

RESOLUTION NO. 24 - 44

RESOLUTION OF THE NEW JERSEY INFRASTRUCTURE BANK AMENDING AND RESTATING THE RESOLUTION AUTHORIZING THE SFY2025 INTEREST RATES FOR THE WATER BANK AND TRANSPORTATION BANK CONSTRUCTION FINANCING PROGRAMS

WHEREAS, the New Jersey Infrastructure Bank (the “I-Bank”), pursuant to and in accordance with (i) the “New Jersey Infrastructure Trust Act”, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State (codified at N.J.S.A. 58:11B-1 *et seq.*), as the same has been, and in the future may from time to time be, amended and supplemented (the “Act”), (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”), and (iii) the policies established by the terms of the Environmental Infrastructure Financing Program Financial Plan (the “Water Bank Financial Plan”), and the Transportation Financing Program Financial Plan (the “Transportation Bank Financial Plan”) (together, the “Financial Plans”) submitted by the I-Bank to the New Jersey State Legislature (the “State Legislature”), is authorized, pursuant to a Construction Financing Program (“CFP”) for the I-Bank’s Water Bank (the “Water Bank CFP”) and for the I-Bank’s Transportation Bank (the “Transportation Bank CFP”), to make loans (each, a “Water Bank CFP Loan” or “Transportation Bank CFP Loan”, as applicable, or interchangeably a “CFP Loan”) to eligible project sponsors (each, a “Borrower”) for the purpose of financing the allowable costs of environmental infrastructure projects (each, a “Water Bank Project”) and transportation infrastructure projects (each, a “Transportation Bank Project”), provided that each such CFP Loan made by the I-Bank to any such Borrower satisfies the requirements of the Act, including, without limitation, N.J.S.A. 58:11B-9(d) and 9(g), as applicable, and satisfies the requirements of, with regard to Water Bank CFP Loans, the Regulations, including, without limitation, N.J.A.C. 7:22-4.47, and with regard to Transportation Bank CFP Loans, any policy statements relating to the Transportation Bank CFP to be set forth in the Transportation Bank Financial Plan, as appropriate; and

WHEREAS, pursuant to the provisions of the Act, N.J.A.C. 7:22-4.47 and the Water Bank Financial Plan, a proposed Water Bank Project sponsor is eligible to be a Borrower for an interim loan pursuant to the Water Bank CFP for purposes of financing the allowable costs of the Water Bank Project of such Borrower pursuant to the Water Bank CFP, provided each of the following conditions are satisfied in full: (i) the requirements of the Act, including but not limited to those contained in Section 9(d), (ii) the Water Bank 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 (the “Water Bank Priority List”); (iii) the proposed Water Bank Project sponsor has submitted a complete application for the project in accordance with N.J.A.C. 7:22-4.11; (iv) the project is in the fundable range in the forthcoming funding cycle given the Water Bank Project’s rank and the anticipated availability of Department of Environmental Protection (the “Department”) and I-Bank monies; (v) the proposed Borrower has complied with the I-Bank’s Credit Policy, as then in effect pursuant to the adoption of an approving resolution of the Board of Directors of the I-Bank (the “Board” or the “Board of Directors”); (vi) the Water Bank Project has been certified for funding by the I-Bank in accordance with N.J.A.C. 7:22-4.13; and (vii) the proposed Water Bank Borrower has not previously received an interim loan through the Water Bank CFP for the same project scope (exclusive of a CFP Loan made solely for the purpose of extending the term of a prior CFP Loan or for a Supplemental Short-Term Loan pursuant to Section 9(d) of the Act); and

WHEREAS, pursuant to the provisions of the Act and the Transportation Bank Financial Plan, a proposed Transportation Bank Project sponsor is eligible to be a Borrower for an interim loan pursuant to the Transportation Bank CFP for purposes of financing the allowable costs of the Transportation Bank Project of such Borrower pursuant to the Transportation Bank CFP, provided each of the following conditions are satisfied in full: (i) the requirements of the Act, including but not limited to those contained in Section 9(g), (ii) the Transportation Bank Project is listed on the Department of Transportation’s (“NJDOT”) project priority list for the related funding cycle that has been submitted to the State Legislature pursuant to N.J.S.A. 58:11B-20.2

(the "Transportation Bank Priority List"); (iii) the proposed Borrower has submitted a complete application for the Transportation Bank Project; (iv) the Transportation Bank Project is in the fundable range in the forthcoming funding cycle and has been allocated funding given the Transportation Bank Project's rank and the anticipated availability of Transportation Bank monies; (v) the proposed Borrower has complied with the I-Bank's Credit Policy, as then in effect pursuant to the adoption of an approving resolution of the Board of Directors of the I-Bank; (vi) the Transportation Bank Project (or, at a minimum, one contract thereof) has been certified for funding pursuant to the terms and provisions of the Act and the Financial Plan; and (vii) the proposed Transportation Bank Borrower has not previously received an interim loan through the Transportation Bank CFP for the same project scope (exclusive of a CFP Loan made solely for the purpose of extending the term of a prior CFP Loan or for a Supplemental Short-Term Loan pursuant to Section 9(g) of the Act), or for a CFP Loan for a Transportation Bank Project that received a prior CFP Loan but lost such funds due to non-compliance with the Construction Contract Scheduled Award Date deadline and then requalified for a new CFP Loan); and

WHEREAS, the I-Bank duly adopted Resolution No. 23-68 authorizing the Water Bank CFP to provide funding for the implementation of Water Bank CFP Loans (the "Water Bank CFP Authorizing Resolution"); and

WHEREAS, the I-Bank duly adopted Resolution No. 23-14 authorizing the Transportation Bank CFP to provide funding for the implementation of Transportation CFP Loans (the "Transportation Bank CFP Authorizing Resolution"); and

WHEREAS, pursuant to the terms and provisions of the Water Bank CFP Authorizing Resolution, each Water Bank CFP Loan shall bear interest at a rate that shall be determined in accordance with the interest rate calculation (the "Water Bank Interest Rate Calculation") which rate shall be calculated in a manner consistent with the terms and provisions of the then-applicable Water Bank Financial Plan, as prepared for each State Fiscal Year and as submitted to the State Legislature by the I-Bank, all pursuant to, and in satisfaction of the requirements of, Sections 21, 21.1, 22 and 22.1 of the Act, and consistent with the terms and provisions of the obligation evidencing such Water Bank CFP Loan; and

WHEREAS, certain Borrowers with respect to a Water Bank CFP Loan for a specific Water Bank Project may be expressly exempt from interest liability as and to the extent provided by the terms of the applicable Water Bank Financial Plan and/or the terms of each Borrower's short-term note. Borrowers that are not exempt shall be referred to herein as the "Interest Owing Water Bank Borrowers;" and

WHEREAS, pursuant to the terms and provisions of the Transportation Bank CFP Authorizing Resolution, each Transportation Bank CFP Loan shall bear interest at a rate that shall be determined in accordance with the interest rate calculation (the "Transportation Bank Interest Rate Calculation") which rate shall be calculated in a manner consistent with the terms and provisions of the then-applicable Transportation Bank Financial Plan, as prepared for each State Fiscal Year and as submitted to the State Legislature by the I-Bank, all pursuant to, and in satisfaction of the requirements of, Section 22.3 of the Act, and consistent with the terms and provisions of the obligation evidencing such Transportation Bank CFP Loan; and

WHEREAS, certain Borrowers with respect to a Transportation Bank CFP Loan for a specific Transportation Bank Project may be expressly exempt from interest liability as and to the extent provided by the terms of the applicable Transportation Bank Financial Plan and/or the terms of each Borrower's short-term note. Borrowers that are not exempt shall be referred to herein as the "Interest Owing Transportation Bank Borrowers;" and

WHEREAS, pursuant to the terms and provisions of the Water Bank CFP Authorizing Resolutions and the Water Bank Financial Plan, and the Transportation Bank CFP Authorizing Resolutions and the

Transportation Bank Financial Plan, all or any portion of such interest may be capitalized and included upon conversion to a long-term financing in the principal amount of the loan. The Water Bank Interest Rate Calculation and/or Transportation Bank Interest Rate Calculation shall be reflective of the policy goals of the I-Bank as set forth in the Water Bank Financial Plan and/or Transportation Bank Financial Plan, and Resolution No. 21-19 Authorizing the I-Bank's Extendable Commercial Paper Financing Program, as well as then-current short-term market interest rates as of the respective dates on which the Water Bank Interest Rate Calculation and/or Transportation Bank Interest Rate Calculation are performed.

WHEREAS, the DEP may utilize funds sourced from the Clean Water and Drinking Water State Revolving Fund capitalization grants and outstanding loan repayments, American Rescue Plan Act, and Bipartisan Infrastructure Act from the United States Environmental Protection Agency ("USEPA") (collectively, the "Federal Funds"), as well as State appropriations to fund its portion of financing through the Water Bank; and

WHEREAS, in January 2024, the USEPA clarified targets and responsibilities for states receiving the Federal Funds to disburse resources to infrastructure projects in an "expeditious and timely" manner and tracks the commitment and disbursement of Federal Funds by states; and

WHEREAS, the USEPA is evaluating the disbursement of Federal Funds by the State and looking for program improvement measures to ensure timely disbursements of Federal Funds; and

WHEREAS, funds are disbursed for Water CFP loans upon the approval of requisitions submitted by project sponsors to the Water Bank; and

WHEREAS, the Transportation Bank utilizes funds appropriated to the I-Bank from the State to make Transportation CFP Loans to project sponsors; and

WHEREAS, the Transportation Bank commits funds to project sponsors upon the closing of Transportation CFP Loans and funds are disbursed for Transportation CFP Loans upon the approval of requisitions submitted by project sponsors to the Transportation Bank; and

WHEREAS, the commitment of Transportation Bank funds to a Transportation CFP Loan without attendant requisitions to disburse the funds slows the ability of the Transportation Bank to fund additional projects as repayments do not begin until long term conversion at the time of project completion; and

WHEREAS, on May 1, 2024, the Water Bank Financial Plan for SFY2025 (the "SFY2025 Water Bank Financial Plan") was duly submitted to the State Legislature; and

WHEREAS, on May 1, 2024, the Transportation Bank Financial Plan for SFY2025 (the "SFY2025 Transportation Bank Financial Plan" together with the SFY2025 Water Bank Financial Plan, the "State Fiscal Year 2025 Financial Plans") was duly submitted to the State Legislature; and

WHEREAS, each of the State Fiscal Year 2025 Financial Plans directs that the I-Bank Board of Directors may delegate to the Executive Director the setting of the interest rates pursuant to the calculation methodology established by this Resolution for CFP Loans, and that the Executive Director shall set the interest rates at the beginning of each calendar month during State Fiscal Year 2025, and that the rates be posted on the I-Bank website; and

WHEREAS, Resolution No. 24-27 authorized the SFY2025 interest rates for the Water Bank and the Transportation Bank Construction Financing Programs; and

WHEREAS, this resolution amends and restates Resolution No. 24-27 in order to more efficiently and clearly implement the application of the Credit for Expeditious Requisitions as hereinafter defined.

NOW, THEREFORE, BE IT RESOLVED by the Board, as follows:

Section 1. Incorporation of Recitals. The recitals set forth above are incorporated herein by reference as if set forth at length.

Section 2. Water Bank Interest Rate Calculation.

a. For Water Bank CFP Loans, interest shall not accrue nor be charged by the I-Bank unless the I-Bank utilizes proceeds derived from a private credit instrument (as described in the Water Bank Authorizing Resolution) as a source of funding for any given Water Bank CFP Loan. In the event that any proceeds derived from a private credit instrument are utilized by the I-Bank as a source of funding for any outstanding Water Bank CFP Loan, Interest Owing Water Bank Borrowers shall be charged interest and such interest shall accrue only on the pro-rata share of the private credit instrument CFP Loan funds as a percentage of all outstanding Interest Owing Water Bank Borrower requisitions (i.e., the same ratio for all Interest Owing Water Bank Borrowers). Interest Owing Water Bank Borrowers shall not be charged interest on the portion of funds from the Department used as a source of funds for the CFP Loans. The interest rate charged on the private credit instrument funds shall be the quotient of (i) S-T Borrowing Costs (as hereinafter defined) and (ii) the Outstanding Par amount of the private credit instrument (the "Private Credit Instrument Interest Rate"). The interest costs produced by applying the Private Credit Instrument Interest Rate to such funds shall be sufficient to fund, in their entirety, the costs incurred by the I-Bank of borrowing pursuant to such private credit instrument, which shall consist of the interest rate on, and the costs of issuance of, the private credit instrument including, but not limited to, underwriting fees, marketing fees, legal fees, financial advisor fees, as well as rating agency fees associated with the I-Bank's issuance and monitoring of private credit instrument funds ("S-T Borrowing Costs").

b. The total amount of outstanding requisitioned funds for all Interest Owing Water Bank Borrowers will consist of both zero interest Department loan funds and private credit instrument funds. For ease of administration, the I-Bank will develop and report a blended interest rate equal to the weighted average of the Department loan funds at zero-percent interest and I-Bank private credit instrument funds at the Private Credit Instrument Interest Rate (the "Water Bank Blended Interest Rate"). Each Interest Owing Water Bank Borrower will be charged the Water Bank Blended Interest Rate on the Borrower's outstanding requisitions.

c. The resulting Water Bank Blended Interest Rate may be rounded up or down no more than 0.40 percent at the discretion of the Executive Director taking into account then-current short-term interest rates as of the respective dates on which the Water Bank Interest Rate Calculation is performed. (the "Base Water Bank Interest Rate") See **Attachment A** for an example of how the interest rate is calculated.

Section 3. Transportation Bank Construction Loan Interest Rate.

a. For Transportation Bank CFP Loans, interest shall be charged on each Borrower's outstanding requisition funds drawn and such calculation shall consider then current short-term market interest rates as well as any S-T Borrowing Costs incurred by the I-Bank for the Transportation Bank CFP program in procuring funds provided through a private credit instrument. For simplicity, the Transportation Bank interest rate (the "Transportation Bank Interest Rate") shall equal one half (50%) of one-year United States Treasury securities.

b. The Transportation Bank Interest Rate shall be an annualized fixed rate for each month of State Fiscal Year 2025. The resulting Transportation Bank Interest Rate may be rounded up or down no more than 0.40 percent at the discretion of the Executive Director taking into account then-current short-term interest rates and market conditions as of the respective dates on which the Transportation Bank Interest Rate Calculation is performed. (the "Base Transportation Bank Interest Rate")

Section 4. Delegation as to Establishment of Rate. The Executive Director is hereby authorized and directed to calculate the rates for each month of State Fiscal Year 2025 on the first business day of each month according to the methodologies above.

Section 5. Credit for Expeditious Requisitions. To support the growth and success of the Transportation Bank and Water Bank revolving loan funds, the Executive Director is authorized to incentivize the pace of requisitions by offering a credit that reduces the Base Water Bank Interest Rate and the Base Transportation Bank Interest Rate charged during each full semi-annual period, defined as September 1 through February 28 and March 1 through August 31 (the “Interest Credit”). All Projects shall receive the Interest Credit for the semi-annual period in which the initial CFP Loan is closed. A Interest Owing Water Bank Borrower or an Interest Owing Transportation Bank Borrower shall qualify for the Interest Credit for a specific Project for each full semi-annual period if: on the first day of each full semi-annual period the aggregate amount of reimbursements from the Program for the Project’s costs are equal to or greater than the product of (a) the certified operable segment value of the CFP Loan for that Project, (b) 10%, and (c) the lesser of (x) the number of full semi-annual periods that have commenced since the initial CFP Loan closing, or (y) ten (10). For Interest Owing Water Bank Borrowers, the Interest Credit shall not exceed 0.20 percent and shall not cause the interest rate charged to be less than the Water Bank Blended Interest Rate. For Interest Owing Transportation Bank Borrowers, the Interest Credit shall not exceed 0.50 percent. Such Interest Credit(s), if applicable, shall be applied to an Interest Owing Water Bank Borrower’s or an Interest Owing Transportation Bank Borrower’s accrued interest on their CFP Loan for a specific Project.

Section 6. Reporting. The I-Bank shall post the Base Water Bank Interest Rate, the Base Transportation Bank Interest Rate, and the available interest credits for the Water Bank CFP Loans and the Transportation Bank CFP Loans on the I-Bank website at the beginning of each month.

Adopted Date:	September 12, 2024
Motion Made By:	Mr. Mark Longo
Motion Seconded By:	Mr. James McManus
Ayes:	6
Nays:	0
Abstentions:	0

ATTACHMENT A

Water Bank Blended Interest Rate Calculation Methodology

By way of example, assume:

- The Water Bank CFP program has \$500 MM in outstanding short-term Borrower requisition it has financed to-date,
- The I-Bank has borrowed \$100M of private credit instrument funds to pay a portion of the outstanding short-term requisitions,
- The DEP has provided to the I-Bank an additional \$400M to pay the remaining outstanding short-term Borrower requisitions,
- The I-Bank's annual short-term loan program cost equal \$3.5M.

The **Private Credit Instrument Interest Rate** applied to the private credit instrument funds equals the I-Bank's short-term loan program costs divided by the amount of private funds the I-Bank is utilizing. Under this example, the rate equals \$3.5M / \$100M, or 3.5%.

The **Water Bank Blended Interest Rate** applied to the total outstanding requisitions drawn by each Interest Owing Water Bank Borrower equals the Private Credit Instrument Interest Rate multiplied by private credit instrument funds utilized divided by total funds utilized. Under this example, the rate equals 3.5% * \$100M / \$500M, or **0.70%**. The Executive Director then has the discretion to increase or decrease this rate, depending on market factors, by plus / minus 0.40%.

Calculated as follows:

$$\begin{aligned} &= (I\text{-Bank interest cost} * I\text{-Bank funds} / \text{total funds}) + (DEP\text{ interest cost} * DEP\text{ funds} / \text{total funds}) \\ &= [(3.50\%) * (\$100M/\$500M)] + [(0\%) * (\$400M/\$500M)] \\ &= (3.50\% * 0.2) + (0\% * 0.8) \\ &= \mathbf{0.70\%} \end{aligned}$$

- At the discretion of Executive Director to add/subtract 0.40%, and
- for Projects which qualify for the interest credit, less up to 0.20% at the discretion of the Executive Director.