

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 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 Board of Directors. At the discretion of the Board of Directors, financially distressed 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.
- IV. **APPLICATION:** Requests for financing should be submitted in writing by the Chief Executive Officer of the local governmental unit 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., projected energy efficiency savings, as defined in the EBF Act; general revenues of cities and towns; appropriations pledge; or other dedicated source revenue of the Borrower.
 - 3) A description of the overall operations of the local governmental unit 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.
 - 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) sources of revenue and financial liquidity
- 3) historical and projected financial operating results
- 4) present and future debt service requirements
- 5) impact of dedicated user fees and/or general revenues
- 6) cost of the project and completion schedule
- 7) long term capital replacement planning
- 8) socioeconomic conditions and trends
- 9) management qualifications and experience
- 10) effects of legal structure and any regulator control

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, a commitment letter will be issued to the applicant for their acceptance.

VI. TERMS AND CONDITIONS:

1) 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 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 Building Fund; bond holders; other creditors of the Bank; or the finances of the Bank.

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 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 .50% of the outstanding principal payable semi-annually at each interest payment date. A late payment fee will be charged for every 15 days that a payment is late of 5.0% of the amount of the payment.

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) projected energy efficiency savings [as set forth in the investment grade audit] associated with the project(s); (b) an appropriations pledge; (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; other creditors of the Bank; or the finances of the Bank.

7) Construction Progress Payments - 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 Form, 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. 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. 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) insure construction is in conformity with Plans and Specifications. 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.

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 loan outlining the terms and conditions of the loan.

IX. COMPLIANCE WITH FEDERAL, STATE, & LOCAL LAW: Recipients of loans 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:

Public Hearing Date:

Filed With Secretary of State:

Effective Date: