

TITLE 830 - INFRASTRUCTURE BANK

CHAPTER 10 - PROGRAMS

SUBCHAPTER 05- ENERGY

PART 1 – Efficient Buildings Fund Policies and Procedures

1.1 Purpose

The within Policies and Procedures of ~~the~~ Rhode Island Infrastructure Bank (the “Bank”) have been established to govern the ~~lending~~~~financing~~ activities of the Efficient Buildings Fund in accordance with R.I. Gen. Laws Chapter 46-12.2 as amended ~~of the Rhode Island General Laws~~ (the “EBF Act”).

1.2 Definitions

Except as otherwise defined herein, ~~T~~the words and phrases used within these Loan Policies and Procedures have the same meaning as the words and phrases in R.I. Gen. Laws Chapter 46-12.2 as amended ~~of the Rhode Island General Laws~~ and the Efficient Buildings Fund Project Priority List (300-RICR-00-00-1).

1.3 Financial Assistance

~~The objective of~~ these Policies and Procedures govern the provisionis to provide ~~the terms~~ of financial assistance available to local governmental units (“Borrowers”) for energy efficiency and renewable energy projects. Financial assistance may include below market interest rates, interest rate subsidies or other credit enhancements which reduce the cost of financing eligible projects. The amount of ~~additional~~ subsidy, if any, shall be determined by the ~~Bank~~~~board of~~ Directors. At the discretion of the ~~Bank~~~~board of~~ Directors, financially distressed ~~Borrowers~~~~local governmental units~~ may receive financial assistance with a higher amount of ~~additional~~ subsidy as long as the additional subsidy does not have an adverse effect on other participants in the Efficient Building Fund; bond holders; other creditors of the Bank; or the finances of the Bank. In determining those Borrowers that qualify as “financially distressed” the Bank may consider the criteria set forth in R.I. Gen. Laws §§ 45-13-12(b)(1) through (4) as amended.

1.4 Loan Application

- A. Requests for financing should be submitted in writing by the Chief Executive Officer or other authorized officer of the Borrower~~local governmental unit~~ to the Executive Director of the Bank. The written request should generally~~must~~ include:
1. A description of the project(s) 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 source of repayment, i.e., ~~projected energy efficiency savings, as defined in the EBF Act;~~ general revenues of the Borrower or other source of revenue acceptable to the Bank~~ities and towns~~; appropriations pledge; or other dedicated source revenue of the Borrower.
 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:
~~local governmental unit with an emphasis on the items listed below. The most recent annual report or audited financials may be submitted in satisfaction of all or any part of this item:~~
 - ~~l~~Legal structure;
 - ~~m~~Management;
 - ~~s~~Sources of revenues;
 - ~~e~~Operating expenses;
 - ~~e~~Operating surpluses or deficits;
 - ~~a~~Actual results versus budget;
 - ~~s~~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.
 6. Financial and demographic information.

7. 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 Office of Energy ~~Resources~~ ("OER") **Project Priority List** in accordance with the EBF Act. Projects not listed on the project priority list shall not be eligible for financial assistance from the EBF; ~~In accordance with the EBF Act, approvals for financial assistance are subject to the project(s) being listed on the project priority list established by the Rhode Island Office of Energy Resources. Projects not listed on the project priority list shall not be eligible for financial assistance from the EBF. The Bank will conduct a financial analysis for each application which will take into consideration:~~
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 ~~OER's Project Priority List~~.
6. The Bank will conduct a financial analysis for each loan application which ~~may include, but not be limited to~~:
 1. a. ~~Projected energy efficiency savings~~;
 2. b. ~~Sources of revenue and financial liquidity~~;
 3. c. ~~Historical and projected financial operating results~~;
 4. d. ~~Present and future debt service requirements~~;
 5. e. ~~Impact of dedicated user fees and/or general revenues~~;
 6. f. ~~Cost of the project and completion schedule~~;
 7. g. ~~Long term capital replacement planning~~;

8. ~~h.~~ Socioeconomic conditions and trends;
9. ~~i.~~ Management qualifications and experience;
10. ~~j.~~ Effects of legal structure and any regulator control; and
- ~~k.~~ aAny other information that the Bank or its Board of Directors may require.

- B. ~~Based on the above and any other factors deemed relevant by the Bank, the Board of Directors shall consider an application for approval. If the Board approves the application an application is approved for funding from the EBF, a~~ commitment letter will be issued to the applicant Borrower for their acceptance, outlining the terms and conditions of the loan.

1.6 Terms and Conditions

- A. Interest/Pricing: Financial assistance may include below market interest rates, interest rate subsidies or other credit enhancements which reduce the cost of financing eligible projects. The amount of additional subsidy, if any, shall be determined by the ~~Board of Directors~~. At the discretion of the ~~Board of Directors~~, financially distressed ~~local governmental units Borrowers~~ may receive financial assistance with a higher amount of additional subsidy as long as the terms of the financial assistance do not have an adverse effect on other participants in the Efficient Buildings Fund; bond holders; other creditors of the Bank; or the finances of the Bank.
1. Interest is to be calculated on the basis of a three hundred and 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 EBF program, the Bank may bill the Borrower for the Market Rate.
- B. Fees: The Bank will charge an Origination Fee of one percent (1.0%) of the ~~face~~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 costs, and any other closing costs, will be paid by the borrower(s). 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. Term/Final Maturity: The length of the term of financial assistance awarded shall be determined by the Bank in consultation with the Borrower. The useful life of the project(s) shall, among other factors, determine the length of the term of the financial assistance. For applications with multiple projects with varying lengths of useful life, a blended useful life calculation may be utilized.
- E. Prepayments: The 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: Each project funded through an Efficient Buildings Fund loan shall be subject to an investment grade audit to establish the projected energy savings. All audits shall be reviewed and verified by the OER. Loans will have a pledge of:
- ~~1. Projected energy efficiency savings (as set forth in the investment grade audit) associated with the project(s);~~
 12. An appropriations pledge;
 23. General revenues; or
 34. May be secured by any other assets or pledges of the Borrower and upon such other terms and conditions as the Bank deems appropriate to protect the interests of the other participants in the EBF program of the Bank; bondholders; other creditors of the Bank; or the finances of the Bank.
- G. Construction Progress Payments:
1. Progress payments for each construction project will be made through the Construction Proceeds Fund (CPF). Loan proceeds will be transferred monthly from the CPF for each Borrower based upon approved Requisition Forms submitted to the Bank. Upon receipt of the Requisition Forms s and all associated Requisition Documentation, the Bank will verify:
 - a. That the costs requisitioned for payment are in connection with a project(s) listed on the project priority list established by the Office of Energy Resources;

- b. The vendor is identified in the contract; and
 - c. There is sufficient availability in the CPF to make the payment; ~~and-~~
 - d. The OER has reviewed the Requisition Forms and Requisition Documentation and approved payment be made by the Bank.
2. Payments will be made directly~~er~~ 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.
 3. The ~~Office of Energy Resources~~ will perform periodic project inspections to:
 - a. Monitor construction progress;
 - b. Verify eligibility of construction cost under the program; and
 - c. Ensure construction is in conformity with Plans and Specifications.
 4. The ~~Office of Energy Resources~~ will provide a copy of the inspection report to the Bank. Any adverse conditions will be reported to the Bank, who may suspend further payments until the adverse conditions have been rectified. The ~~Office of Energy Resources~~ 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, the following:
 1. A copy of its Annual Audited Financial Statements in accordance with Generally Accepted Government Accounting Standards, annually within nine (9) months~~180 days~~ 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 part of the annual budget, an analysis of Borrower operating revenues and expenses and a comparison for the respective period, annually within nine (9) 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 ~~RI Office of Energy Resources~~, 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 as and when ~~that~~ the Bank may reasonably require ~~deems appropriate.~~

1.8 Loan/Financing Agreements

There will be a Loan/Financing Agreement for each approved loan outlining the terms and conditions of the loan.

1.9 Compliance with Federal, State and Local Law

~~Recipients of loans~~ The Borrower must comply with all applicable federal, state and local 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 ~~these rules and regulations~~ 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 ~~the rules and regulations~~ 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 ~~these rules and regulations~~.