

830-RICR-10-20-1

TITLE 830 - INFRASTRUCTURE BANK

CHAPTER 10 – PROGRAMS

SUBCHAPTER 20 - ROAD AND BRIDGES

PART 1 - Municipal Road & Bridge Revolving Fund Loan Policies and Procedures

1.1 Purpose:

The within Loan Policies and Procedures of Rhode Island Infrastructure Bank (the "Bank") have been established to govern the lending activities of the Municipal Road and Bridge Revolving Fund in accordance with R.I. Gen. Laws Chapter 24-18 as amended.

1.2 Definitions:

Except as otherwise defined herein, the words and phrases used within these Loan Policies and Procedures have the same meaning as the words and phrases have in R.I. Gen. Laws Chapter 24-18 as amended.

1.3 Financial Assistance:

These policies and procedures govern the provision of financial assistance to cities and towns and other eligible Borrowers to make capital improvements to road, bridges and appurtenances thereto, in the form of loans with below market interest rates or interest rate subsidies which reduce the cost of financing eligible projects in an amount equivalent to one third (1/3) of the Borrower's market rate or such other subsidy assistance as determined by the Bank. Financially distressed local governmental units may receive enhanced financial assistance as long as these loans do not have an adverse effect on other participants in the loan programs of the Bank; bond holders; other creditors of the Bank; or the financials of the Bank.

1.4 Loan Application:

- A. Requests for financing should be submitted in writing by the Chief Executive Officer or other authorized official of the Borrower to the Executive Director of the Bank. The written request shall include:

1. A description of the project to be financed with the projected construction and completion schedule. In the case of a refinancing, a description of the completed project and the terms and source of previous financing.
2. A description of the dedicated source of loan repayment, i.e., general revenues of cities and towns or other source of revenue acceptable to the Bank.
3. A description of the overall operations of the Borrower, including but not limited to the most recent annual report or audited financials, with an emphasis on:
 - a. Legal structure;
 - b. Management;
 - c. Sources of revenues;
 - d. Operating expenses;
 - e. Operating surpluses or deficits;
 - f. Actual results versus budget; and
 - g. Sources of financial liquidity.
4. Legal authority or authorities to construct, finance and operate the project.
5. The past five years Audited Financial Statements in accordance with Generally Accepted Government Accounting Standards or Generally Accepted Accounting Principals; or other historical financial information that the Bank deems appropriate.
6. Financial and demographic information.
7. For revenue bonds, financial projections over the life of the financing showing sources of revenues, operating expenses, capital replacement reserves, user fee impact analysis, and cash available for debt service.
8. Such other information as the Bank may reasonably require.

1.5 Loan Approval Process:

- A. Loan approvals are subject to the following terms:

1. That all projects to be funded appear on the Rhode Island Department of Transportation ("RIDOT") Project Priority List;
 2. That the loan comply with all federal, state and Bank laws, rules and regulations;
 3. That the loan and debt service requirements be approved by any applicable regulatory Agency;
 4. That a satisfactory loan agreement be signed by all parties to the transaction.
 5. That the loan will be made subject to availability of funds as related to the Bank's capacity; and that the loan will be made subject to ranking on RIDOT's Project Priority List;
 6. The Bank will conduct a financial analysis for each loan application which may include, but not limited to:
 - a. Sources of revenue and financial liquidity;
 - b. Historical and projected financial operating results;
 - c. Present and future debt service requirements;
 - d. Impact of dedicated user fees and/or general revenues;
 - e. Cost of the project and estimated completion schedule;
 - f. Long term capital replacement planning;
 - g. Socioeconomic conditions and trends;
 - h. Management qualifications and experience;
 - i. Effects of legal structure and any regulator control;
 - j. The useful life of the project as determined by RIDOT; and
 - k. Any other information that the Bank or its Board of Directors may require.
- B. If the Board approves the application, a commitment letter will be issued to the Borrower for their acceptance, outlining the terms and conditions of the loan.

1.6 Terms and Conditions:

- A. **Borrowing Rate** - Pursuant to R.I. Gen. Laws Chapter 24-18, the Bank will make loans for approved, eligible projects at a rate of interest that is reduced from the Borrower's market rate. The amount of subsidy assistance (the "Subsidized Interest Rate") shall be in an amount equivalent to one third (1/3) of the Borrower's market rate or such other subsidy assistance as determined by the Bank. Interest is to be calculated on the basis of a three hundred sixty (360) day year and twelve (12) thirty (30) day months on the outstanding loan balance, paid semi-annually on March 1st and September 1st, and may be capitalized during construction. Borrowers will be contractually liable for the Market Rate on the Loan but will be billed only for the Subsidized Interest Rate. In the event of a default by the Borrower or other Borrowers in the MRBRF program, the Bank may bill the Borrower for the Market Rate.
- B. **Loan Fees** - The Bank will charge an Origination Fee of one percent (1.0%) of the principal amount of the loan at closing with a minimum of one thousand dollars (\$1,000). All out of pocket closing costs, i.e. Borrowers cost of issuance, Bank cost of issuance, Bank underwriting cost, and other closing costs, will be paid by the Borrower. The Bank will also charge an annual Service Fee of one half of one percent (0.50%) of the outstanding principal payable semi-annually at each interest payment date. A late payment fee will be charged for every fifteen (15) days that a payment is late of five percent (5.0%) of the amount of the payment.
- C. **Amortization** - Amortization will begin within one year after completion of construction and one year after closing for a refinancing. Principal payments will be made annually on September 1st and the schedule of payments will be structured to meet the debt service and financial assistance needs of the Borrower.
- D. **Final Maturity** - Loans funded from the Municipal Road and Bridge Fund may mature up to the duration of the useful life determination of the project by RIDOT. The final maturity of a loan will be a factor in determining the level of financial assistance to a Borrower.
- E. **Prepayments** - A loan may be prepaid by the Borrower at any time but may be subject to a prepayment penalty based on the cost of reinvesting the prepayment, the cost of prepaying outstanding bonds of the Bank or any other negative financial impact to the Bank.
- F. **Security** - Loans will have a pledge of:
 - 1. General revenues and/or other dedicated revenues of the Borrower; and

2. May be secured by any other assets and upon such other terms and conditions as the Bank deems appropriate to protect the interests of the other participants in the loan programs of the Bank; bondholders; other creditors of the Bank; or the finances of the Bank.
- G. Construction Progress Payments - Progress payments for each construction project will be made through the MRBRF. Loan proceeds will be transferred monthly from the MRBRF for each Borrower based upon approved Requisition Forms submitted to the Bank. Upon receipt of the Requisition Form, the Bank will verify:
1. that the Project appears on the RIDOT Project Priority List;
 2. the vendor is identified in the contract; and
 3. there is sufficient availability in the MRBRF to make the payment. Upon approval by the Bank and RIDOT, payments will be made directly to the vendor and/or the Borrower for reimbursements by the Bank, and a "paid" stamped copy of the Requisition Form will be sent to the Borrower and RIDOT. At its discretion, RIDOT will perform periodic project inspections to:
 - a. monitor construction progress;
 - b. verify eligibility of construction cost under the program; and
 - c. insure construction is in conformity with Plans and Specifications. RIDOT will provide a copy of any inspection reports to the Bank. Any adverse conditions, as determined by RIDOT, will be reported to the Bank who will suspend further payments until the adverse conditions have been rectified. RIDOT will perform a final project inspection before the final payment is made by the Bank.

1.7 Reporting Requirements:

- A. Borrowers will be required to provide information to the Bank during the life of the loan, including, but not limited to:
1. A copy of its Annual Audited Financial Statements in accordance with Generally Accepted Government Accounting Standards, annually within (9) nine months of end of fiscal year.
 2. An annual analysis of Operating Revenues and Expenses with an emphasis on the status of the dedicated revenues and/or general revenues securing the Borrower Bond and operating expenses in excess

of budget, annually within nine (9) months of the end of fiscal year if the Borrower Bond is not a general obligation Bond. If the Borrower Bond is a general obligation bond, paid from ad valorem taxes, unless included as a part of the annual budget, an analysis of municipal operating revenues and expenses and a comparison for the respective period, annually within nine months of the end of the fiscal year.

3. A copy of the annual budget of the Borrower, within fifteen (15) days of its adoption.
4. An annual schedule of current and projected short term and long term debt service.
5. An annual schedule of Capital Replacement Reserves.
6. Copies of reports submitted to RIDOT, the U.S. Department of Transportation, and any other regulatory agency relating to the projects financed.
7. During the construction period, an accounting of the monthly disbursements relating to the project.
8. Other information or reports that the Bank deems appropriate.

1.8 Loan Agreements:

There will be a Loan Agreement for each approved loan outlining the terms and conditions of the Bank's loan. The Loan will be evidenced by a general obligation pledge, pledge of other dedicated revenues, note(s) and/or bond(s) in "fully marketable form" or some other source of security deemed appropriate by the Bank.

1.9 Compliance with State and Federal Law:

The Borrower must comply with all applicable state laws and regulations. Recipients of loans from the MRBRF must also comply with all requirements of and regulations and guidance issued thereunder in addition to any other applicable federal laws and regulations.

1.10 Modifications:

Where deemed appropriate by the Bank, waiver or variation of any provisions herein may be made or additional requirements may be added.

1.11 Severability:

If any provision of this Part or the application thereof to any local governmental unit, person, or corporation is held invalid by a court of competent jurisdiction, the remainder of this Part shall not be affected thereby. The invalidity of any section or sections or parts of any section or sections shall not affect the validity of the remainder of this Part.

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