RESOLUTION NO. 12 – 03

RESOLUTION AUTHORIZING A FOUR MONTH EXTENSION TO THE FINANCIAL ADVISOR CONTRACT WITH PUBLIC FINANCIAL MANAGEMENT, INC.

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust") possesses the authority to retain the services of financial advisors to aid in its operations pursuant to N.J.S.A. 58:11B-5(l); and

WHEREAS, the financial advisor provides essential functions in the sale of Trust bonds including but not limited to sizing and structuring borrower loans, securing credit ratings for Trust bonds; and assisting in the receipt and tabulation of electronic bids; and

WHEREAS, pursuant to Resolution 09-46, the Trust authorized staff to execute a contract with Public Financial Management, Inc. for financial advisory services for the term of March 1, 2010 through March 1, 2012, in recognition of the need for financial advisor services for Trust bond sales anticipated to occur in October of 2010 and 2011; and

WHEREAS, due to the Trust's commitment to spur economic growth during the recession through maximizing the number of projects funded in the current New Jersey Environmental Infrastructure Financing Program (Financing Program), the Trust scheduled its future annual bond sale to occur in May of 2012; and

WHEREAS, the Board deems utilizing PFM' services for the May 2012 bond sale to be appropriate given the need for financial advisor services for bond sales, the fact that the contract with PFM contemplates financial advisor services for a bond sale to occur in the Current Financing Program, and that the Bond Sale for the current Financing Program has not occurred, and the fact that bringing in a different advisor part way through the process would be disruptive and potentially harmful to the Trust.

NOW THEREFORE BE IT RESOLVED, the Chairman or Vice-Chairman of the Trust is authorized to amend the January 28, 2010 agreement with Public Financial Management, Inc. for the limited purpose of extension of the Contract term from March 1, 2012 to June 30, 2012.

BE IT FURTHER RESOLVED THAT, this resolution amends all prior resolutions including but not limited to Resolution 09-46.

Adopted Date:	January 12, 2012
Motion Made By:	Mr. Barrack
Motion Seconded By:	Ms. Kreipke
Ayes:	6
Nays:	0
Abstentions:	0

NEW JERSEY
ENVIRONMENTAL
INFRASTRUCTURE TRUST

Request for Proposal

Financial Advisory Services

For SFY2013 and SFY2014 Financing Programs

Issued by the
New Jersey Environmental Infrastructure Trust

Date Issued:
February____, 2012

Questions and Answer Cut-Off Date:
5:00PM EST February _____, 2012

Proposals Due Date:
12:00 PM EST March ______, 2012

In the Office of the Chief Budget Officer
3131 Princeton Pike, Building 6, Suite 201
Lawrenceville, NJ 08648
(609) 219-8600

Please Label Proposals with Firm's Name and
"Proposal for Financial Advisory Services for SFY2012 and SFY2013 Financing Programs"

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
REQUEST FOR PROPOSAL
FOR FINANCIAL ADVISOR SERVICES for THE TRUST'S
SFY2013 & SFY2014 FINANCING PROGRAMS

1.0 BACKGROUND

The New Jersey Environmental Infrastructure Trust (the Trust) was organized pursuant to N.J.S.A. 58:11B-1 et seq. in August, 1986, as an instrumentality of the State exercising public and essential government functions. The Trust exists within, but is independent of any supervision or control by, the New Jersey Department of Environmental Protection

The purpose of the Trust is to provide financial assistance to New Jersey local government units and public water utilities. One way the Trust fulfills its purpose is by participating with the New Jersey Department of Environmental Protection (State) in the Environmental Infrastructure Financing Program (Program). The Trust contracts to make loans to finance a portion of the costs of environmental infrastructure system projects that borrowers in New Jersey are authorized to undertake and which they may lawfully finance through borrowings. The State provides companion loans for these same projects.

Pursuant to this Request for Proposal, the Trust shall select a **Financial Advisor** for the purpose of advising the Executive Director, the Trust and the State in developing its financial strategy, marketing the program to potential borrowers and State officials, directing the sale of Trust bonds, and negotiating all documentation for the sale of bonds and the loaning of monies to Borrowers. The following paragraphs describe in more detail the Trust, the activities undertaken by the Trust, the scope of services for the Trust's financial advisor, and information to be provided by interested firms.

2.0 POWERS and STRUCTURE of the ENVIRONMENTAL INFRASTRUCTURE TRUST

The New Jersey Environmental Infrastructure Trust is a State financing authority empowered to issue revenue bonds, to make loans, and guarantee debt issued by borrowers for the construction of environmental infrastructure projects. The Trust consists of a seven-member board of directors. Of the four public members, two are appointed by the Governor, one by the Governor upon the recommendation of the Speaker of the General Assembly and one by the Governor upon the recommendation of the President of the Senate. The remaining three members, the State Treasurer, the Commissioner of the State Department of Community Affairs and the Commissioner of the State Department of Environmental Protection are members ex-officio. The powers of the Trust are vested in the Board of Directors of the Trust. However, the minutes of all Trust meetings must be delivered to the Governor and Legislature. The Legislature may provide written comment to the Governor and the Governor may veto any Trust action within 10 business days. No Trust actions initiating the issuance of bonds, notes, or other obligations can be effective without the prior written approval of both the Governor and State Treasurer.

The Trust's enabling legislation requires extensive legislative oversight of the Trust, including fiscal accountability and control over its operating expenses, loan and debt guarantee activities, and borrowing and debt obligations. No funds from State or federal sources or State bond issues will be made available to the Trust unless appropriated by the Legislature. The Trust may not expend any funds for environmental infrastructure projects unless the expenditure is authorized by an appropriations act approved by the Legislature.

The Department of Environmental Protection and the Trust must submit a joint annual project priority list for environmental infrastructure projects to the Legislature by January 15 of each year. The list must be developed in accordance with the federal government's priority ranking system, which rates projects on environmental need.

The Trust must also submit a proposed financial plan to implement the financing of the projects on the project priority list to the Legislature by May 15 of each year. The plan must contain an enumeration of the revenue bonds and loans (including the terms and conditions thereof and the anticipated ranges of interest rate and repayment schedules), and loan guarantees which the Trust intends to execute, together with a financial statement covering its proposed operations during the forthcoming fiscal year.

Passage of Legislative Bills appropriating funds to the Department of Environmental Protection and authorizing the Trust to sell bonds is required prior to financing environmental infrastructure projects. In addition, the financial plan must be approved by adoption of concurrent resolutions by both the Senate and Assembly.

The Trust has, among others, the following powers: (i) to borrow money and issue bonds, notes and other obligations and to secure the same by its revenues and other funds and to provide for the refunding thereof; (ii) to obtain as security or to provide liquidity for payment of its bonds, notes or other obligations, lines of credit, letters of credit and other security agreements; (iii) to invest any moneys not required for immediate use or disbursement, including proceeds from the sale of its bonds, notes, or other obligations, in any obligations, securities and other investments in accordance with the rules and regulations of the State Investment Council; (iv) to receive and accept aid or contributions from any source of property, money, labor or other things of value, to be held, used and applied to carry out the purposes of the Trust Act; (v) to acquire, lease, hold and dispose of real and personal property or any interest therein in the exercise of its powers and the performance of its duties under the Trust Act.

The Trust may issue at public sale up to $2.6 billion, or more at the discretion of the Legislature, of its own bonds. These bonds are secured by, among other things, Trust loan repayments from Borrowers, Fund loan repayments from Borrowers, and an ability to intercept State Aid payable to Borrowers borrowing from the Trust.

For the SFY2013 Financing Program the law firm of McCarter & English, LLP has been designated as the Trust's bond counsel. We expect to follow a similar request for proposal process next year to cover the SFY2014 and SFY2015 Financing Programs for bond counsel services.

3.0 FINANCING HISTORY: THE SFY2011 and SFY2012 FINANCING PROGRAMS

3.1 THE SFY 2011 FINANCING PROGRAM

In SFY2011, eighty-eight (88) projects valued at $294 million were approved and received long-term NJEIFP funding. Twenty-two (22) projects valued at $53.7 million have received early approval in the SFY2012 Financing Program to commence construction. The remaining projects were not approved for funding due to either the project's inability to secure all requisite environmental permits and program approvals, or that the applicant withdrew from the program or failed to satisfy the program's credit or security requirements.

In addition to the SFY2011 Financing Program, the NJEIT also completed a refinancing for two hundred and sixty (260) current borrowers through the sale of $73.9 million in refunding bonds in August of 2010. As a result, the net savings to the affected New Jersey taxpayers and ratepayers will be reduced by more than $15 million over the length of the refinanced loans. Through an innovative loan structure, the Trust achieved a record refinancing both in terms of loans refunded and total savings exemplifying the Trust's commitment to minimizing its borrower's debt service costs.

LOAN FUNDING SOURCES.

Each NJEIFP Loan consists of two components, a Fund Loan from the DEP and Trust Loan from NJEIT. The sources of funds for the State DEP Loan component of each SFY2011 traditional Financing Program loan consisted of current and prior federal capitalization grants, the proceeds of previously issued State Bonds, State legislative appropriations, loan repayments, and interest earnings. Federal capitalization grants were also utilized as the source of funding for principal forgiveness loans in the SFY2011 Financing Program. The proceeds from the sale of Trust issued bonds served as the funding source for the Trust loan component for all but three of the loans in the SFY2011 Financing Program. On November 16, 2010, the Trust sold two separate bond issues totaling $125,315,000, both rated Aaa/AAA/AAA by Moody's Investors Service, Standard & Poor's Corporation and Fitch Investors Service respectively. The Series 2010B and 2010C Bonds were sold as tax-exempt series pursuant to competitive bid at a true interest cost of 3.890230% and 3.856309% respectively. NJEIT funded the Trust Loan component of three smaller projects totaling $208,586 through its Direct Loan Program using cash-on-hand.

3.2 THE SFY 2012 FINANCING PROGRAM

PROGRAM OVERVIEW

In an effort to encourage participation of local government units in the Financing Program during these difficult economic times, the DEP will finance 75% of the SFY2012 Financing Program with its 0% interest cost funds. The net effect of DEP's decision to offer a greater percentage of DEP funds in the SFY2012 Financing Program is that the borrowers' loans will bear net interest rates below that typically offered in prior years when the DEP provided funds for 50% of the Financing Program (on a typical $1 million loan, this increase in the percentage of an NJEIFP loan financed with DEP 0% interest cost funds translates into an approximate interest savings over 20 years equal to an additional $114,000 dollars above what NJEIFP's low rates already save these borrowers).

This year, the Financing Program has the ability to finance a minimum of $436.7 million in loans to eligible, qualifying participants. This total amount will consist of $328.3 million DEP Fund loans and $109.4 million NJEIT Trust loans backed almost entirely by AAA issued, tax-exempt bonds (it is anticipated there will be a small number of NJEIT Direct Loans financed with the Trust's cash-on-hand).

i. LOAN ELIGIBILITY

There are generally four prerequisites to any applicant's eligibility to receive a SFY2012 Financing Program loan for a particular project: (1) availability of funds, (2) identification of the project on a project priority list, (3) project approval (issuance of an "Authorization to Award" upon receipt of executed construction documents), and (4) the applicant's satisfaction of loan closing requirements.

ii. FUNDING SOURCES

The Program will increase the zero interest Fund Loan component for all Traditional Loan Projects from 50% to 75% resulting in loans whose net interest cost will be just twenty-five percent (25%) of the AAA market rate. Approximately $263,926,100 will be available for clean water projects and $172,816,539 for drinking water project loans (inclusive of Green Project Loans, Redevelopment Loans, and Principal Forgiveness Loans as discussed below).

The SFY2012 Financing Program also includes a **Green Project Reserve**. Due to delays in finalization of the FFY2011 budget appropriation, there has been a delay in the Environmental Protection Agency's (EPA) issuance of the federal clean water and drinking water capitalization grant guidelines for the expenditure of FFY2011 clean water and drinking water state revolving funds. As such, it is unclear whether the federal clean water and drinking water capitalization grant guidelines will require states to set aside a portion of their clean water and drinking water capitalization grant for green project loans. Moreover, it is anticipated that there will be a reduction in New Jersey's clean water and drinking water capitalization grants for SFY2012. The SFY2012 Financing Program will include a Green project reserve to the extent such loans are required or capitalization grants are sufficient to continue offering such loans.

The SFY2012 Financing Program also includes a **Redevelopment Project Reserve** for eligible redevelopment projects.[1] The State has set aside $30 million of clean water state revolving fund sources for this Reserve. Combined with the Trust loan, approximately $40 million will be available for Redevelopment Project Loans in the SFY2012 Financing Program.

In conjunction with Governor Christie's stated initiative for the **Barnegat Bay Watershed**, PFLs will be available for a limited number of storm water projects in the Barnegat Bay Watershed. The DEP has established a $17 million reserve for principal forgiveness loans to the highest ranked Barnegat Bay Watershed projects to be awarded according to the DEP's internal ranking methodology specific to these projects. Moreover, of this reserve, the DEP has allocated $11 million for 100% PFLs for nutrient reduction projects and an additional $5 million for nutrient reduction projects structured as follows: 25% DEP principal forgiveness, 50% DEP zero interest, and 25% Trust market rate. The DEP is allocating the final $1 million for equipment purchases. All equipment purchases will be limited to a maximum PFL of up to $250,000. The source for these PFLs is the Federal Fiscal Year (FFY) 2010 clean water capitalization grant.

Due to delays in EPA's issuance of the FFY2011 federal clean water and drinking water capitalization grant guidelines, NJEIFP staff are also uncertain whether the EPA will require states to set aside a portion of their clean water and drinking water capitalization grant for PFL loans. Moreover, it is anticipated that there will be a reduction in New Jersey's clean water and drinking water capitalization grants for SFY2012. The SFY2012 Financing Program will include PFLs to the extent such loans are required or capitalization grants are sufficient to continue offering PFLs. If such PFLs are offered, the State is prepared to dedicate thirty percent (30%) of its state capitalization clean water and drinking water grants for such projects. PFLs may consist of a forty percent (40%) Trust Loan component and a sixty percent (60%) State Loan component.[2] Typically, twenty percent (20%) of the total loan amount will be subject to principal forgiveness and 50% for very small water systems under the drinking water program. No borrower may receive in excess of a $2 million principal forgiveness for one or more projects financed through either the drinking water or clean water programs.

Finally, Interim Financing Program ("IFP") Loans will be available for projects approved to receive long-term financing. IFP Loans will be available upon the applicant's submission of executed construction contracts for which DEP has issued an Authorization to Award. Such loans will finance costs disbursed prior to long-term financing (projected closing: May, 2012).

iii. PROGRAM DEMAND

Based upon program applications received, there are a total of 171 clean water and drinking water projects eligible to participate in the SFY2012 Financing Program totaling

1 See the discussion below as well as the State Fiscal Year 2012 January Priority List and Financial Plan for additional information regarding eligibility requirements.
2 Smart Growth and Green Project Reserve loan rates, i.e., 75% zero interest and 25% market rate are not available for Principal Forgiveness Loans.

approximately $615,811,080 in project costs. This loan total includes (i) Supplemental Loans requested from previously funded projects and (ii) land preservation loans.

There are 110 clean water projects totaling approximately $394,510,675 including 6 requests for Supplemental Loans from previously financed projects totaling $17,473,104. There are 61 drinking water projects totaling approximately $221,300,405 including 3 requests for Supplemental Loans from previously financed projects totaling $2,982,001.

iv. PROJECT PRIORITY LIST / PROJECT ELIGIBILITY

The SFY2012 Financing Program projects are set forth in three project lists: The **Clean Water Barnegat Bay Storm Water Principal Forgiveness** project list, the **Clean Water** project list, and **Drinking Water** project list.

The project lists also set forth project cost estimates determined by the NJEIFP as eligible for funding under the federal Clean Water Act and/or Safe Drinking Water Act including construction, planning and design (e.g., engineering design) and administrative costs (e.g., legal). While a particular project's total costs may exceed the cost estimate set forth on the project priority list, costs deemed ineligible for funding under the federal Clean Water Act or Safe Drinking Water Act are not reflected in the project lists and will not be funded. Moreover, applicants should not deem project cost estimates as indicative of the sufficiency of funds but rather that the project may compete for limited funding subject to their project ranking on the priority list.[3]

Eligibility to seek funding in the SFY2012 Financing Program is limited to (1) projects that applied for financing in the FY2011 Financing Program that were neither funded nor bypassed in that financing program; (2) projects for which letters of intent, planning documents, applications, construction drawings, and contract documents were submitted by March 7, 2011; and (3) storm water projects in the Barnegat Bay Watershed for which letters of intent were submitted by March 7, 2011 (subject to submission of complete environmental planning, applications and design documents by July 1, 2011 or as otherwise extended by DEP).

Project Prioritization. The NJEIFP's project prioritization methodology is the means by which limited funds are distributed among eligible projects. A particular project's priority list rank is significant to its eligibility to receive a SFY2012 Financing Program Loan given the limited funds available for projects. In prior years, the NJEIFP was able to finance all projects that fulfilled NJEIFP requirements regardless of their project ranking, due to the availability of State and federal funds.

Clean Water Barnegat Bay Principal Forgiveness Project List. The SFY2012 Financing

3 The project lists accompanying the DEP Clean Water and Drinking Water Intended Use Plans, reflect the estimated allowable project costs and the Clean Water and Drinking Water Project lists set forth herein reflect fundable amounts developed in anticipation of legislative appropriation. The legislative appropriation amounts exceed the IUP amount to ensure projects are fully funded in the event of unanticipated events such as cost overruns. NJDEP's project lists should be utilized for an identification of project cost estimates.

Program Clean Water Barnegat Bay Principal Forgiveness project list sets forth all storm water projects in the Barnegat Bay Watershed eligible to seek a principal forgiveness loan in the SFY2012 Financing Program. Eligible program activities are limited to storm water management, non-point source pollution control projects and equipment purchases resulting in water quality improvements in the Barnegat Bay Watershed.

Funding priority among Barnegat Bay Principal Forgiveness Storm Water projects in the SFY2012 Financing Program (except for the equipment set aside for barrier island municipalities): (1) the construction of new storm water best management practices (BMPs) (e.g., gravel wetlands, bio-retention basins, constructed wetlands) or retrofits of existing BMPs that reduce existing nitrogen discharges into Barnegat Bay; (2) the purchase of equipment (e.g., street sweepers, vacuum trucks) to reduce the pollution from storm water runoff discharging into the Bay; and (3) the construction of new storm water best management practices (BMPs) or retrofits of existing BMPs that reduce existing pollutants (e.g., suspended solids) discharge into Barnegat Bay (e.g., infiltration basins, extended detention, and manufactured treatment devices).

Clean Water (including Barnegat Bay) Project List. The SFY2012 Financing Program Clean Water (including Barnegat Bay) project list sets forth all clean water projects eligible to seek financing in the SFY2012 Financing Program. Eligible clean water program activities include wastewater management, storm water management and non-point source pollution control projects, landfill closures, open space land acquisition, brownfield remediation and well sealing. Funding prioritization is as follows: supplemental loan projects, emergency projects, and then projects that meet program deadlines in accordance with their rank on the State's Clean Water Project Priority List. Clean Water project ranks are based on the total number of ranking points each project receives in five categories: (1) Local Environmental Enhancement Planning Activities, (2) Project Discharge Categories, (3) Water Use/Water Quality, (4) Smart Growth, and (5) Population.[4]

Eligibility for the Clean Water Green Project Reserve is also based on the ranked order of Green Projects as they appear in the clean water project list. Eligibility for principal forgiveness loans is also based on the ranked order of all projects (exclusive of land and supplemental loans) as they appear in the clean water project priority list. All Second Chance Projects (projects which missed the Fall of 2010 Letter of Intent submission deadline but submitted a letter of intent, environmental planning, applications and design documents by March 7, 2011 are ranked below projects which met the Fall submission deadline).

Drinking Water Project List. The SFY2012 Financing Program Drinking Water project list sets forth all drinking water projects eligible to seek financing in the SFY2012 Financing Program. Eligible Drinking Water Project activities include rehabilitation or development of sources to replace contaminated water sources, treatment and storage facilities transmission/distribution pipes and appurtenances to prevent contamination or improve water

4 A discussion of the methodology and criteria are set forth in the DEP's amended FFY2011 Clean Water State Revolving Fund Priority System, Intended Use Plan, and Project Priority System.

pressure to safe levels, and upgrades to security measures.

The SFY2012 Drinking Water Financing Program gives first priority to emergency projects followed by supplemental projects, then to the first 15% of small systems for Drinking Water projects, then to new traditional loan projects that meet program deadlines in accordance with their rank on the State's Drinking Water Project Priority List and then to Second Chance Projects. Drinking water projects are ranked in accordance with criteria associated with public health, compliance, affordability, approved drinking water plans and state planning area designations.[5]

Eligibility for the drinking water green project reserve is also based on the ranked order of Green Projects as they appear in the drinking water project priority list. Eligibility for principal forgiveness loans is also based on the ranked order of all projects (exclusive of supplemental loans) as they appear in the drinking water project priority list.

v. PROJECT CERTIFICATION

Project certification is required for all projects seeking program financing and is issued by each; the Commissioner of the DEP and the NJEIT's Board of Directors upon a project's receipt of all permits and compliance with environmental planning, design, and construction contract document requirements. Only upon the DEP's receipt executed construction contracts subsequent to issuance of authorization to award are applicants eligible to receive a SFY2012 Financing Program loan. Although this will reduce the number of projects receiving certification, it will commit limited program funding and resources to only those projects that are ready to commence construction.

vi. LOAN CLOSING REQUIREMENTS

The final prerequisite to loan eligibility is a project's compliance with loan closing requirements. Although the actual requirements typically vary by type of applicant (municipal, authority or public/private water utility), 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, securing Local Finance Board or Board of Public Utilities approval (as applicable), and agreement to the terms of the NJEIFP's loan closing documents, including bond covenants, project drawdown schedules, continuing disclosure and numerous other document provisions to demonstrate the borrower's ability to repay the loan and satisfy the NJEIFP's credit worthiness standards.

3.3 THE SFY2013 FINANCING PROGRAM

Long-Term Financing. In the SFY 2013 Financing Program, the NJEIFP anticipates there will be

5 A discussion of the methodology and criteria set forth in the DEP's amended FFY2011 Drinking Water State Revolving Fund Priority System, Intended Use Plan, and Project Priority System.

sufficient funds to issue $213.0 million in Clean Water project loans and $52.8 million in Drinking Water project loans. Not included in these amounts are funds remaining from the SFY 2012 Financing Program which will be identified upon completion of the SFY 2012 Financing Program.

In the SFY 2013 Financing Program, two loan packages will be offered for long term loans. Principal Forgiveness Loans will be structured as follows: 40 percent of the loan will be a market rate NJEIT loan, 40 percent of the loan will be a zero interest State loan, and 20 percent of the loan will be principal forgiveness. Traditional, Smart Growth and Green Project Loans will be structured as follows: 75 percent of the loan will be a zero interest State loan and 25 percent of the loan will be a market rate NJEIT loan. The DEP anticipates issuing thirty percent of the FFY capitalization grant in the form of principal forgiveness.

Direct Loans. Direct Financing (Direct Loans) is almost identical to long-term financing with the exception of the source of Trust funds for its loan component. Unlike a Long-Term loan, the Trust loan component in a Direct Loan is not comprised of bond proceeds. Direct Loans are generally available for small projects for government agencies that are either fiscally constrained or lack the administrative capability to participate in a complex bond transaction.

Structure: The Trust Board of Directors formally adopted a resolution outlining the scenarios in which a Direct Loan is appropriated; the limitation of the loan amounts and the calculation of the interest rates. Interest rates for Direct Loans in the SFY 2011 Financing Program were between 0.3% and 4.18%. Loans totaled $624,372 as of January 1, 2011. In the SFY 2012 Financing Program, non-equipment Direct Loans will be capped at $300,000 for projects eligible to receive 50% market rate loans and $450,000 for projects eligible to receive 25% market rate loans. Equipment loans will be capped at $500,000 for projects eligible to receive 50% market rate loans and $600,000 for projects eligible to receive 25% market rate loans.

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. 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: a Letter of Intent, revised planning documents, and design documents are not required provided the project scope has not increased. The interest rate for Supplemental Loans is generally identical to that of the original project loan. There were ten (10) supplemental loans in the SFY 2011 Financing Program for a total cost of $42.2 million.

Interim Financing. Entities seeking a Long-term, Direct, or Supplemental Loan may receive an Interim Financing Program (IFP) Loan to provide funding for construction costs and up to one-half of planning and design costs and administrative costs during the period between pre-award approval and long-term financing closing. Interim loans are incorporated in the long-term loan and payable in full if a project does not receive long-term financing during the current financing year.

Structure: Each year, the Trust Board of Directors formally adopts a resolution outlining the scenarios in which an Interim Financing Loan is appropriated; the limitation of the loan amounts and the calculation of the interest rates. Interest rates for Interim Loans in the SFY 2011 Financing Program were 0% for local government units and 2% for public water utilities and private entities and ten (10) loans were issued for a total of $10,153,750 as of January 1, 2011. The Trust Board approved a policy authorizing a SFY 2012 Financing program IFP loan rate of 0% interest to government entities and 2% to public water utilities, any other private person, or a local government unit on behalf of any private entity.

Planning and Design Loans. Planning and Design Loans are utilized to finance the cost of environmental planning and engineering design services for environmental infrastructure projects, utilizing loan monies provided by the Trust from Trust accounts, such as interest earnings. The loans are structured as temporary financing for preliminary project activities, with the expectation that the environmental infrastructure projects will secure long-term financing through the NJEIFP. Planning and Design loans are for periods not to exceed two years and may not exceed $500,000 per project. Each year, the Trust Board of Directors formally adopts a resolution outlining the scenarios in which a Planning and Design Loan is appropriated; the limitation of the loan amounts and the calculation of the interest rates. Loans are short-term loans available to pay for up to 50% of engineering and design costs for projects not identified in a project priority list. The Trust Board has approved a policy authorizing P&D loans in SFY 2012 for periods up to two years at the interest rate of 0% for government entities and 2% for public water utilities, a private person, or a local government unit on behalf of any private entity. One Planning and design loan was issued in the SFY 2011 Financing Program at an interest rate of 0% in the amount of $113,750.

Emergency Loans. The NJDEP and Trust recognize that environmental infrastructure emergencies may occur that endanger public health and welfare and can result in substantial environmental damage. Such circumstances require an immediate response for which a complete technical and environmental review in advance of construction is not possible. Any project listed in either a January or May Report is eligible to receive temporary financing for emergency repairs. Any project owned and or operated by a local government unit not identified in a January or May Report is eligible to receive temporary financing for emergency repairs.

The NJEIFP has developed a process to respond rapidly when emergencies occur, obtain basic project information, make an eligibility determination and issue a preaward approval so that owners/operators can undertake the needed repairs and maintain eligibility for those expenditures through the NJEIFP. Upon receipt of pre-award approval, short-term financing is available through either an Interim loan (Projects listed in a January or May Report) or an Emergency loan (projects owned or operated by a local government unit).

4.0 SCOPE OF SERVICES

1) Advise the Trust on a continuing basis of the financial aspects of the Trust's program.

2) Attend all meetings of the Trust Board of Directors.

3) Develop the Financial Strategy and Plan for Each Annual Funding Cycle. Assist in the preparation of the Trust's Financial Plan to be submitted to the Legislature by May 15th of each year.

4) Review pending and new federal and state legislation and advise the Trust on how the Financing Program might comply with same and/or take advantage of potential opportunities.

5) As requested, review alternative SRF financing structures and borrower fee structures.

6) Participate in the Financing Program's Annual Seminars for Expected Borrowers in February/March of each year during the effective period of this contract. Presentation to focus on Program structure, loan covenants, Financial Addendum Form preparation and loan sizing to be utilized in Local Finance Board applications, Board of Public Utilities applications and bond ordinances and/or bond resolutions.

7) As necessary, participate in one-on-one meetings with borrowers having large complex projects and requested seminars or presentations, which may include the preparation of detailed credit and financial analysis prior to meeting.

8) Prepare, direct and participate in presentations regarding the Trust bond sales with the rating agencies, underwriters, bond insurers and interested investors. This service includes responding to questions raised by the above regarding credit and security issues.

9) Review completed Financial Addendum Forms and assume responsibility for follow-up letters to be sent to the participants requesting additional information or clarification of answers.

10) Develop debt service schedules for each borrower to be included in their individual applications for Local Finance Board or Board of Public Utilities approval.

11) Determine the redemption provisions, security provisions, bond covenants and other provisions for each sale of Trust bonds in

consultation with Bond Counsel.

12) Advise the Trust on how the credit, legal and financial characteristics of each participant may fit into the Trust's Financing Program. Determine whether municipal bond insurance, general obligation backing, general obligation deficiency agreements, loan guarantees, letters of credit and other forms of credit enhancement are adequate for the financing and sufficiently protect the Trust bonds.

13) Make recommendations for Program improvement as appropriate.

14) Assist the Bond and General Counsel in preparing all bond and loan documentation, including but not limited to bond resolutions, the Notice of Sale, the Preliminary and Final Official Statements.

15) Determine, upon consultation with Bond Counsel and General Counsel, the terms of the Notice of Sale defining the bidding procedures and conditions for the sale of the Trust's bonds based on prevailing market conditions.

16) Determine investment criteria and procedures for various Bond funds. Provide the Trust with access to investment professionals to advise the Trust on investment criteria and procedures.

17) Develop final sizing model for each Trust bond pool prior to Bond Sale based on final Trust and Fund loan terms. This model must be tailored to the specific loan requirements in each year's program. This model is of a complex and iterative nature.

18) Pre-qualify bidders for the Bond Sale through a request for proposal process. Conduct the Bond Sale through the electronic bid process evaluate competitive bond bids, structure each series of bonds based on the winning bid(s).

19) Within hours of bond sale, investment of bond proceeds must be completed. The purchase of the investments must be on a competitive basis and structured in a manner to be the lowest cost to the Trust. Prepare such cash flow and yield calculations as required by bond counsel and coordinate the settlement of the investments that best meet the needs of the borrowers. Evaluation of competitive investment bids and finalization of investment portfolios with winning bidder(s) based on final bond pool structure(s) must be completed the day of Bond Sale.

20) Develop bond and loan amortization schedules, sources and uses of funds, true interest cost and arbitrage yield calculations, earnings

allocations to each sub-account, Trustee schedules and detailed flow of funds, update Master Program Trustee flow of funds and any other items requested by the Executive Director and Bond Counsel for the Bond Closing.

21) Calculate SLG requirements when applicable and assist the Trust in finalizing its SLG application

22) As requested, review and evaluate prior bond issues for refinancing purposes. Perform all activities in connection with any Refunding as presented in the Scope of Services, including the preparation of a report for the Joint Budget Oversight Committee.

23) Perform all activities in connection with any separate series for large single issue borrowers as presented in the Scope of Services.

24) Prepare Debt Service Schedules and calculate interest rate according to the Trust's formula for all direct loans.

25) Perform when requested all necessary calculations for an individual borrower's loan defeasance.

26) Update the Trust's model for calculating borrower's project and debt service costs for participation in the program (for use by Trust staff).

27) Attend all Trust Board meetings, requested project meetings and Local Finance Board meetings as required

28) Participate in the periodic reviews of the Trust's Credit Policy, including review of reports of any downgraded municipal borrowers, material credit events within the portfolio, and any other matters which the Trust deems necessary.

5.0 INFORMATION TO BE PROVIDED BY BIDDER

1) Provide a brief description of your firm including the organizational structure of your: (a) public finance and municipal bond departments and (b) investment management group.

2) List 10 tax-exempt financings for municipal bond banks, municipal loan pools, revolving funds, or any transaction where the issuer served as a financial intermediary for other governmental entities, for which your firm served as financial advisor and which have been completed since July 1, 2009 or are in

progress. Include the following information and highlight those which involve New Jersey issuers:

Name of Issuer
Amount of Financing
Sale Date
Rating
Credit Support (yes or no, type)
Maturity and Pricing Structure
Source of Repayment
Use of Proceeds
Firm's Role
Type of Sale
Personnel Assigned
Client References

3) Describe in detail the analytical procedure your firm would use to size the Trust's bond sale and arrange for its investment of bond proceeds, recognizing the requirement to sell the Trust's bonds by competitive bid and the requirements of the federal tax law.

4) Describe in detail various alternative investment strategies for the competitive investment of bond proceeds within the requirements of the federal tax law and the Trust's existing legislation. The successful bidder will be asked to provide to the Trust assurances that it can undertake the various alternative investment strategies and comply with the Investment Advisors Act of 1940, as currently interpreted by the Securities and Exchange Commission.

5) Describe the credit and rating issues that you believe the Trust will face in marketing its bonds. Your discussion should include your assessment of the value and effectiveness of the State Aid intercept and the deficiency agreements in providing a sufficiently uniform credit structure for the Trust. Also list the key provisions of Trust loan agreements you think are necessary to assure adequate credit quality of Trust bonds. Also describe the appropriateness, effectiveness and feasibility of using credit enhancement devices, including but not limited to bond insurance both for the borrowers bonds and for the Trust's own bonds.

6) The Trust's Financial Advisor will be asked to review the Trust's financial strategy for current and future years to assure the optimal use of the Trust's financial resources over time. So that the Trust can evaluate your firm's ability to address these long- term programmatic and financial issues, address briefly the following:

* Does the basic structure of the Financing Program whereby borrowers receive three quarters of the allowable project cost through a zero

percent loan from the State and the other quarter from an interest bearing loan from the Trust provide the lowest possible financing costs to the greatest dollar amount of projects? Are there other ways for the Trust to use its statutory powers to achieve its objectives to a greater degree at lower cost (interim financing programs, etc.) and the best ways for the Trust to execute your recommendation?

7) Discuss how you would plan to staff the project and provide resumes of the personnel you would assign to the project. Identify any special expertise that you expect to call upon for this assignment. Be sure to identify the person who would have primary responsibility for providing the services to the Trust.

8) Describe your firm's capacity to manage a program of the size, complexity, and intensity of the Trust's including, but not limited to, the firm's ability to negotiate loan agreements with many Borrowers with unique financial structures at the same time; to perform the myriad of calculations necessary to size the Trust's bond sale and each Borrower's bond under the tight time constraints associated with a net-funded competitive bond sale with a competitive investment of the bond sale proceeds on the same day as bond sale; and to develop and implement procedures to close the local unit bonds and Trust bonds.

9) Describe your firm's capacity and resources to assist with strengthening the Trust's credit review process to ensure best execution and compliance within the Statute and to best protect the Trust.

10) Please describe your firm's presence in New Jersey.

11) Identify and describe all professional or business relationships which your firm might have/be aware of with potential SFY2013 Program participants.

12) The Trust will accept questions pertaining to this RFP from all potential bidders electronically. Questions shall be directed to John Hansbury, Chief Budget Officer, at the following e-mail address: JHANSBURY@NJEIT.ORG

Please note that the "subject" line of your e-mail must specifically reference this RFP as follows: "RFP for Financial Advisory Services for SFY2013 and SFY2014 Financing Programs."

Questions will be accepted until 5:00pm EST on **January 6, 2012.**

13) In the event the Trust determines that additional clarification to this RFP or additional information is necessary, the Trust reserves the right to do so through telephone conference call with eligible firms for the purpose of providing the same.

14) Provide a compensation schedule by providing the following information:

- Hourly rates for different categories of professionals
- List the employees to be assigned to this project by name and category
- Indicate by year your proposed upper limit ("cap") on the amount of fees for the services to be provided as set forth in this RFP

	SFY2013	SFY2014
Base fee for all work contained in this RFP - Including the first 50 borrowers		
Cap for disbursements and any other expenses that you would normally bill for 50 participants		
Incremental fee for each additional borrower - Between 51 and 100		
Cap for disbursements and any other expenses per borrower that you would normally bill if the number of participants is between 51 and 100		
Incremental fee for each additional borrower - Above 100 borrowers		
Cap for disbursements and any other expenses per borrower that you would normally bill if the number of participants is in excess of 100		
Base fee per borrower to facilitate a refunding		
Cap for disbursements and any other expenses per borrower in a refunding		
Fee for preparation of required defeasance calculations		
Fee for preparation of required calculations for Direct Loans		
Fee for Investment of Bond Proceeds		
Fee for Single Borrower Issue		
Hourly rate for Special Projects by Title		

The term of the contract shall be for the period commencing on or about June 30, 2012 and shall continue until June 30, 2013 or June 30, 2014, depending on the review of the responses received.

6.0 OTHER REQUIREMENTS

Emergency Preparedness –

The NJEIT recognizes and acknowledges that the protection of its assets and business operations is a major responsibility to its employees, business associations, and other communities that it services. The Trust must be sure that all essential vendors/contractors that provide critical business services to the Trust have planned for unforeseen emergencies and or disasters and that all aforementioned vendors/contractors have a Business Continuity and Disaster Recovery Plan in place. To that end the Trust is requiring all bidders to provide responses to the following:

1. Does the firm have a Disaster Recovery Plan/Business Continuity Plan in place?

2. If yes, please attach a copy of the firm's plan, or at a minimum an executive summary. How often it is updated, and what assistance if any would be available to the Trust?

3. If no, please summarize how the firm plans to deal with a catastrophic event which might disrupt the firm's business operations and services.

NOTE: Each firm submitting a response to this RFP is required to provide the State with proof of business registration in New Jersey. Further, in compliance with Executive Order No. 129 issued September 9, 2004 each firm submitting a response to this RFP is required to indicate in their proposal the location by country where services under the contract will be performed.

FURTHER NOTE: The firm selected pursuant to this RFP will be required to comply with Executive Order 134 issued on September 22, 2004, limiting the ability of State agencies and independent authorities to enter into contracts with business entities that have made certain political contributions.

The response to this Request for Proposal must be organized in the order set forth above.

Pursuant to Municipal Securities Rulemaking Board rules, the financial advisor may not participate as an underwriter in any of the Trust's negotiated or competitive bond offerings.

IMPORTANT: To eliminate any potential or actual conflict of interest, or any appearance of a conflict, the successful bidder may not represent, during the period of this contract, any Borrower, which is eligible to borrow from the Trust, on issues involving the Trust or for the purpose of rendering any service or assistance with respect to the Trust's SFY2013 and SFY2014

Financing Programs, unless the following conditions are satisfied:

i) Borrower representation and Trust representation must be done from separate offices.

ii) No communications between the Trust and the office representing the Trust are to be shared with the office representing Trust clients.

iii) There is to be no contact between the two offices with regards to the Financing Program, except for those services performed by the Trust's Financial Advisor for all borrowers. Any other questions or issues should be directed to the Trust and/or the Trust's bond counsel.

iv) The Trust's Financial Advisor will not conduct negotiations on behalf of the Trust with any Trust client represented by their borrower office.

If your firm represents any Trust borrowers and you do not meet the above criteria for separation of representation, describe in detail how your firm will address this issue to eliminate any real or perceived conflicts of interest.

Attachments

a) Preliminary SFY2013 Financing Program Schedule
b) Draft Form of Contract for Financial Advisory Services
c) EO 134 Forms
d) EO 117 Certification
e) Stockholder Disclosure Form

7.0 EVALUATION PROCEDURE and CRITERIA

The Trust has appointed a committee to review the proposals submitted in response to this request and to make recommendations in accordance with Executive Order 26. The committee members will individually review all proposals in light of the following major evaluation criteria, ranking each firm on a scale of 1 to 10 and assign the following weights for each such criterion:

- Quality of response regarding the proposed bond structure, credit, and/or marketing strategy (3)

- Sophisticated cash flow capabilities as required by the Trust's financing (2)

- Development of a new idea (2)

- Quality of relevant service to the Trust in previous transactions (3)

- Experience with similar financings in which the firm and its proposed financing team participated (5)

- Proposed fees (6)

- The firm's presence in New Jersey (1)

- Emergency Preparedness (3)

Please note: Joint ventures will not be considered.

Appointment of the Financial Advisor by the Trust is contingent upon the execution of an Agreement for Financial Advisory Services.

Four (4) copies of your response should be sent to John Hansbury, Chief Budget Officer, New Jersey Environmental Infrastructure Trust. Mailing address and Location: 3131 Princeton Pike, Building #6-Suite 201, Lawrenceville, New Jersey 08648. All proposals must be received by **12:00 Noon Friday, January 27, 2012.** Proposals received after this date and time will not receive further consideration. If it is necessary to interview one or more firms, the interview will take place on during the week of January 30, 2012. You will be notified if your firm needs to appear.

The Trust reserves the right; 1) to reject any and all proposals or 2) to waive any informalities or irregularities therein. The award will be made to the firm whose appointment as Financial Advisor is deemed to be in the best interest of the Trust and the State.

Dated: December 14, 2011