

## **TITLE 830 – INFRASTRUCTURE BANK**

### **CHAPTER 10 – PROGRAMS**

#### **SUBCHAPTER 40 - MUNICIPAL RESILIENCE PROGRAM**

##### **Part 1 – MUNICIPAL RESILIENCE PROGRAM POLICIES AND PROCEDURES**

### **1.1 Purpose and Scope**

The within Policies and Procedures of Rhode Island Infrastructure Bank (the "Bank") have been established to govern the provision of financial assistance from the Municipal Resilience Program ("MRP") to applicants for resiliency related infrastructure projects. Grants and loans from the MRP will help to identify top hazards, improve community resiliency, and strengthen public safety in the face of increased flooding, rising sea levels, more frequent and intense storm events, and warming air and water temperatures.

### **1.2 Authority**

These rules and regulations are promulgated pursuant to the authority provided by R.I. Gen. Laws § 46-12.2-4.

### **1.3 Definitions**

- A. Except as otherwise defined herein, the words and phrases used within this Part shall have the same meaning as the words and phrases in R.I. Gen Laws § 46-12.2-2, as amended.
- B. For the purposes of this Part, the following terms are defined as follows:
  - 1. "Approved project" shall have the same meaning as in R.I. Gen. Laws § 46-12.2-2.
  - 2. "Applicant" or "Borrower" means any local governmental unit as defined in R.I. Gen. Laws § 46-12.2-2.
  - 3. "Executive Director" means the Executive Director of Rhode Island Infrastructure Bank or his or her designee(s).
  - 4. "In-kind services" means a non-cash contribution of value provided by the applicant, including but not limited to the value of personnel, goods, or services provided by the Applicant.

5. "Resiliency related infrastructure project" or "Project" means any project, including but not limited to, restoring and/or improving the resiliency of infrastructure, vulnerable coastal habitats, river and stream floodplains, and watersheds.

## **1.4 Financial Assistance**

- A. These Policies and Procedures govern the provision of financial assistance available to applicants for resiliency related infrastructure projects. Financial assistance may include grants, loans, below market interest rates, interest rate subsidies or other credit enhancements which reduce the cost of financing eligible projects. The amount of subsidy, if any, shall be determined by the Bank. At the discretion of the Bank, financially distressed Borrowers may receive financial assistance with a higher amount of subsidy as long as the additional subsidy does not have an adverse effect on other participants in the MRP; bond holders; other creditors of the Bank; or the finances of the Bank. In determining those Borrowers which 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.
- B. Requests for financial assistance shall be submitted in writing by the Chief Executive Officer or other authorized officer of the applicant to the Executive Director of the Bank pursuant to the applicable requirements of §§ 2.6 or 2.7 of this Part.

## **1.5 Project Categories and Eligible Costs**

- A. Applications for funds to support resiliency related infrastructure planning processes will not be considered. Resiliency related infrastructure project planning processes that have identified possible resiliency related infrastructure projects should be substantially completed before the project state date.
- B. Resiliency related infrastructure projects whose primary purpose is to undertake scientific research, data analyses or vulnerability assessments will not be considered. However, funds can be utilized for data collection as part of monitoring activities to track progress and determine the effectiveness of the implemented resiliency related infrastructure project.
- C. Resiliency related infrastructure projects must show a clear nexus between climate change impacts being experienced in Rhode Island communities and the proposed project benefits.
- D. Project Categories.
  1. The following categories of projects will be considered either alone or in combination:

- a. Removal, Relocation or Redesign of Infrastructure - engineering and construction projects to redesign, relocate or remove vulnerable facilities and infrastructure (e.g., culverts, dams, buildings/facilities, roadways/evacuation routes in both coastal and riverine areas) to protect and preserve function over the design life of the infrastructure or eliminate risk by removing the structure, given projected climate change impacts (e.g. increasing precipitation, sea level rise and increasing temperatures).
- b. Nature-Based Solutions - projects that protect or enhance Rhode Island's natural systems in the face of projected climate change impacts. Projects can include green infrastructure projects that utilize vegetation and pervious surfaces to manage coastal, riverine, and inland flooding, erosion and storm damage. Projects can also include the restoration of natural shorelines and riparian habitats so as to enhance the protection of communities.

#### E. Project Costs

- 1. The following types of costs are eligible to be paid for from financial assistance provided from the MRP pursuant to this Part:
  - a. Environmental consulting.
  - b. Engineering consulting.
  - c. Legal and other direct project related professional services
  - d. Plantings, reforestation, landscaping.
  - e. Construction.
  - f. Materials.
  - g. Professional survey services.
  - h. Land acquisition activities.
  - i. Monitoring.
  - j. Personnel costs directly related to the performance of the project.
  - k. Community engagement.
- 2. Types of costs that are ineligible to receive monies from the MRP include:
  - a. Administrative costs including clerical support, monthly utility expenses, the purchase of office equipment, personnel costs associated with fund raising for the nongovernmental entity, etc.

- b. State or federal lobbying costs.
- c. Response costs for emergency response actions caused or exacerbated solely by the applicant or their agents or assigns.
- d. Any fines, damages, assessments, settlements or other monies paid in connection with any litigation or administrative proceeding with any local, state or federal regulatory agencies.

## **1.6 Grant Application & Review**

- A. The grant application should generally include:
  - 1. A concise summary identification of the Applicant and the resiliency related infrastructure project.
  - 2. Information about the resiliency related infrastructure project including a description of:
    - a. How the project will identify top hazards, improve community resiliency, and strengthen public safety in the face of increased flooding, rising sea levels, more frequent and intense storm events, and warming air and water temperatures; and
    - b. How the project leverages the Applicant's municipal capital improvement plan, local hazard mitigation plans, and/or local comprehensive plans.
    - c. Any matching funds the Applicant intends to commit to the project.
  - 3. A proposed project schedule and budget.
  - 4. Any additional information that the Bank may require.
- B. The Bank shall review all grant applications, and may, in its discretion, establish an advisory group to assist in the review of grant applications.

## **1.7 Loan Application**

- A. The written request should generally 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., general revenues of the Borrower or other source of funds acceptable to the Bank including but not limited to an appropriations pledge.
3. A description of the overall operations of the Borrower, including but not limited to the most recent annual report and audited financials, with an emphasis on:
  - a. Legal structure;
  - b. Management;
  - c. Sources of revenues;
  - d. Operating expenses;
  - e. Operating surpluses or deficits; and
  - f. 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.

## **1.8 Loan Approval Process**

- A. Loan approvals are subject to the following terms:
  1. That the loan complies with all federal, state and Bank laws, rules and regulations;
  2. That the loan and debt service requirements be approved by any applicable regulatory agency;
  3. That a satisfactory loan agreement be signed by all parties to the transaction;
  4. That the loan will be made subject to availability of funds.
- B. The Bank will conduct a financial analysis for each loan application which may include, but not be limited to:
  1. Sources of revenue and financial liquidity;

2. Historical and projected financial operating results;
  3. Present and future debt service requirements;
  4. Impact of dedicated user fees and/or general revenues;
  5. Cost of the project and completion schedule;
  6. Socioeconomic conditions and trends;
  7. Management qualifications and experience;
  8. Effects of legal structure and any regulator control; and
  9. Any other information that the Bank may require.
- C. If the Board approves the loan application, a commitment letter will be issued to the Borrower for their acceptance, outlining the terms and conditions of the loan.
- D. The Bank shall review all loan applications, and may, in its discretion, establish an advisory group to assist in the review of loan applications.

## **1.9 Loan 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 Bank. At the discretion of the Bank, financially distressed 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 financial effect on other participants in the Municipal Resilience Program; bond holders; other creditors of the Bank; or the finances of the Bank.
1. Interest, if any, 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, and at the Bank's discretion, paid semi-annually on March 1st and September 1st, and may be capitalized during construction.
- B. Fees: The Bank may charge an Origination Fee of up to one percent (1.0%) of the principal amount of the loan at closing. 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 may also charge an annual Service Fee of up to three-tenths of one percent (0.3%) 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 the Municipal Resilience Program will have a pledge of:
1. An appropriations pledge;
  2. General revenues; or
  3. 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 Municipal Resilience 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 a construction fund established for the MRP. Loan proceeds will be transferred monthly from the construction fund for each Borrower based upon approved Requisition Forms submitted to the Bank. Upon receipt of the Requisition Forms and all associated Requisition Documentation, the Bank will verify:
    - a. That the costs requisitioned for payment are in connection with the approved resiliency related infrastructure project(s);
    - b. The vendor is identified in the contract; and
    - c. There is sufficient availability of funds approved for the project to make the payment.

2. 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.
3. The Bank or its designee may 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 Bank or its designee will perform a final project inspection before the final payment is made by the Bank.

## **1.10 Loan 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 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. Copies of reports submitted to any other regulatory agency relating to the resiliency related infrastructure project(s) financed.
  6. During the construction period, an accounting of the monthly disbursements relating to the project.
  7. Other information or reports as and when the Bank may reasonably require.



## **1.11 Grant Terms and Conditions and Reporting Requirements**

- A. The terms and conditions and reporting requirements for grants from the Municipal Resilience Program will be established by the Bank and set forth in the grant agreement.
- B. Construction Progress Payments
  - 1. Progress payments for each construction project will be made through a construction fund established for the MRP program. Grant proceeds will be transferred monthly from the construction fund for each Borrower based upon approved Requisition Forms submitted to the Bank. Upon receipt of the Requisition Forms and all associated Requisition Documentation, the Bank will verify:
    - a. That the costs requisitioned for payment are in connection with the approved resiliency related infrastructure project(s);
    - b. The vendor is identified in the contract; and
    - c. There is sufficient availability of funds approved for the project to make the payment.
  - 2. 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.
  - 3. The Bank or its designee may 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 Bank or its designee will perform a final project inspection before the final payment is made by the Bank.

## **1.12 Grant or Loan Agreements**

There will be a Grant or Loan Agreement for each award of approved financial assistance outlining the terms and conditions of the grant or loan, as applicable.

## **1.13 Compliance with Federal, State and Local Law**

The Applicant must comply with all applicable federal, state and local laws and regulations.

## **1.14 Modifications**

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

## **1.15 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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**Department of State**

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