disadvantaged Business / Small Business Enterprise (DBE/SBE) Compliance. Transportation Bank Loan recipients are required to comply with the DOT’s DBE/SBE Program. The DOT applies standards applicable to State funded Local Aid Projects but are modified to include both DBE and SBE provisions. Upon receipt of the Step 2 submission, the DOT Division of Civil Rights (DCR) is anticipated to continue overseeing DBE/SBE compliance. The DCR implements its current DBE/SBE compliance process for Transportation Bank Loans. Legislation is under consideration that if enacted would modify Transportation Bank loan requirements to comport with that required by the DOT’s Local Aid and Economic Development Program.

The sponsor is provided with the DBE/SBE set aside goal upon receipt of the engineer’s estimate. The goal is incorporated by the sponsor in the contract specifications submitted in Step 3 of the Loan Application (Step 3).

**Prevailing Wage.** Transportation Bank Borrowers are required to pay not less than the prevailing wage rate to workers employed in the performance of any construction contract pursuant to P.L.1963, c.150 (C.34:11-56.25 et seq.). Applicants are furnished with relevant provisions to be inserted in contract specifications during the application process.

**Transportation Bank Contract Documents (Plans & Specifications).** Transportation Bank borrowers are required to comply with specifications substantially similar to the DOT specifications with minor modification as denoted therein. Sponsors are required to submit Plans & Specifications produced by a licensed Professional Engineer containing but not limited to the following: a set of detailed plan drawings including site plan/section/elevation views, current NJ prevailing wage rates, certification that the applicant has not and shall not enter into any contract with any person debarred/suspended from government contracting, certification that the applicant and its contractors shall comply with discrimination and affirmative action provisions of N.J.S.A. 10:2-1 through 10:2-4, Bonding (performance, payment, maintenance as applicable), Buy American provisions (N.J.S.A. 40A:11-18), Statement regarding need for uniformed traffic control and bid allowance, if applicable (N.J.S.A. 40A:11-23.1), Asphalt Price Adjustment Procedure, if applicable (N.J.S.A. 40A:11-13), Fuel Price Adjustment Procedure, if applicable (N.J.S.A 40A:11-13), Competition, brand name or equal unless otherwise justified (N.J.S.A. 40A:11-13), Equal Employment Opportunity certification form, Affidavit of Non-collusion form, Certification of Non-Segregated Facilities form, Disclosure of Investment Activities in Iran form.

The Transportation Bank retains the right to elicit additional information from the applicant in conducting its review of either a Project’s potential environmental impacts or engineering compliance with governing regulations. Sponsors are advised of the requirement in the Funding Allocation Notice and provided with a copy of contract specifications upon submission of Step 2.

**Step 3.** Transportation Bank approval is required prior to a Borrower’s advertisement for construction. STEP 3 of the Loan Application provides the relevant information to the Transportation Bank to issue the Authorization to Advertise. Borrowers upload the following documents to the Transportation Bank website:

- Construction plans;
- Construction contract specifications;
- Engineer’s Design Certification; and
- Right of Way (ROW) Certification (if applicable).

Upon the Transportation Bank’s completion of review of the Step 3 submissions, technical comments are submitted to the borrower followed by an authorization to advertise construction.
Borrowers are required to comply with relevant laws in their solicitation and award of construction contract bids. Prior to construction award, the applicant is required to Submit Step 4 of the Application (Step 4).

**Step 4.** Upon bid opening and approval of the governing body, the Borrower shall submit the following to the Transportation Bank.

i. One copy of the summary of construction bids showing all bid quantities, unit prices and Extensions;
ii. A fully executed and sealed resolution awarding the contract to the lowest responsible bidder, subject to the approval of the Transportation Bank;
iii. The final sealed plans and specifications;
iv. A certification by a licensed engineer that the final sealed plans & specifications comport with that submitted to the Transportation Bank and incorporate the technical comments received from the Transportation Bank;
v. A certification from the appropriate county official that all right-of-way is available for the project, if such certification was not already provided prior to advertisement; and
vi. Other related documents as may be required by the Transportation Bank.

Upon the review and approval of the Step 4 submissions, the Transportation Bank will issue an authorization to award construction.

**Site Inspections.** After the award concurrence by the Department, a Pre-Construction meeting shall be arranged by the Borrower. This meeting should be attended by representatives of the engineer’s office, the contractor, police, utility companies and others involved in the project, and may involve I-Bank personnel. Minutes of the meeting must be sent to the Transportation Bank. Topics of discussion should include:

i. Construction Schedule
ii. Utility Relocation and Coordination Maintenance and Protection of Traffic Subcontractors
iii. Items of Construction
iv. Material Questionnaire (Form SA-11) Construction Methods
v. Material Sampling Requirements Change Orders

### C. PROJECT PRIORITY LIST LEGAL PUBLICATIONS

A Project is eligible for a Short-Term CLP upon the publication of the TIPPL with the Legislature. Upon enactment of the appropriations law identifying such Project for Long-Term financing, and subsequent to Long-Term loan closing, a Project is removed from the TIPPL. The Projects eligible to secure financing in the SFY2020 Financing Program and their relative rank are set forth in the SFY2020 TIPPL set forth in the SFY2020 January Report

The Projects on the initial SFY2020 TIPPL are eligible for Transportation Bank financing and consist of a pool of **twenty-five (25)** Projects at a total estimated cost of **$148.9 million**.
The I-Bank publishes up to four amended TIPPLs during each financing program year; the first of which will be published in July of 2019. Each amended SFY2020 TIPPL will be limited to projects satisfying the construction readiness standards for SFY2020. Transportation staff’s determination, through its Initial Due Diligence, that the project has a high probability of construction contract award by June 30, 2021.

Upon completion of construction, a Project on a Project Priority List will be designated eligible for Long-Term funding and placed, with other like Projects, onto a sub-list referred to as the “Project Eligibility List” (set forth in Appendix A). Upon identification of the Project in an appropriations law, and submission of the Long-Term financial addendum form, the Project is eligible for Long-Term loan closing. The Project is removed from the TIPPL subsequent to Long-Term loan closing.

D. SHORT-TERM CONSTRUCTION FINANCING PROGRAM LOAN CLOSING

INTRODUCTION

Pursuant to the Act, each Transportation Bank applicant is required to issue a note or a bond to the I-Bank in order to evidence and secure its repayment obligation with respect to, respectively, the Short-Term CLP or the Long-Term Loan Agreement. Each applicant is required to secure its note or bond with a General Obligation tax pledge. In addition, it must be able to satisfy its repayment obligations and provide assurances of repayment of existing Transportation Bank obligations in the event of loan default. N.J.S.A. 58:11B-7(k). Such conditions are central to the Transportation Bank’s ability to meet its fiduciary obligations in the management of public funds as well as ensuring loan repayments are available for future transportation Projects. The Long-Term financing program is currently in development and is not expected to have a critical mass of borrowers sufficient for a Long-Term public offering until SFY2021 at the earliest. To the extent that any existing or future Short-Term CLPs mature prior to the date upon which the I-Bank will issue Long-Term public debt, such Short-Term CLPs will either be rolled over or paid.

SHORT-TERM CLP CLOSING

Short-Term CLPs. Each Project financed through the Transportation Bank will receive (i) a Short-Term CLP (with closing prior to or during Project design) that will serve to finance (a) environmental planning (if applicable), engineering design and legal fees, and (b) construction, and (ii) a Long-Term Loan (with closing typically upon completion of Project construction) that will serve to refinance and restructure the Short-Term CLP, which Long-Term Loan will have a term of the Project’s useful life not to exceed the period set forth in N.J.S.A. 58:11B-6(d) (i.e., 31 years).

The maturity of Short-Term CLPs is limited to the periods set forth in N.J.S.A. 58:11B-9(g) (i.e., the sooner of the last day of the fifth succeeding fiscal year following the closing date of the Short-Term CLP or the last day of the third succeeding fiscal year following the date of construction certification following the closing date of the Short-Term CLP).
Construction draws for project expenses will be made pursuant to requisitions submitted by borrowers. All interest charges will accrue to the I-Bank and be assessed on outstanding requisitioned amounts at a blended rate which will be established to cover interest, fees and administrative expenses incurred from borrowing Private Capital or a market interest rate if the I-Bank’s funds are utilized.

The I-Bank Board sets the interest rates or calculation methodology on Construction Loans at the beginning of each calendar quarter during and may delegate this authority to the I-Bank’s Executive Director. Rates will be posted on the I-Bank website. It is anticipated that short-term loans issued in SFY2020 will be at an effective interest rate of between 0% and 50% of the cost of the I-Bank’s short-term market rate funds.

Interest charges incurred by participants under Construction loans are accrued and capitalized for the term of the loan or a minimum of six months subsequent to construction completion. Construction loans are termed out at the earlier of construction completion or three fiscal years plus the term of the Planning & Design phase of the loan, with principal and interest repayments commencing after long-term loan closing. Furthermore, subject to the above, the Borrower is generally not obligated to repay principal or interest during the term of the Construction Loan. These totals are rolled into the Borrower’s long-term Financing Program loan.

Short-Term CLP interest rates are expected to be no greater than 50% of the cost of the I-Bank’s short-term financing, reset quarterly on the first business day of each quarter. The I-Bank will be utilizing LAIF funding and may utilize capital from the sale of notes or bonds9 or from one or more private lending institutions (“Private Capital”) as sources of funding for Short-Term CLPs. LAIF funding will comprise 100% of Short-Term CLPs for those Borrowers having investment grade ratings which negatively impact the cost of Private Capital or are otherwise unacceptable to the provider of Private Capital. Notwithstanding, Long-Term loans to such Borrowers will reflect the terms of the Transportation Bank Financing Program applicable to all Borrowers in effect at the time of construction contract award.

Short-Term CLPs are available within as little as three (3) weeks of satisfaction of the following:

- **I-Bank Project Certification.** For a Project to receive Transportation Bank financing, the I-Bank must certify that each of a Project's component contracts satisfy Transportation Bank requirements, e.g., engineering contract certification is a determination that costs associated with Project environmental planning and/or engineering design are eligible for financing, and construction contract certification is a determination by the Transportation Bank that construction costs are eligible for financing;

9. The I-Bank is considering issuing callable bonds as a source of funds for financing Short-Term CLPs. Such bonds would be sold in the same or different series during the I-Banks scheduled bond sales.
• **Step 2 – Financial Information.** While the actual requirements may vary by type of applicant (i.e., municipal, county or authority), information required in Step 2 shall include (i) Project description; (ii) information pertaining to official action (ordinances and resolutions) and the status thereof; (iii) information regarding the anticipated draw needs with respect to the Project; (iv) litigation disclosure; and (v) Local Finance Board application information;

• **Approval by Director of Division of Local Government Services.** Transportation Bank loan applicants will not be required to secure Local Finance Board (“LFB”) approval of the applicants’ debt instruments issued to the I-Bank pursuant to the I-Bank’s enabling act (N.J.S.A. 58:11B-7). Instead, the I-Bank is authorized to secure such approval upon the applicant’s authorization set forth in the STFAF, and the I-Bank will request such approval from the Director of the Division of Local Government Services (“DLGS”). Legislation under consideration may be enacted that would bring additional efficiencies with regard to certain other Department of Community Affairs approvals: specifically, (i) I-Bank loan applicants would be relieved of securing LFB approval of the waiver of the five percent (5%) down payment requirement provided the local bond ordinance exclusively funds a Transportation Bank Project, and (ii) LFB approval would not be required for Transportation Bank applicants’ Non-Conforming Maturity schedules; and

• **Credit Approval.** All Borrowers are required to satisfy the I-Bank’s Credit Policy. In brief, all applicants are required to have no less than an investment grade rating (e.g., at least BBB-, Baa3, or BBB-) from Fitch Ratings, Moody’s Investors Service or Standard & Poor’s Ratings, respectively. There are limited exceptions to this requirement listed in the Credit Policy (e.g. the ability of a borrower to supply a QBA bond). In addition, each applicant is required to secure its note or bond to the Transportation Bank with a General Obligation tax pledge.

• **Compliance with Application Schedule.** Each Borrower is required to comply with its agreed upon Application Schedule as set forth in the Note. A Borrower’s failure to award construction on or before the scheduled award date due to the inaction by it or its agents shall result in the de-obligation of Long-Term funding for the project. Moreover, no Short-Term funds will be disbursed for non-certified contracts and the project’s readiness ranking will be reduced by 5 ranking points in future funding rounds.

Upon satisfaction of the above, the I-Bank will contact the applicant to schedule the Short-Term CLP closing. In connection with Short-Term CLP closing, the I-Bank will circulate each of the following documents: (i) the form of Note to be issued by the Borrower to the I-Bank, including a series of Exhibits for inclusion thereto that shall include but not be limited to, the following: (a) the Project description; (b) the basis for the determination of allowable costs of the Project; (c) the loan disbursement schedule; (d) the Project event schedule; (e) the general administrative requirements; (f) a form of certification regarding lobbying; and (g) a disclosure of lobbying activities form; and (ii) the form of opinion to be rendered by bond counsel and general counsel to the Borrower (including, without limitation, opinion
points with respect to the enforceability of the Note). In addition to such forms to be completed and submitted by the Borrower at closing in the form required by the Transportation Bank, the Borrower must provide a certified copy of its official action relating to the authorization of its Project and the issuance of the Note. The nature of the Short-Term CLP and its structure as a note purchase program results in an efficient economy of closing documents.

Upon Short-Term CLP closing, funds are committed for the specific contract certified, initially the engineering contract. Funds for construction are committed at the time of certification of the construction contract by the DOT. In addition, the terms and conditions of the Project’s Long-Term loan are committed upon the construction contract certification.

The I-Bank does not anticipate extending Long-Term financing for transportation Projects in SFY2020. Notwithstanding, it is anticipated that Long-Term loans, when made, will bear a fixed interest cost of between 0% and 50% of the I-Bank’s AAA rated market rate for the lesser of the Project’s useful life or 31 years based on a certification as to useful life by the Borrower’s consulting engineer. Additional Information regarding Long-Term Transportation Bank Loans is set forth in Section II(D) below.

FEES

**Administrative Fee.** An Administrative Fee in the amount of 2% of the total estimated eligible Project cost is charged to all Borrowers. The 2% Administrative Fee offsets the cost of the Project review and construction management services provided to the Borrower and other operating costs. One-half of the Administrative Fee (1% of the total estimated eligible Project cost) is due by the Project sponsor upon Short-Term CLP closing and will be financed through the Short-Term CLP. Therefore, one-half of the Administrative Fee will be drawn on the date of closing of the Short-Term CLP and transferred in satisfaction of this partial fee payment obligation. The remaining 1% Administrative Fee balance is due and payable by the Borrower upon Short-Term CLP maturity, as a component of the Borrower’s first Long-Term loan repayment or in-full should the Project sponsor opt out of long-term financing from the Transportation Bank. A separate loan servicing fee is payable annually to the I-Bank in the amount of 0.15% of the total original principal amount of the Long-Term Loan throughout the loan repayment period by all Borrowers to offset the I-Bank’s ongoing loan servicing efforts.

**Event of Default Fees and Expenses.** The Borrower is charged reasonable fees and expenses of attorneys and other expenses incurred in the collection of repayments or any other sum due or the enforcement of the performance of any duties, covenants, obligations, or agreements of the Borrower under the Note. The hourly cost of professional services is set forth in agreements between the I-Bank and its professional advisors.

**Engineering Costs.** To the extent that consulting engineers are used for application review or construction management for a Borrower’s Project, the costs thereof may be charged to the Borrower and shall be
charged in lieu of the administrative fee previously discussed. The hourly cost of such services will be set forth in agreements between the I-Bank and its consulting engineers.

**DISBURSEMENT OF FUNDS**

Upon Short-Term CLP closing, Transportation Bank funds for eligible costs are disbursed by the I-Bank for a certified contract upon the review and approval of borrower submitted engineering and construction invoices and requisitions utilizing the sources of funds set forth above. Funds are disbursed to Borrowers upon the Borrowers’ demonstration that Project costs have been incurred as opposed to a demonstration that the applicant has disbursed funds. The Project construction drawdown schedules are developed by the I-Bank, based upon the Borrowers’ own submissions, prior to Short-Term CLP closing.

**E. LONG-TERM FINANCING**

**THE I-BANK LONG-TERM BONDS**

Each I-Bank financing for a given qualifying Project will consist of (i) a Short-Term CLP that will serve to finance Project engineering and completion of Project construction, and (ii) a Long-Term Loan that will serve to refinance the Short-Term CLP upon completion of Project construction. The I-Bank anticipates that those Projects financed through the Short-Term CLP program in SFY2020 will complete construction in SFY2020 or thereafter. Please see Section II(C) above for detailed information concerning the I-Bank’s Short-Term CLP program.

Although the I-Bank is considering the utilization of Long-Term Bond proceeds as one source of funds for the Long-Term loans to be made to each such Project, it does not anticipate the issuance of such Long-Term Bonds prior to SFY2021 at the earliest. Given the need to generate sufficient market interest and competitive pricing among underwriters for the issuance of Long-Term Bonds, as well as the I-Bank’s experience that a bond sale consisting of a minimum principal par amount of $15 to $20 million is required in order to generate sufficient market interest and competitive pricing, it is anticipated that the first I-Bank Long-Term Bonds will be sold and issued only upon completion of multiple Projects. As noted above, this is not anticipated until SFY2021 or thereafter.

Notwithstanding this expectation on the part of the NJIB that Long-Term Bonds will not be issued until at least SFY2021, the following are the currently anticipated general parameters of the I-Bank’s Long-Term Bonds with the purpose to refinance multiple Short-Term CLPs.

- Each series of Long-Term Bonds will fund a pool of Long-Term loans that, in turn, will serve to refinance Short-Term CLPs that previously had been made by the I-Bank to each pool participant in order to fund completion of Project construction by such pool participants. Each participant will be assigned to a loan pool by the I-Bank on the basis of such factors as a borrower’s individual
credit characteristics, the borrower’s effect on the pool’s coverage, and the terms and conditions of each borrower’s own outstanding bond documents, among others.

- Each series of Long-Term Bonds will be Special Obligations of the NJIB, secured primarily by the repayment by each pool participant of its Long-Term loan pursuant to the terms of a Long-Term loan agreement by and between the NJIB and each such participant. Such Borrower’s loan repayments, in turn, will be collateralized by a General Obligation bond issued by such Borrower (or a government entity on the Borrower’s behalf) to the I-Bank in order to secure such Borrower’s obligation to make these loan repayments on time and in full. All Borrowers are required to issue bonds to the I-Bank, backed by the Borrowers’ (or conduit’s) General Obligation pledge.

- Additional security for the Long-Term Bonds (i) will be provided by certain State-aid payable to certain of the Borrowers, and (ii) may be provided by a debt service reserve fund.

- The Long-Term loan agreement and the local unit bond or other approved collateral of the Borrower are, except for certain reserved rights, assigned by the I-Bank to the Trustee for the Long-Term Bonds as security for the Long-Term Bonds.

- Neither the State nor any political subdivision thereof (other than the I-Bank, but solely to the extent of the applicable I-Bank transportation trust estate) is obligated to pay the principal of or interest on the Long-Term Bonds, and neither the full faith and credit nor the taxing power of the State or any political subdivision thereof (the I-Bank has no taxing power) is pledged to the payment of the principal of or interest on the Long-Term Bonds.

- The I-Bank will structure its Long-Term Bond financings so as to optimize the cost of financing for Transportation Bank Borrowers relative to the amount of funds the Transportation Bank makes available for loans and achieve the lowest cost of financing for its Borrowers.

- The I-Bank will consider various alternative and/or additional structural features with respect to its Long-Term Bonds to be issued in SFY2020 and thereafter, to the extent such structural features will serve the best interests of the Transportation Bank and will provide additional savings for the Borrowers that are pool participants.

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**FEDERAL FUNDING**

The Program is assessing the viability of the Transportation Bank utilizing federal funds as an additional source of loan funds for project financing, specifically the Fixing America’s Surface Transportation Act / Transportation Infrastructure Financing Efficiency Act. The I-Bank is anticipating securing a loan not to exceed $75 million at an interest rate of approximately 50% of the U.S. Treasury rate in effect on the date of the loan agreement. It is anticipated that a loan agreement may be executed in the later part of
SFY2020. The final maturity date shall not exceed 31 years after the secured loan is obligated. The I-Bank anticipates contributing a 20% match for such funding which will be sourced from both internal and external sources. Federal funding received by the I-Bank will not negatively impact DOT’s federal funding allocations.

ESCROW CLOSING

Prior to the sale of a series of Long-Term Bonds, the I-Bank will conduct an escrow closing for each participant in the pool, provided that, prior to escrow closing, such participant has adopted all necessary ordinances and resolutions and procured all required authorizations relating to its participation in the Transportation Bank. Loan agreements, Borrower bonds and related certifications are held in escrow until after bond sale and until all conditions precedent to final closing have been met. At that time, the documents are released from escrow concurrently with closing. This process ensures, to the greatest extent possible, that all Borrower conditions precedent to closing are satisfied prior to the competitive bond sale. Escrow is estimated to commence two months prior to each bond closing, thereby minimizing any potential disruption at the time of bond closing.

COMPETITIVE SALE OF LONG-TERM BONDS

Subsequent to escrow closing, the NJIB will schedule its bond sale. The NJIB enabling legislation requires that the NJIB’s Long-Term Bonds be sold via a competitive process. Pursuant to such competitive process, the NJIB must publish a summary of the “Notice of Sale” once in at least three New Jersey newspapers and once in a recognized bond publication. The Long-Term Bonds will be awarded on the basis of the lowest true interest cost bid. Bidders are required to submit their bids electronically.

BORROWER DISCLOSURE IN CONNECTION WITH THE MARKETING AND SALE OF I-BANK LONG-TERM BONDS

Depending upon the Borrowers’ characteristics, the participants in the I-Bank’s Long-Term program are required to provide, through completion of their Long-Term Financial Addendum Form (“FAF”) and certification of the accuracy of the data therein, information necessary for disclosure in the I-Bank’s Official Statement to be disseminated in connection with the sale and issuance of its Long-Term Bonds. Full disclosure is required for pool participants that are determined by the I-Bank to be “material obligated persons” (defined as any Borrower whose debt service repayments exceed 10% of the aggregate debt service repayments from all Borrowers included in a given series of Long-Term Bonds). Reduced disclosure is required from those Borrowers that do not meet the standard for “material obligated persons.” In each instance in which the I-Bank is issuing Long-Term Bonds for the purpose of funding long-term loans to a pool of Borrowers, the I-Bank will comply fully with the federal securities laws that are then-applicable to its Official Statement, including, without limitation, compliance by the “material obligated persons” in such pool of Borrowers with respect to required Borrower disclosure.
SECONDARY MARKET DISCLOSURE

Rule 15c2-12 of the Securities and Exchange Commission requires that certain information be provided on an annual basis, following the issuance of bonds, for use in the secondary market. The I-Bank has developed a policy, in satisfaction of the requirements of Rule 15c2-12, to (i) provide ongoing secondary market disclosure with respect to its financing program and each series of Long-Term Bonds that it issues, and (ii) ensure the provision of ongoing secondary market disclosure by certain Borrowers (i.e., those Borrowers that are determined by the I-Bank to be “material obligated persons”) that participated in the pool that was financed with such series of Long-Term Bonds. In each instance in which the I-Bank is issuing Long-Term Bonds for the purpose of funding long-term loans to a pool of Borrowers, the I-Bank will comply fully with the federal securities laws that are then-applicable to secondary market disclosure, including, without limitation, compliance by the “material obligated persons” in such pool of Borrowers with respect to required secondary market disclosure.

DEFICIENCY AGREEMENT / CREDIT ENHANCEMENTS

Certain authorities that are qualifying Borrowers have no taxing power and, as a result, must secure their bonds through a sponsoring public entity that provides the Transportation Bank with a General Obligation Pledge on behalf of the authority. In such cases, the I-Bank requires the Borrower bond of such Borrower to be additionally secured by a G.O. deficiency agreement with the Borrower’s underlying municipalities or the county. In the event such Borrower does not have an investment grade rating in satisfaction of the credit policy, the I-Bank will require the Borrower to secure such additional forms of credit enhancements.

STATE-AID INTERCEPT

To assure the continued operation and solvency of the I-Bank, the I-Bank’s enabling legislation authorizes the State Treasurer to intercept State aid to local government units that fail to meet their debt obligations to the I-Bank and to utilize those State aid funds to satisfy the local government unit’s debt obligations to the I-Bank.

The model for this approach is the State’s Municipal Qualified Bond Program (“QBA”), which has been widely used by the State’s lower rated Borrowers. State aid securing Qualified Bonds issued by participants in the QBA Program is pledged directly to the I-Bank’s Bond Series Trustee. State aid may also be intercepted by the I-Bank through the I-Bank’s statutory intercept powers. The State’s experience with the Municipal Qualified Bond Program indicates that the State aid intercept can raise the ratings on bonds issued by financially stressed Borrowers to typically one step below the State’s rating. Therefore, participating municipalities and municipalities which are subject to deficiency agreements with participating authorities will be required to allow the State Treasurer to intercept their State aid on behalf of the I-Bank if that borrower’s payments are ever insufficient to pay debt service on the I-Bank Loan.
The intercept under the Transportation Bank is subordinate to the intercept securing bonds issued under the Municipal Qualified Bond Program. Should participants in the Transportation Bank have outstanding Municipal Qualified Bonds, financing documents will include covenants requiring that the coverage ratio of debt service by State aid be calculated by including those bonds as well as the Transportation Bank loan. This will mitigate the adverse effect of the senior claim on State aid of those Qualified Bonds.

The I-Bank will employ its State aid intercept powers to intercept funds of any Borrower that has defaulted on its I-Bank obligation. Intercepted funds will be applied to make up any repayment deficiencies to the I-Bank. Further, the I-Bank may take other actions to cause the local government unit to repay in a timely manner any sums in default. To date, the Transportation Bank has not had to employ its State aid intercept powers.

COVENANTS AFFECTING THE LOCAL UNIT

The Transportation Bank Long-Term loan agreements are legally valid and binding obligations of the Borrower; the Long-Term bonds or approved collateral pledged by the Local Government Unit are legally valid and binding obligations of the Borrower.

Consequently, each Borrower must be able to make unequivocal representations concerning its status. Ordinances and resolutions of the governing body must be in place to establish that the Borrower has the legal right and authority to undertake the Project, and own, efficiently operate and appropriately maintain the Project. The Borrower will need to certify that no undisclosed fact or event, and no pending litigation, will materially adversely affect the borrower, the project or the ability to make timely loan repayments.

Other covenants include:

- For a G.O. Borrower, a pledge of full faith and credit to exercise the unlimited *ad valorem* taxing power of the local government to insure the timely repayment of principal and interest;
- The intercept of State aid payable to a General Obligation Borrower who fails to meet I-Bank Loan repayment and/or administrative fee payment schedules; or
- A limitation on the Borrower's discretion to issue Qualified Bonds unless the coverage afforded by State aid anticipated for the current fiscal year is equal to a reasonable coverage test, which test in the past has been: the annual debt service on all outstanding Qualified Bonds divided by the annual funds available for these payments pursuant to the Qualified Bond Act must not exceed 0.80;
- A limitation on the use of loan proceeds to only finance allowable costs of the Project that are funded by the Long-Term loan;
• A limitation on the Borrower’s discretion to sell, lease, abandon or otherwise dispose of the infrastructure without (i) an effective assignment of the Borrower’s loan obligations, (ii) the prior written approval of the I-Bank, and (iii) an opinion from the I-Bank’s bond counsel that such sale, lease, etc. will not have an adverse impact on either the security for the I-Bank’s bonds or the tax-exempt status (if applicable) of the I-Bank’s bonds;

• A prohibition on actions that may jeopardize the tax status of the bonds issued by the I-Bank (if applicable);

• A provision to provide secondary market disclosure information in accordance with the provisions of SEC Rule 15c2-12 and the policy established by the I-Bank, if required under the Rule; and

The I-Bank may impose additional covenants on certain Borrowers in order to address unique circumstances.

**TERMS OF REPAYMENT**

Interest begins accruing on the I-Bank’s Long-Term loan when the I-Bank’s Long-Term Bond closing occurs, and the Long-Term loan proceeds are used to repay the Borrower’s outstanding Short-Term CLP.

Other repayment terms include:

• A level annual repayment schedule for the Long-Term loan, with interest payable in semi-annual installments and principal payable in annual installments;

• Payment of the remaining balance of the 2% Project administrative fee (1%) shall be paid at the time of the first Long-Term loan repayment;

• Payment of the I-Bank’s annual administration fee at the rate of 0.15% of the original principal amount of the Long-Term loan shall be paid semiannually, commencing with the first Long-Term loan repayment for the term of the loan

• A late charge of 12% per annum, or [.50% above the prime rate], whichever is greater, of the loan payment amount that is past due, calculated from the due date;

• The application of each I-Bank loan repayment pursuant to the terms set forth the Bond Resolution (typically to interest first, then principal).

The loan agreements may also provide Borrowers with an option to prepay loan obligations without penalty. Prepayment of the I-Bank Loan requires a 90-day written notice to the I-Bank and a written approval thereof. I-Bank Loan prepayments, at a minimum, must satisfy the payment in full of accrued interest (if applicable), any non-callable bond interest (if applicable), any premium, principal through the prospective payment date for which the prepayment is to be credited and any fees incurred by the
Transportation Bank to execute such prepayment. Advance repayments will be applied first to interest on the portion prepaid, then to principal. The Borrower is responsible for paying all the costs of the I-Bank associated with any prepayments. In addition, whether or not prepayment is involved, any modification of the local government bonds securing the I-Bank Loan will require prior approval of the I-Bank.

**DEFAULT**

The Long-Term loan agreements will define an Event of Default (“EOD”) as:

1. the failure by the Borrower to make a loan repayment in full on or before the due date;
2. the failure to make timely payment of an administrative fee on the I-Bank Loan within 30 days after written notice is given;
3. the representation of false and misleading information that has a material effect on the integrity of the loan agreements or related documents;
4. the appropriate filing by or against a Borrower of any petition of bankruptcy or insolvency;
5. the general failure of the Borrower to pay its debts; and
6. the failure to observe or perform any other duties, obligations or responsibilities required by the I-Bank for participation in the Financing Program, within 30 days after written notice.

With respect to the EODs specified in (2) and (6), the Trustee may be authorized to provide relief for up to 120 days if the Borrower can represent that the failure to pay, observe or perform is correctable within that time frame. In addition, default may be averted if a petition of bankruptcy or insolvency is dismissed without prospects for appeal.

In an event of payment default, the I-Bank may accelerate the Long-Term loan, and in the event of any default, the I-Bank may elect to take whatever action of law or equity is necessary to recover the deficiencies manifested by the default or direct the Trustee to pursue these remedies.
### III. APPENDICES

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RESOLUTION NO. 19 - 22
RESOLUTION OF THE NEW JERSEY INFRASTRUCTURE BANK
APPROVING A CONSTRUCTION LOAN TO
RUTGERS UNIVERSITY

WHEREAS, the New Jersey Infrastructure Bank (the “I-Bank”), in accordance with (i) the “New Jersey 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 I-Bank 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 I-Bank 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 I-Bank duly adopted Resolution No. 18-04 on January 11, 2018 entitled “Resolution Authorizing the Construction Loan Financing Program for State Fiscal Year 2019” (the “SFY2019 Construction Loan Program”) to provide funding for the implementation of the Interim Financing Program during State Fiscal Year 2019 including the Construction Financing Program (the “2019 Construction Loan Program”); and

WHEREAS, the I-Bank duly adopted Resolution No. 19-09 on February 14, 2019 entitled “Resolution of the New Jersey Infrastructure Bank Authorizing the Water Bank Construction Financing Program for State Fiscal Year 2020” (the “SFY2020 Construction Loan Program”) to provide funding for the implementation of the Interim Financing Program during State Fiscal Year 2020 including the Construction Financing Program (the “2020 Construction Loan Program”); and

WHEREAS, it is the desire of the Board to authorize Construction Loan Closings pursuant to the Interim Financing SFY2019 Construction Loan Program for loan closings occurring in SFY2019 and the SFY2020 Construction Loan Program for loan closings occurring in SFY2020 (each the “Applicable Construction Loan Program”); and

WHEREAS, pursuant to the terms and definitions of the 2019 Authorizing Resolution and the 2020 Authorizing Resolution (each the “Applicable Authorizing Resolution”), the Authorized Officers are each severally authorized, after consultation with Bond Counsel to the I-Bank 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 5 of the 2019 Authorizing Resolution, any Interim Loan
approved by the Authorized Officers, following the requisite consultations, and made by the I-
Bank to a Borrower as part of the Construction Loan Program shall not exceed $15.0 million in
principal amount (SFY2019 Construction Loan Limitation) unless a higher principal amount
thereof is authorized by official action of the Board; and

**WHEREAS,** pursuant to Section 5 of the 2020 Authorizing Resolution, any Interim Loan
approved by the Authorized Officers, following the requisite consultations, and made by the I-
Bank to a Borrower as part of the Construction Loan Program shall not exceed $15.0 million in
principal amount (SFY2020 Construction Loan Limitation) unless a higher principal amount
thereof is authorized by official action of the Board; and

**WHEREAS,** pursuant to Section 2 of the Applicable Authorizing Resolutions, 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 I-Bank; and

**WHEREAS,** Rutgers University (Rutgers) has requested from the I-Bank a construction
loan, in anticipation of a long-term loan from each of the I-Bank and the Department, to finance
the planning, design and construction of Project #S340500-01, the Busch Cogeneration Plant
Upgrade Project (the “Rutgers Project”); and

**WHEREAS,** pursuant to the Rutgers Project construction schedule, Construction Loans not
to exceed two years for planning and three full fiscal years for construction will be made, all or a
portion of which will be completed prior to the borrower’s receipt of I-Bank and Department
long-term New Jersey Environmental Infrastructure Financing Program loans, thereby resulting
in Rutgers’ request for a construction loan in an amount not to exceed $37,000,000; and

**WHEREAS,** with respect to the Applicable Authorizing Resolutions’ Construction Loan
Limitation providing that any Construction Loan approved by any of the Authorized Officers,
following the requisite consultations, and made by the I-Bank to a Borrower as part of the
Applicable Construction Loan Program shall not exceed $15.0 million in principal amount, subject
to further official action in the form of the adoption of a resolution by the Board of Directors of
the I-Bank, the I-Bank 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 sponsors in amount not
to exceed the amount stated for the purpose of completing the Rutgers Project; and

**WHEREAS,** it is the desire of the I-Bank that, other than the Applicable Authorizing
Resolution’s Construction Loan Limitations 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 Infrastructure Bank, 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 I-Bank to Borrowers as part of the Applicable Construction Loan Program, shall not exceed $15.0 million in principal amount, the Board of Directors of the I-Bank, 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 SFY2019 or SFY2020 Construction Loan Programs, to the following project sponsor for the stated project in an amount not to exceed the amount stated for the purpose of completing the project.

<table>
<thead>
<tr>
<th>Project Sponsor</th>
<th>Project #</th>
<th>Description</th>
<th>Total Authorized Loan Amount</th>
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<tr>
<td>Rutgers University</td>
<td>S340500-01</td>
<td>Busch Cogeneration Plant Upgrade</td>
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Section 2. Notwithstanding the stated loan amount of $37,000,000 to Rutgers, the Applicable Construction Financing Program funding commitment for the loan shall be limited to the operable segments certified, in amounts set forth in the Department’s allowable cost determination for each such operable segment, and such funding commitment shall arise at the time of loan closing of the first such operable segment, and upon the Department’s allowable cost determination for each subsequent operable segment certified thereafter, recognizing that the terms and conditions of the long-term New Jersey Environmental Infrastructure Financing Program loans for said project shall reflect the terms and conditions of the financing program year in which construction is certified.

Section 3. Other than the exceptions created by the provisions of Section 1 of this Resolution, the Construction Loans made to the aforementioned project sponsors as part of the Applicable Construction Loan Program shall comply fully with (i) each of the terms, provisions and conditions precedent set forth in the Authorizing Resolutions, (ii) all applicable requirements of the Act, and (iii) all applicable requirements of the Regulations.

Adopted Date: April 11, 2019

Motion Made By: Ms. Kimberly Holmes

Motion Seconded By: Mr. Roger Ellis

Ayes: 7

Nays: 0

Abstentions: 0
WHEREAS, pursuant to (i) Section 5(m) and Section 9(a) of the New Jersey Infrastructure Trust Act, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State of New Jersey (the “State”), as the same has been, and in the future may from time to time be, amended and supplemented (N.J.S.A. 58:11B-1 et seq.) (the “Act”), and (ii) the regulations promulgated pursuant to the Act (N.J.A.C. 7:22-2.1 et seq.), as the same have been, and in the future may from time to time be, amended and supplemented (the “Regulations”), the New Jersey Infrastructure Bank (the “I-Bank”), a public body corporate and politic under the laws of the State, created pursuant to the Act, is authorized to make and contract to make loans (each, an “I-Bank Loan”) to project sponsors (each, a “Project Sponsor”) to finance a portion of the costs of the respective environmental infrastructure system projects thereof (each, a “Project”), which Project Sponsors may lawfully undertake or acquire and for which they are authorized by law to borrow funds, subject to such terms and conditions as the I-Bank shall determine to be consistent with the Act and the purposes of the I-Bank; and

WHEREAS, the I-Bank has partnered with the New Jersey Department of Environmental Protection (the “NJDEP”) for the purpose, among others, of making loans to Project Sponsors for the financing of water supply projects pursuant to the New Jersey Environmental Infrastructure Financing Program (the “NJEIFP” or the “Water Bank Financing Program”); and

WHEREAS, specifically, the I-Bank and the State, acting by and through the NJDEP, make loans pursuant to the Water Bank Financing Program in order to finance improvements to water supply systems serving populations of 10,000 or fewer (“Small Water Systems”), which loans are extended primarily to Project Sponsors consisting of small water companies and home owner associations; and

WHEREAS, Small Water Systems generally possess relatively limited financial and professional resources and, therefore, generally require a significantly greater commitment by the Water Bank Financing Program in order to evaluate such Small Water Systems and the Projects thereof, in order to ensure that such Small Water Systems satisfy the conditions precedent to participation in the Water Bank Financing Program, including, in particular and without limitation, the creditworthiness standards of the Water Bank Financing Program; and

WHEREAS, notwithstanding the challenges for the Water Bank Financing Program in assessing, among other things, the credit risks associated with the making of Water Bank Financing Program loans to Small Water Systems, the NJDEP has concluded that the continued provision of Water Bank Financing Program loans to Small Water Systems in order to finance Projects consisting of water supply system improvements is necessary and appropriate in order to address important public health issues for the affected communities throughout the State; and
WHEREAS, the Board of Directors of the I-Bank (the “Board”) desires to establish the Small System Loan Program, also known as the Nano Infrastructure Loan Program, (the “SSLP”) for State Fiscal Year 2020 (“SFY2020”) in order to serve as the Water Bank Financing Program funding mechanism for water supply system improvements to Small Water Systems, while also addressing the credit risks posed by such Water Bank Financing Program applicants in a manner satisfactory to the I-Bank.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the I-Bank, as follows.

Section 1. The Board hereby authorizes the establishment of the SFY2020 SSLP for the purpose of making loans to qualifying Project Sponsors that operate a Small Water System, provided, however, that each of the following SSLP requirements must be satisfied, in full, as a condition precedent to the making by the I-Bank of a SSLP loan to a qualifying Project Sponsor for its Small Water System:

a) all SSLP loans (each, an “SSLP Loan”) made to all qualifying Project Sponsors by the I-Bank and the NJDEP during SFY2020 pursuant to the SSLP shall not exceed $4,000,000 in aggregate principal amount plus any funds remaining from any prior year SSLP Program (the “SSLP Cap”). For purposes of complying with the SSLP Cap, the following shall be subject to the SSLP Cap and the calculation thereof: (i) any short term loan made by the I-Bank during SFY2020 in anticipation of a future, long term SSLP Loan, and (ii) any long term SSLP Loan (or portion thereof) made during SFY2020, provided that such long term SSLP Loan (or such portion thereof) was not preceded by a prior short term loan; in the event that any portion of the SSLP Cap remains unutilized during SFY2020, the SSLP funds that remain available pursuant to the SSLP Cap and that consist of the I-Bank’s Available Funds (as hereinafter defined) may be used by the I-Bank for the financing of other programs within the NJEIFP during SFY2020, subject to any other limitation that may be applicable thereto;

b) the aggregate principal amount of the SSLP Loan made by the I-Bank and the NJDEP to any given qualifying Project Sponsor for its Small Water System during SFY2020 pursuant to the SSLP shall be no greater than $1,000,000 and shall be no less than $100,000;

c) each long term SSLP Loan shall consist of the following components: (i) an NJDEP principal forgiveness loan in the amount of fifty percent (50%) of the allowable costs of the applicable Project; (ii) an NJDEP zero interest loan in the amount of twenty-five percent (25%) of the allowable costs of the applicable Project; and (iii) an interest bearing I-Bank Loan in the amount sufficient to finance twenty-five percent (25%) of the allowable costs of the applicable Project (the “I-Bank Loan Component”);
d) the maximum principal forgiveness that shall be applied to each SSLP Loan extended to any qualifying Project Sponsor for its Small Water System during SFY2020 pursuant to the SSLP is $500,000;

e) the I-Bank Loan Component of each SSLP Loan made by the I-Bank to a qualifying Project Sponsor for its Small Water System during SFY2020 pursuant to the SSLP shall not exceed $250,000 in aggregate principal amount;

allowable costs of any qualifying Project for a Small Water System in excess of that which is permitted to be financed through the SSLP shall be financed pursuant to the terms for which the project qualifies for under the Water Bank Financing Program;

f) the source of funds for the I-Bank Loan Component of each SSLP Loan made by the I-Bank during SFY2020 pursuant to the SSLP shall consist of one or both of (i) Water Bank operating funds of the I-Bank that are not required for, or committed to, the operations of the I-Bank for State Fiscal Years 2020 and 2021 (the “Available Funds”), and/or (ii) the proceeds of bonds to be issued by the I-Bank (“I-Bank Environmental Infrastructure Bonds”); provided, however, that the I-Bank may, in the future, issue I-Bank Bonds for the purpose of replacing the Available Funds used to finance the I-Bank Loan Component of SSLP Loans made by the I-Bank during SFY2020, which I-Bank Environmental Infrastructure Bonds shall be issued pursuant to a bond resolution to be adopted by the Board prior to the issuance thereof;

g) unless otherwise authorized pursuant to a resolution of the Board, the I-Bank Loan Component of each SSLP Loan made pursuant to the SSLP during SFY2020 shall bear interest at a rate per annum equal to either (i) the rate of interest on the bonds issued by the I-Bank in connection with the SSLP for the purpose of funding the I-Bank Loan Component, or (ii) if no such bonds are issued for the purpose of funding the I-Bank Loan Component and, therefore, Available Funds are used to fund the I-Bank Loan Component, as calculated pursuant to the “Interest Rate Calculation”, as set forth in that certain Resolution adopted by the I-Bank on February 9, 2012 and entitled “Amended and Restated Resolution of the New Jersey Environmental Infrastructure Trust Relating to the Direct Loan Program and Certain Policies Regarding the Administration Thereof and the Granting of Water Bank Direct Loans”, as such resolution thereafter may be amended and supplemented from time to time;

h) the Chairman, the Vice Chairman and the Executive Director of the I-Bank, or any other person or persons designated by the Board by resolution to act on behalf of the I-Bank, but in each case subject to the limitations of the by-laws of the I-Bank (each, an “Authorized Officer”), are each hereby authorized, at their respective discretion, (i) after consultation with Bond Counsel to the I-Bank, the Office of the
Attorney General of the State, and the Financial Advisor to the Water Bank, and (ii) if and to the extent that a credit assessment of the Project Sponsor in question so warrants, to require a Project Sponsor to establish a loan guarantee fund (the “Guarantee Fund”), in addition to the LLR Fund (as defined in and to the extent required by Section 3 hereof), in the event that (A) the principal amount of the SSLP Loan for which such Project Sponsor currently is applying, together with (B) the aggregate principal amount of all other SSLP Loans of such Project Sponsor then outstanding, exceed $1,000,000 in aggregate principal amount, which Guarantee Fund shall serve as additional collateral for the repayment of the I-Bank Loan Component of each of the outstanding SSLP Loans of such Project Sponsor; to the extent required by an Authorized Officer pursuant to the terms hereof, the Guarantee Fund shall be established in an amount deemed appropriate thereby, but shall not exceed maximum annual debt service for the aggregate then-outstanding principal amount of the I-Bank Loan Components of the SSLP Loans of such Project Sponsor, multiplied by 2;

i) any applicant with respect to the SSLP (in addition to satisfying all other SFY2020 NJEIFP loan conditions) shall demonstrate that its Small Water System is (and shall continue to be during the term of its SSLP Loan) managed in a professional manner that is consistent with the Federal Fiscal Year 2020 Drinking Water Intended Use Plan;

j) SSLP Loan recipients shall not be subject to the imposition by the NJDEP of an NJDEP loan origination administrative fee; and

k) SSLP Loan recipients shall not be subject to the imposition by the I-Bank of an administrative fee to cover any portion of the financing costs of the SSLP Loan, but (i) shall be subject to an annual I-Bank administrative fee for loan servicing in the annual amount of 0.30% of the original principal amount of the I-Bank Loan Component of the SSLP Loan, and (ii) shall be assessed the annual fee required in connection with the LLR Fund, as defined in and to the extent required by Section 3 hereof.

Except as otherwise provided by this Resolution, as a condition precedent to the receipt by an applicant of an SSLP Loan pursuant to the SFY2020 SSLP, such applicant shall comply fully with each eligibility requirement that shall apply to any applicant for participation in the SFY2020 NJEIFP.

Section 2. Any SFY2020 SSLP Loan made by the I-Bank shall be evidenced by the following:

(a) a bond, note or other appropriate obligation of the Project Sponsor to be issued to the I-Bank (the “Obligation”), with the following covenants (in addition to other, programmatically-required SFY2020 NJEIFP loan covenants): (i) a municipality shall
provide to the I-Bank a general obligation ("GO") pledge of the unlimited ad valorem taxing power thereof; (ii) a utility authority that has entered into a service agreement containing one or more GO pledges from its municipal or county participants shall pledge to the I-Bank its right to receive payments pursuant to such service agreement; (iii) each such authority shall provide to the I-Bank a pledge of its revenues, and shall be subject to the various covenants and requirements of its general indenture or bond resolution, as applicable, including, without limitation, its obligation to raise and collect annual fees and charges to the extent necessary to fund all operating, capital and debt service expenses in order to manage and operate its water supply system in good working condition; (iv) a water company shall provide to the I-Bank a pledge of its revenues and shall be subject to the various covenants and requirements of its general indenture or bond resolution, including, without limitation, its obligation to raise and collect annual fees and charges to the extent necessary to fund all operating, capital and debt service expenses in order to manage and operate its water supply system in good working condition; and

(b) any other documentation as shall be deemed necessary and appropriate by the Authorized Officer, after consultation with Bond Counsel to the I-Bank and the Office of the Attorney General of the State (collectively, the requirements of (a) and (b) of this Section 2 shall be referred to herein as the “Loan Instruments”).

Each Obligation and all other Loan Instruments shall be in such form as shall be approved by an Authorized Officer, after consultation with Bond Counsel to the I-Bank and the Office of the Attorney General of the State. The Loan Instruments shall include such terms and provisions relating to, and required by, the SFY2020 NJEIFP as shall be determined by the Authorized Officer, after consultation with Bond Counsel to the I-Bank and the Office of the Attorney General of the State, as being necessary in connection with (i) the satisfaction of the requirements of the Act and the Regulations, and (ii) the implementation of the terms of this Resolution.

Section 3. Each SSLP Loan recipient that does not provide as security for its Obligation a direct or indirect municipal or county GO pledge shall be assessed an annual loan loss reserve fee consisting of 1% of the total outstanding principal amount of the I-Bank Loan Component of such recipient’s SSLP Loan as of the given calculation date. This fee shall be non-refundable and shall be deposited by the I-Bank upon receipt thereof into a loan loss reserve fund ("LLR Fund") that shall be established and held by the I-Bank or a fiduciary thereof. All monies deposited into the LLR Fund shall be applied by the I-Bank solely to provide additional security for SSLP Loans. In addition, the I-Bank is hereby authorized and directed to accept any supplement to the LLR Fund that shall be paid by the NJDEP, initially from loan repayments of its Drinking Water annual capitalization grants, which supplement shall be in such amount as shall be necessary to secure any and all default risks with respect to the SSLP Loans, as such default risks are assessed and determined by an Authorized Officer, after consultation with Bond Counsel to the Water Bank, the Office of the Attorney General of the State and the Financial Advisor to the Water Bank. To the extent that, at any time, the amount on deposit in the LLR Fund, inclusive of any NJDEP contribution thereto, exceeds total outstanding SSLP Loan amounts, the NJDEP contribution to
the LLR Fund in an amount equal to the excess outstanding SSLP Loan amount may, at the
discretion of an Authorized Officer, be withdrawn from the LLR Fund and repaid to the NJDEP.

**Section 4.** The Authorized Officers are hereby severally authorized and directed to
eexecute (i) any Loan Instrument to which the I-Bank is a party (the “I-Bank Loan Instruments”)
and (ii) any certificates, instruments or documents contemplated therein or otherwise related to
the participation of any Project Sponsor in the SFY2020 SSLP.

**Section 5.** Upon execution of the I-Bank Loan Instruments by an Authorized Officer,
the Secretary and the Assistant Secretary of the I-Bank are each hereby severally authorized and
directed, where required, to affix the corporate seal of the I-Bank, and to attest to the signature
of such Authorized Officer, thereon and on any certificates, instruments or documents
contemplated therein or related thereto.

**Section 6.** Any Authorized Officer is hereby authorized and directed to take such
other actions that such Authorized Officer, in his respective sole discretion after consultation
with Bond Counsel to the I-Bank and the Office of the Attorney General of the State, deems
necessary, convenient or desirable in order to effect the establishment of the SFY2020 SSLP and
the transactions contemplated hereby.

**Section 7.** The SSLP at all times shall fully comply with the provisions of the Act, the
provisions of the Regulations applicable thereto, and the terms of this Resolution.

**Section 8.** 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:** April 11, 2019

**Motion Made By:** Ms. Kimberly Holmes

**Motion Seconded By:** Mr. Mark Longo

Ayes: 7

Nays: 0

Abstentions: 0
Executive Director Zimmer summarized the substantive events and correspondence issued since the last I-Bank Board meeting.

- On April 10, 2019, Executive Director Zimmer participated in the Governor’s Interagency Planning Work Group;
- On April 03 & 04, 2019, Executive Director Zimmer represented the NJ Water Bank and CIFA at National Water Week in Washington, DC;
- On April 02, 2019, Executive Director Zimmer participated with members of the Governor’s office and various State Agencies and Authorities to discuss financing for Jersey City;
- On April 02, 2019, Executive Director Zimmer participated in an Introductory meeting with BPU to discuss potential financing programs;
- On March 29, 2019, Executive Director Zimmer attended a meeting with Jane Cohen of the Governor’s Office to review the Water Bank Program;
- On March 27, 2019, Executive Director Zimmer and Marketing Assistant Kirkland met with members of DOT’s senior staff to discuss marketing opportunities for the Transportation Bank;
- On March 26, 2019, Executive Director Zimmer met with members representing the coalition for the National Infrastructure Bank to share ideas;
- On March 26, 2019, Executive Director Zimmer participated in an Applicant’s Guide Coordination conference call with DEP Assistant Commissioner Michele Putnam, Director Janice Brogle as well as members and consultants to the Jersey Water Works to discuss opportunities for promoting the Guide and Green Infrastructure projects in the State;
- On March 25, 2019, Executive Director Zimmer participated in a CIFA / EPA S-WIFIA Conference Call to help develop a template for SRFs that will facilitate borrowing through this new federal program;
- On March 22, 2019, Executive Director Zimmer participated in a conference call with Eric Brophy, Executive Director of NJEFA to share best management practices;
- On March 21, 2019, Executive Director Zimmer participated in a meeting with Treasury member Michael Kanef, DEP Assistant Commissioner Michele Putnam and Director Janice Brogle to discuss Water Bank leveraging issues;
- On March 15 and 18, 2019, the Water Bank and Transportation Bank held the last of the 2019 annual applicant seminars at the I-Bank’s Offices and Rutgers School of Law in Newark respectively. Several Senior staff members of the I-Bank, DEP and DOT either presented or were on hand to answer questions. Ninety people attended the two Water Bank sessions and forty-nine people attended the two Transportation Bank sessions;
- On March 15, 2019, Executive Director Zimmer presented at NAIOP’s Infrastructure Symposium to Build a World-Class Infrastructure;
- Program staff participated in various meetings or conference calls to discuss pre-planning and prospective financing program participation issues with:
  - Hammonton Township, Hopewell Township, Pine Hill MUA and Princeton;
- Executive Director Zimmer, Assistant Director & COO Scangarella, and bond counsel Tricia Gasparine and Dorit Kressel of CSG PC continue to participate in weekly calls with representatives from FHWA and the US DOT’s Build America Bureau to establish the I-Bank as the first participant in TIFIA’s Rural Project Fund Loan program;
- Executive Director Zimmer continues to serve as a Steering Committee member and co-Chair of the
Jersey Water Works Asset Management and Finance Committee and co-host quarterly Finance Committee meetings;

- Assistant Director and COO Scangarella is serving as the point person for the I-Bank, holding regular meetings with counterparts at NJDOT regarding the development and adoption of Program regulations for the Transportation Bank;
- Legal and Compliance Officer Karp is serving as the point person for the I-Bank working with counterparts at NJDEP regarding the amendment and re-adoption of Program regulations for the Water Bank;
- I-Bank senior staff are engaged in discussions with DCA-DLGS senior staff regarding amendments to the Local Bond Law that would allow Local Government Unit transportation projects funded through the I-Bank to enjoy the same efficient DLGS program approval process as that which applies to environmental projects; and
- The next Board meeting is scheduled for Thursday, May 9, 2019 at 10:00 a.m. at the I-Bank’s offices.

**SUMMARY OF CORRESPONDENCE:**

During the past month, the I-Bank received or sent the noteworthy correspondence listed below. Pursuant to the I-Bank’s Green Initiative, the agenda package does not include copies of the following correspondence. Board members should contact the I-Bank Admin Assistant if they wish to receive hard copies.

- On April 2, 2019, A Transportation Bank funding advisory letter was sent to Little Silver Boro;
- On April 2, 2019, A Transportation Bank funding advisory letter was sent to Pennington Boro
- On April 2, 2019, A Transportation Bank funding advisory letter was sent to Somerdale Boro;
- On April 2, 2019, A Transportation Bank funding advisory letter was sent to Wildwood City:

A copy of the announcements is available on the I-Bank’s webpage ([https://www.njib.gov/board-agenda/](https://www.njib.gov/board-agenda/)) under Board Agendas. Click on the minutes link for the corresponding month; the announcements will be at the end of the Minutes.