

RHODE ISLAND INFRASTRUCTURE BANK

EFFICIENT BUILDINGS FUND

POLICIES AND PROCEDURES

Adopted _____, 2015

AUTHORITY: Policies and Procedures adopted in accordance Chapter 46-12.2 of the Rhode Island General Laws.

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POLICIES AND PROCEDURES

- I. **PURPOSE:** The within Policies and Procedures of the Rhode Island Infrastructure Bank (the “Bank”) have been established to govern the financing activities of the Efficient Buildings Fund in accordance with Chapter 46-12.2 of the Rhode Island General Laws (the “EBF Act”).
- II. **DEFINITIONS:** The words and phrases used within these Policies and Procedures have the same meaning as the words and phrases in Chapter 46-12.2 of the Rhode Island General Laws.
- III. **FINANCIAL ASSISTANCE:** The objective of these Policies and Procedures is to provide the terms of financial assistance available to local governmental units, and, to the extent otherwise eligible, the State of Rhode Island and its agencies, for energy efficiency and renewable energy projects. 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. Financial assistance will be provided at the Borrower’s market rate of interest, and may include an additional subsidy in the form of 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.
- IV. **APPLICATION:** Requests for financing should be submitted in writing by the Chief Executive Officer of the local governmental unit or, to the extent otherwise eligible, by an authorized official of the State of Rhode Island, to the Executive Director of the Bank. The written request 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., appropriations pledge; projected energy efficiency savings; general revenues of cities and towns; and/or other dedicated sources of revenue of the Borrower.
 - 3) A description of the overall operations of the Borrower 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 Accounting Principles (GAAP).

6) Financial and demographic information.

V. APPROVAL PROCESS: 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:

- 1) projected energy efficiency savings
- 2) turnkey contract(s) with vendors constructing the project
- 3) sources of revenue and financial liquidity
- 4) historical and projected financial operating results
- 5) present and future debt service requirements
- 6) impact of dedicated user fees and/or general revenues
- 7) cost of the project and completion schedule
- 8) long term capital replacement planning
- 9) socioeconomic conditions and trends
- 10) management qualifications and experience
- 11) effects of legal structure and any regulatory bodies

Based on the above and any other factors deemed relevant by the Bank, the Board of Directors shall consider an application for approval. If an application is approved for funding from the EBF, and such approval requires the Borrower to submit an Investment Grade Audit pursuant to Section VI herein, an initial commitment letter will be issued to the applicant for their acceptance. Upon receipt of an indication of approval from the Office of Energy Resources, or its designated representative, of the Investment Grade Audit as set forth in Section VI herein, the application will be submitted to Bank Board of Directors for final approval. If an application is approved for funding from the EBF and an Investment Grade Audit is not required, the Bank will issue a final commitment letter to the applicant for their acceptance.

VI. TERMS AND CONDITIONS:

1) Interest/Pricing - Financial assistance will be provided at the Borrower's market rate of interest, and may include an additional subsidy in the form of 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 may receive financial assistance with an enhanced additional subsidy provided the terms of the financial assistance do not have an adverse effect on other participants in the Efficient Building Fund; bond holders; or other creditors of the Bank; all as determined by the Bank. Financially distressed local governmental units are those communities meeting the requirements for such designation as set forth in Chapter 45-13 of the Rhode Island General Laws.

Interest is to be calculated on the basis of a 360 day year and twelve 30 day months on the

outstanding loan balance, paid semi-annually on March 1st and September 1st, and may be capitalized during construction.

- 2) Fees - The Bank will charge an Origination Fee of up to 1.0% of the face amount of the loan at closing with a minimum of \$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 up to 0.50% of the outstanding principal payable semi-annually at each interest payment date. A late payment fee of 5.0% of the amount of the payment due will be charged for every 15 days that a payment is late.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) Security - Loans will have a pledge of (a) an appropriations pledge; (b) projected energy efficiency savings; (c) general revenues; or (d) 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; or other creditors of the Bank, all as determined by the Bank.
- 7) Audits – At the discretion of the Bank, Investment Grade Energy Audits (IGEA) in form and substance satisfactory to the Office of Energy Resources, or its designated representative and the Bank, may be required prior to final loan approval by the Bank Board of Directors. Investment Grade Audits shall, at a minimum, meet the standards established for an ASHRAE Level 2 audit. Such determination will be made at the time of the initial review of an application for financial assistance by the Bank Board of Directors. The Office of Energy Resources, or its designated representative, shall review any IGEA submitted in connection with an application for financial assistance, and shall forward an indication of its approval of the IGEA to the Bank prior to final loan approval by the Bank Board of Directors.
- 8) School Projects - Any financial assistance provided by the Bank to a Borrower for the purpose of retrofitting a school building shall not be subject to the match established by Rhode Island general laws §§ 16-7-35 to 16-7-47, and shall be made subject to coordination with the Rhode Island department of education.
- 9) Construction Progress Payments - Progress payments for each construction project will be made through the Construction Proceeds Fund (CPF). The Office of Energy Resources or its designated representative 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. The Office of Energy Resources or its designated representative will provide a copy of inspection reports to the Bank. Any adverse conditions related to the project will be reported by the Office of Energy Resources or its designated representative to the Bank who will suspend further payments until the adverse conditions have been rectified. The Office of Energy Resources or its designated representative will perform a final project inspection and forward a written final inspection report to the Bank before the final payment is made by the Bank.

VII. REPORTING REQUIREMENTS: 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 180 days of end of fiscal year.
- 2) A copy of the annual budget of the Borrower, within fifteen days of its adoption.
- 3) An annual schedule of current and projected short term and long term debt service.
- 4) An annual schedule of Capital Replacement Reserves.
- 5) Copies of reports submitted to RI Office of Energy Resources, and any other regulatory agency relating to the projects financed.
- 6) During the construction period, an accounting of the monthly disbursements relating to the project.
- 7) Other information or reports that the Bank deems appropriate.

VIII. LOAN/FINANCING AGREEMENTS: There will be a Loan/Financing Agreement for each approved award of financial assistance outlining the terms and conditions.

IX. COMPLIANCE WITH FEDERAL, STATE, & LOCAL LAW: Recipients of financial assistance must comply with all applicable federal, state and local laws and regulations.

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

Public Notice Date: November 2, 2015

Public Hearing Date: November 12, 2015

Filed With Secretary of State:

Effective Date: