



Rhode Island Infrastructure Bank
and
Department of Environmental Management

Hereby submit the

*Clean Water State Revolving Fund Annual Report
For the Period from July 1, 2018 through June 30, 2019*

I. Introduction

Rhode Island Infrastructure Bank (Bank) and the Rhode Island Department of Environmental Management (RIDEM), Office of Water Resources, are pleased to submit our Annual Report for the period from July 1, 2018 through June 30, 2019 (SFY 2019) to the Environmental Protection Agency Region 1.

The report describes how through the collaborative efforts of the Bank and RIDEM the goals and objectives have been met in the Clean Water State Revolving Fund (CWSRF) for all funds in the CWSRF as outlined in the Intended Use Plan (IUP). The actual use of funds received and the financial status of the CWSRF are also reported.

The Rhode Island CWSRF (the Program) is co-administered by the Bank and RIDEM as set forth in a Memorandum of Understanding (MOU) by and between the Bank and RIDEM. The Bank is responsible for the financial aspects of the program including loan origination and servicing, and grant administration. RIDEM is responsible for establishing assistance priorities; assisting in the development of the IUP, maintaining the project priority list (PPL), determining project eligibility, performing technical project reviews, monitoring construction, review of project disbursements, and project closeouts.

Table I illustrates the loan overview for SFY 2019.

**Table I
Loan Overview – SFY 2019**

<i>Number of Projects</i>	34
<i>Project Funding (Closed Loans)</i>	3
<i>Average Interest Rate</i>	2.20%

**Table II
Clean Water Loans Closed – SFY 2019**

Borrower	Projects	Project Amount
Narragansett Bay Commission (NBC) Pool #20	Programmatic Financing (29 projects identified)	\$35,000,000
Bristol #7	WWTF & Collection System	\$2,270,000
New Shoreham #1	Block Island Landfill Slope Repair	\$1,995,000
Total		\$39,265,000

II. Goals and Accomplishments

As required by the Clean Water Act (CWA), the Program has identified the following goals for the CWSRF. The goals described below, along with progress made in achieving the goals, are grouped according to short- and long-term objectives and are not listed in any order:

Short-term Goals

Goal #1: Effectively manage the Program and maintain timely distribution of Program funds.

Progress: The Bank and RIDEM continue to manage the program per the requirements of the CWA.

Goal #2: Continue to encourage new project eligibilities including green and resilient components.

Progress: The New Shoreham project was both a non-point source and a climate resiliency project.

Goal #3: Administer rules, regulations, loan policies and procedures, and continue to manage guidelines that are conducive to the proper functioning of the Program while ensuring compliance with the CWA.

Progress: Both the Bank and RIDEM used a State mandated regulations recodification process to update and streamline the CWSRF-related regulations and related policies and procedures.

Goal #4: Develop a comprehensive need based IUP and prepare an annual report which lists the Program’s accomplishments for the fiscal year and submit to EPA in a timely manner.

Progress: The IUP and Annual Report has been reformatted and submitted to EPA in a timely manner.

Long-term Goals

Goal #5: Protect the public health and the environment and promote completion of cost-effective projects.

Progress: The Bank and RIDEM continue to manage the Program per the requirements of the CWA.

Goal #6: Assure full compliance with Title VI of the CWA and all federal crosscutting requirements as per the 1987 CWA amendments.

Progress: Rhode Island requires all projects, not just equivalency projects, to follow Title VI and crosscutters.

Goal #7: Manage the Program such that it will operate in perpetuity.

Progress: The Bank and RIDEM have the necessary rules and guidelines in place to achieve this goal. Both entities will continue to promote the program and maintain a pipeline of projects that are eligible to receive funding.

Goal #8: Place emphasis on projects focus on attaining compliance with Rhode Island Pollutant Discharge Elimination System (RIPDES) permit limitations and reinforce the importance of attaining general water quality standards where they are negatively impacted by municipal point-source discharges and/or sources of nonpoint source pollution.

Progress: NBC is the only RIPDES permit holder currently on a consent order (Phase III CSO Abatement). NBC received a \$35M CWSRF loan in SFY 2019.

Goal #9: Continue to evaluate environmental needs throughout the State, by rating specific projects for water quality improvement and/or protection and strive to distribute Program funds in a priority manner.

Progress: RIDEM updated its priority setting criteria in SFY 2019.

Goal #10: Continue to assist all prospective borrowers during all phases of project development, including the financing process.

Progress: Both RIDEM and the Bank assists all borrowers, both current and prospective, in all aspects of the CWSRF experience.

Goal #11: Continue efforts to improve the water quality of the Narragansett Bay and its tributaries, which is designated as an Estuary of National Significance and the Wood-Pawcatuck Watershed nationally which is a designated Wild and Scenic River.

Progress: The Bristol and NBC loans are for projects in the Narragansett Bay Watershed. There was one Community Septic System Loan Program (CSSLP) borrower loan in the Wood-Pawcatuck Watershed in SFY 2019.

Goal #12: Coordinate with all related partners on the support of borrowers for stormwater, non-point source, resiliency and other weather-related projects.

Progress: The New Shoreham project was both a non-point source and climate resiliency project.

III. CWSRF Funding

The following section presents information on funding sources and the intended and actual uses of

the dollars in the CWSRF Program.

Sources of CWSRF Funding

Federal Capitalization Grants and State Match continue to be major sources of funding for the Program. The Bank's bond leveraging ratio is ~2 to 1. As a result, the Bank can maximize its loan capability by issuing revenue bonds to meet the funding need.

The program also has deallocated Local Interest Subsidy Trust (LIST) funds, Federal Direct Loan Repayments and State Match direct loan repayments to lend. From time-to-time, these funds will be used to fund "Direct Loans" (i.e., not leveraged) or for revenue bond pool issues should the loan demand and timing dictate the need.

The Bank did not issue any Program bonds in SFY 2019.

Capitalization Grants

The Program has received to date is \$294,725,740 in Federal Capitalization Grant funds. State Match received has been \$53,682,228. During this reporting period, the State received its FFY 2018 Federal Capitalization Grant of \$10,077,000.

The State chose not to transfer capitalization grants from the CWSRF to the DWSRF or vice-versa but reserves the right to do so if the need arises. Since program inception, no transfers have been made.

State Match

For the FFY 2018 Federal Capitalization Grant, the Bank received the entirety of the State Match requirement of \$2,155,400 from the State.

In order to fulfill the proportionality requirement, the State will continue to use the 100% state match equivalent disbursement method to ensure compliance with the Federal Capitalization Grant requirements.

Loan Terms and Fees

The CWSRF program offers an economic benefit to its borrowers in the form of loan interest subsidization. The standard interest rate is a reduction of 33% of the borrower's market rate of borrowing. Loans can be up to thirty years and can be structured to meet the repayment abilities unique to each borrower. Loan fees include a 1% loan origination fee and a 50-basis point (one-half of one percent) service fee on the outstanding balance of the loan. Interest is collected twice annually, and principal is collected once annually. The Bank uses those fees to cover expenses associated with operating the Program.

As required by EPA, the State agrees to: 1) to maintain records which account for servicing fees separate from CWSRF project funds, 2) to identify in the IUP all types of fees charged on loans and the amount of fees available, and 3) to include in the annual report the types of fees charged on loans, the amount of fees collected, and how those amounts were used.

The Local Interest Subsidy Trust (LIST)

The investment income earned on the principal of the LIST combined with the AAA rating of SRF bonds provides the interest rate subsidy for the SRF Loans. The principal of the LIST is a Debt Service Reserve for the Bank’s Revenue Bonds in the event of default of an SRF Loan. If an SRF Loan defaults, all borrowers’ interest rates could “step up” to the Stated Interest Rate (market) on the SRF Loan. This allows the Bank to use the investment income from the LIST to cure a default before the principal is used. As noted above, through these “reserve funds” and other sources of Program capital, the Bank can leverage the Federal Capitalization Grant approximately two times.

Additional Subsidization

The additional subsidization that was associated with the FFY 2018 Federal Capitalization Grant totaled \$1,077,700. In RIDEM’s solicitation for projects to be included on the PPL, RIDEM announced, to the extent permitted by EPA, that principal forgiveness funds will be applied to projects that constituted green infrastructure. NBC received principal forgiveness funds totaling \$1M. The City of Pawtucket was approved by the Bank’s Board of Directors in October 2018 for a \$750,000 loan of which \$77,700 was allocated as Principal Forgiveness. There was a delay in closing their loan. Their loan is anticipated to close on October 25, 2019.

Green Project Reserve (GPR)

The FY 2018 Omnibus Appropriation Act sets a goal, subject to eligible projects, that not less than 10% of each state capitalization grant be used to fund the GPR: green infrastructure, water and energy efficiency, and other environmentally innovative projects. A good faith solicitation must be open to all GPR eligible projects in each of the four GPR categories. The State’s annual open solicitation for projects is deemed enough for these purposes if that solicitation was open to all GPR eligible projects in each of the four GPR categories. The Bank agreed to include in its IUP such qualified projects, or components of projects, that total an amount at least equal to 10% (\$1,077,700) of its capitalization grant. The State documented the GPR solicitation process in its IUP.

The attached project list shows that 10% (\$1,077,700) of the total assistance amount is for projects or portions of projects meeting one or more of the specific objectives required by this provision. NBC received \$1,000,000 of GPR monies for a portion of their project. The City of Pawtucket was allocated \$77,700 in GPR during the reporting period but there was a delay in closing their loan. Their loan is anticipated to close on October 25, 2019.

Once the City of Pawtucket loan closes, both the Principal Forgiveness and GPR requirements will have been met.

**Table III
GPR Utilization**

Borrower	Project Name	GPR Category	Project Cost	GPR Allocation
NBC	CSO Ph III GSI Design 1304 High St	GI	\$2,100,000	\$1,000,000
Pawtucket*	Green Stormwater Infrastructure in TOD District	GI	\$750,000	77,700

GI = Green Infrastructure

*Has not closed yet

Interest Earnings and Repayments

The Program received \$60,393,219 and \$5,965,986 in principal and interest payments in SFY 2019. To date, no payment defaults have occurred.

IV. Construction Disbursements

Based on approved request for disbursements from borrowers, \$63.8 million of construction disbursements were processed during SFY 2019. Total loans receivable in the WPCRF is \$748.2 million.

V. Information on the CWSRF Activities Supported

The Program provides financial assistance to municipalities and sewer authorities using a variety of means to fund the loans. The maximum principal repayment period is 30 years following project completion. The initial principal payment may begin up to 12 months after construction is completed but cannot be greater than 5 years from the beginning of construction.

The Program has de-allocated LIST funds, Federal Direct Loan re-payments, and State Match direct loan repayments available to lend. These amounts will be used to fund “direct loans” (i.e., not leveraged) or for revenue bond pool issues during this IUP period as loan demand and timing dictates.

The Bank, in cooperation with RIDEM and Rhode Island Housing (RI Housing), continues to manage its Community Septic System Loan Program (CSSLP). RI Housing is the homeowner loan administrator on behalf of the community. The CSSLP allows communities without wastewater treatment facilities to access CWSRF funds. Communities can access the CSSLP after completing an On-Site Wastewater Management Plan (OWMP) approved by RIDEM. Once the plan appears on RIDEM’s PPL and the Certificate of Approval (CA) is obtained, the community will apply for a loan from the Bank to repair or replace failing or sub-standard septic systems. Once the loan is negotiated, the community may then allow residents to access the funds. The borrowing cost for the homeowner is 1% per annum of the outstanding loan balance and a \$300 loan origination fee for a term up to ten years. The Bank uses revolved funds to capitalize the CSSLP. Both RIDEM and the Bank view the CSSLP as a means of achieving the goals and objectives of the approved Section 319 Non-Point Source Management Plan.

In FY19, the Bank made one CSSLP loan to the Town of Charlestown for \$300,000. To date, the Bank has made fifty-five CSSLP loans to seventeen communities in the total amount of \$17,900,000.

VI. Activity outside the CWSRF

The Bank can make loans outside of the Federal Clean Water SRF. These loans are originated out of the Rhode Island Water Pollution Control Revolving Fund (RIWPCRF), Facility Plan Loan Program, Sewer-Tie-In Loan Fund, Stormwater Infrastructure Fund, conduit financings, and administrative loans.

Two loans were funded out of the Stormwater Infrastructure Fund during the reporting period. Woonasquatucket River Watershed Council received a loan for \$300,000 and NBC received a loan for \$10M for stormwater improvements.

VII. RIDEM Administrative Costs

During the reporting period, RIDEM received \$403,080 (4%) of the FFY 2018 Title VI funds for administrative support in managing and operating the Program. To date, a total of \$3,849,156 in Federal Capitalization Grant funds have been set aside for RIDEM’s administrative costs. Of this, RIDEM has utilized \$2,373,956 for administrative costs related to their Program oversight responsibilities. As of June 30, 2019, a balance of \$1,475,201 of “banked” administrative funds. As RIDEM has not utilized these funds in prior years they were utilized to fund borrower loans to various communities.

VIII. Binding Commitments

As noted above, during SFY 2019 the Bank disbursed \$63.8 million in constructions funds to ongoing wastewater planning, design, construction projects. A binding commitment occurs when a borrower has secured both a loan agreement from the Bank and a Certificate of Approval (CA) from RIDEM. Borrowing communities may sign loan agreements for multiple projects and the CA for a specific project can be issued in the current state fiscal year and/or following fiscal years.

**Table IV
Binding Commitments Made – SFY 2019**

Borrower	Project Name	Amount	Binding Cmt. Date
East Greenwich	WWTF Lighting Upgrade	\$59,861	09/17/18
NBC	304-66C Improvements to Interceptors FY18	\$3,150,000	07/30/18
NBC	305-03C BVI Wetland Easement Restoration	\$607,000	04/3/19
NBC	304.67C Improvements. To Interceptors FY19	\$5,913,000	05/20/19
NBC	308.08C CSO Ph IIIA GSI Dem. 1304 High St.	\$2,100,000	06/03/19
New Shoreham	Block Island Landfill Slope Repair	\$1,995,000	11/14/18
Westerly	2018 Sewer System Improv.	\$1,840,000	07/30/18
Total		\$15,664,861	

IX. Criteria and Methods for Distribution of CWSRF Funds

RIDEM has an integrated priority ranking system, approved by EPA Region I. The PPL is developed annually using this ranking system (Attachment D).

The CWSRF will provide loans for up to 100% of eligible project and finance costs, consistent with

Federal limitations on the use of CWSRF funds, with the State determining the eligibility based on state-developed criteria.

The Bank and RIDEM take several factors into consideration when determining which projects from the PPL will be funded by the CWSRF. These factors include:

- Relative ranking on the PPL;
- Indication that the community (or service district) has the authority to encumber debt for water pollution abatement projects from the Bank;
- Indication that the community (or service district) will make an application to the CWSRF for financing;
- Indication that the community's (or service district's) credit quality is adequate;
- Indication that DEM will approve the project in the form of a Certificate of Approval; and
- Indication that projects are ready to proceed within six months of closing the loan.

Borrowers submit requisition forms to the Bank for engineering or construction costs associated with the projects on a monthly basis. The Bank, in conjunction with RIDEM, reviews the requisitions, and after approval, payment is made directly to the vendor, or in some cases, to reimburse the Borrower for pre-paid invoices.

X. Compliance with Existing Regulations

State Environmental Review Process

The Bank and DEM offer an assurance of compliance with all required federal and state guidelines and regulations. Specifically, compliance with 40 CFR 35.3165(b) has been met in that the projects listed in the IUP which are treatment work projects will be subject to State Environmental Review Procedures ("SERP") prior to a binding commitment being made. As part of this SERP process, the Rhode Island Department of Administration, Division of Planning, reviews the projects for consistency with the State Guide Plan which includes the State 208 Plan.

"First Use" Requirement

The "first use" requirement was not relevant because it had been satisfied prior to receiving CWSRF Federal Capitalization Grant monies.

Compliance with the Operating Agreement

Paragraph (f), Section D.I. of the Operating Agreement was changed with the proposed amended IUP in June, and again in October, 1991 to incorporate a description of the Bank's leveraging plan. This leveraging plan has allowed the Bank to convert every \$1 of Federal money into about \$2.30. The Bank amended the Operating Agreement again in January, 1997 to allow the Bank discretion in funding SRF loans with bond proceeds, state matching grants, or direct loans with both federal and state match capitalization dollars. The Bank is currently in the process of reviewing and updating all agreements with regulatory partners and is proceeding in accordance with the schedule developed by its legal counsel.

Minority and Women Business Enterprise Compliance

Minority and Women Business Enterprise (MBE/WBE) participation by borrowers is expected to meet the Fair Share Objectives/Goals negotiated with EPA by the Bank. The blended Fair Share Goal for the State is MBE 5.86% and WBE 5.44% for a total 11.3% of capitalization grants used to date by their project completion. In addition, DEM ensures that crosscutting requirements including MBE/WBE utilization are included in contract documents.

Loan Agreements for all current and future borrowers specifically outline compliance requirements for MBE/WBE utilization as a condition of conformity with the terms of the Loan Agreement. Annual reminder letters are sent to all borrowers whose projects are in the active construction phase. DEM provides guidelines for MBE/WBE compliance in the CA phase and notes compliance during project inspections.

The Bank submits its annual MBE/WBE Utilization Report by October 30th of each year.

Audit Compliance

Compliance with state law, as outlined in Section 602(b)(7) of the CWA, has been met in that the Bank has adopted disbursement policies and procedures in accordance with the laws of the State of Rhode Island. Also, while the Bank maintains an internal control over financial reporting document that is designed to address risks related to financial reporting and aid in complying with Generally Accepted Government Accounting Standards (“GAGAS”).

American Iron & Steel (AIS)

WRRDA codified American Iron and Steel (AIS) that requires Assistance Recipients to use iron and steel products that are produced in the United States for projects for the construction, alteration, maintenance, or repair of a public water system or treatment works. Regarding the Bank’s FFY 2018 Federal Capitalization Grant, all borrowers were subject to the AIS requirement. The Bank’s loan agreements, payment request forms and RIDEM’s project specification package contain AIS information and/or certifications. RIDEM also conducts spot inspections and takes photos of materials to ensure adherence to AIS requirements. To date, AIS awareness and compliance on the part of the borrowers has been good.

Fiscal Sustainability Planning

For treatment works proposed for repair, replacement, or expansion, the EPA requires that Clean Water borrowers develop and implement a fiscal sustainability plan (“FSP”) that includes:

- an inventory of critical assets that are a part of the treatment works;
- an evaluation of the condition and performance of inventoried assets or asset groupings;
- a certification that the subrecipient has evaluated and will be implementing water and energy conservation efforts as part of the plan; and
- a plan for maintaining, repairing, and, as necessary, replacing the treatment works and a plan for funding such activities; or a certification that the borrower has developed and implemented a plan that meets these requirements.

Borrowers are required at the time of loan closing to indicate whether they have prepared an FSP or will complete an FSP within one year from the date of their loan agreement or the final draw on the loan whichever comes first. RIDEM includes FSP language in its updated facilities planning check list and the Bank has incorporated this requirement in the borrower's loan agreement.

The borrowers shall develop and implement the FSP for the planning area in accordance with all statutory requirements. The FSP for the planning area shall be developed, implemented, and submitted to RIDEM with a copy to the Bank by the earlier of one year from the date of their loan agreement or the final draw on the Loan. RIDEM will inform the Bank of compliance with this requirement the earlier of the aforementioned.

Both NBC and Bristol had approved FSP's submitted under previous loans.

Cost and Effectiveness

Borrowers must provide certification that they:

- have studied and evaluated the cost and effectiveness of the processes, materials, techniques and technologies for carrying out the proposed project; and
- have selected, to the maximum extent practicable, a project maximizes the potential for efficient water use, reuse, recapture, and conservation, and energy conservation, taking into account:
 - the cost of constructing the project;
 - the cost of operating and maintaining the project over the life of the project; and
 - that the cost of replacing the project.

The Bank has developed a Cost and Effectiveness Self – Certification Form stating that as a condition for receiving assistance through the RI Clean Water State Revolving Fund, the Borrower hereby certifies that per Section 602(b)(13) of WRRDA the project is Cost Effective. All the Bank's borrowers are required to certify their projects cost and effectiveness.

Architectural and Engineering (A/E) Services Procurement

The EPA requires that A/E services that are paid with federal funds for Clean Water projects be procured using the qualifications-based selection process under Chapter 11 of Title 40, United States Code or an equivalent state qualifications-based requirement. For equivalency projects, both RIDEM and the Bank continue to make prospective borrowers aware of this requirement. Procurement requirements are discussed with all borrowers at borrower meetings as part of the loan application process.

Affordability Criteria

The State has developed the following affordability criteria for the distribution of additional subsidy. The criteria takes into consideration income, unemployment rate, and population trends. Attachment G contains RI CWSRF program's affordability criteria.

Project Accounting

The EPA requires that project accounts be maintained in accordance with generally accepted government accounting standards, including standards relating to the reporting of infrastructure assets. The Bank has always required that project accounts be maintained in accordance with generally accepted government accounting standards. The Bank and its borrowers are complying with GASB 34 requirements.

Federal Funding & Accountability & Transparency Act (FFATA)

The Bank is committed to transparency and accountability under FFFAT. The Bank's program information, IUP's, Annual Reports, audited financials and other program-related materials are posted on the Bank's website: www.riib.org.

In this reporting period, the Bank has designated NBC as the FFATA recipient. The project being used for FFATA reporting is NBC's WWTF Improvements and CSO Abatement. The reporting requirement has been met.

Equivalency

Equivalency projects are "an amount made directly available" by the Federal Capitalization Grant. FFATA compliance requires that one single set of projects is selected to satisfy all Federal equivalency requirements. Equivalency requirements apply in an amount equal to the Federal Capitalization Grant but disbursements for equivalency projects do not need to be drawn from the capitalization grant. Project(s) selected for equivalency will contain documentation verifying compliance with all the following requirements:

- Signage – documented in the financing agreement
- Single Audit – documented in the financing agreement
- Federal Cross-Cutters – documented by State Checklist or concurrence letter and financing agreement
- MBE/WBE – documented in the Financing agreement, bid documents & DBE 5700-52A Reports (MBE/WBE Report to EPA)
- 40 USC 11 A/E Procurement – Documented by a certification
- FFATA – Documented by reporting to FSRS.gov

The Bank complies with the Equivalency requirements as set forth above.

Environmental Benefits Reporting (CBR)

RIDEM continues to enter benefits information on all projects into the CBR by the end of the quarter in which assistance agreement is signed. The Bank enters all financial information associated with the loans.

National Information Management System (NIMS)

The Bank and RIDEM continue to submit requested data into the NIMS for the reporting period July 1 – June 30 on an annual basis by August 30.

Single Audit Act

The Bank in accordance with OMP Circular A-133, which implements the single audit act, continues to obtain a single audit from an independent auditor if it expends \$750,000 in total Federal funds in any fiscal year. Within nine months after the end of a recipient's fiscal year or 30 days after receiving the report from the auditor, the Bank shall submit a copy of the SF-SAC and a Single Audit Report Package to the Federal Audit Clearing House. The Bank will require the same of its borrowers should they expend \$750,000 in total federal funds in any fiscal year.

Final Federal Financial Report (SF-425)

Pursuant to 2 CFR 200.327 and 200.343, the Bank shall submit a final Federal Financial Report (FFR, SF-425) to EPA no later than 90 calendar days after the end of the project period.

SF-425s are submitted when capitalizations grants are closed out. Two reports were submitted during the reporting period to close out the FFY14 and FFY15 Capitalization Grants

EPA Annual Report

As required, the Bank and RIDEM submit the Annual Report to EPA by September 30th of each year.

EPA Sustainability Policy Implementation

The Bank and RIDEM continue to support the implementation of the EPA CWSRF & DWSRF Infrastructure Sustainability Policy by funding only wastewater treatment projects that are consistent with local facilities plans, prioritize projects through an integrated priority determination system that places emphasis on public health and water quality protection projects. In addition, the program awards extra points for "smart growth" projects and projects that incorporate GPR elements and tie additional subsidization to GPR projects. While most of the projects currently funded are mandated through compliance orders or consent agreements, both the Bank and RIDEM recognize that has not been the case in the past nor will it be in the future. The Program will continue to investigate means by which other sustainability measures (e.g., effective utility management, asset management and integrated water resource management) can be further incorporated into funding decisions to build a "pipeline" of sustainable projects eligible to receive funding.

Wage Rate Requirements (formerly Davis Bacon)

The Bank and RIDEM will apply the Wage Rate Requirements to all its projects. RIDEM has required that Wage Rate Requirements/Davis Bacon language be included in the specifications for all funded treatment works projects.

Cross-Collateralization between the CWSRF & DWSRF

The Bank reserves the right to cross-collateralize between the CWSRF & DWSRF should the need arise. The State of Rhode Island is currently not contemplating the transfer of capitalization grants from the CWSRF to the DWSRF or vice-versa; but reserves the right to do so if the need arises. The State reserves the right to transfer up to 33% of the CWSRF Capitalization grant to the DWSRF or an equivalent amount from the DWSRF to the CWSRF. Since program inception, no transfers have been made.

XI. Credit Quality of the Bank

The Bank's Board of Directors and staff are committed to maintaining a strong programmatic and financial structure as is evidenced by the confidence placed in strong financial ratings. Both Fitch and Standard & Poor's rate the Bank's bonds as "AAA."

XII. The Indenture of Trust and the Trustee

The Trustee for the Program Revenue Bonds is U.S. Bank Global Corporate Trust (US Bank). As Trustee, US Bank controls all the assets of the Program (Title VI SRF) under the terms and conditions of the Indenture of Trust dated February 15, 1992, through and including the 34th Supplemental Indenture of Trust dated February 1, 2019. Eligible investments for non-SRF Loan Funds are determined by MBIA or AMBAC and are limited to high quality US Government's short-term marketable securities and investments secured by US Government.

XIII. Audited Financial Statements

The June 30, 2019 Audited Financial Statements are enclosed as Attachment E. The WPCRF had Revenues for the year of \$19.4 million; \$14.0 million was interest income on outstanding SRF loans, \$5.0 million was Investment Income on investments and the balance were loan origination fees. Total expenses for the year were \$16.8 million including \$15.4 million in interest due on Program bonds. The net position of the Program at the end of the year was \$364.7 million.

XIV. Information Regarding SRF Loan Subrecipients And Loan Approval Process

Loan Application and Approval

Requests for SRF financing are submitted through the Bank's loan portal, EnABLE. The request includes among other things: a description of the project; a projected construction and completion schedule; a description of the dedicated source of loan repayment; a description of the overall operations of the local governmental unit; citation of the legal authority to construct, finance and operate the project; the past five years audited financial statements; financial and demographic information; and other information as specifically requested.

Concurrent with this process, the applicant must appear of RIDEM's PPL and possess or be in the process of obtaining a CA from RIDEM for the project. The loan approval is subject to the issuance and terms of the CA.

Prior to originating a loan, the Bank assures that the borrower is financially capable of repaying the loan. A financial capability analysis, or credit review, for each loan application is conducted by the Bank Financial Advisors which considers:

- 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) long-term capital replacement planning
- 7) socioeconomic conditions and trends
- 8) management qualifications and experience
- 9) effects of legal structure and any regulatory control

If the Credit Review analysis indicates that the applicant has the capacity to repay the loan, then the Board of Directors of the Bank votes to approve the application. After this approval, a Commitment Letter is sent to the applicant for their acceptance. The Loan Agreement, with interest rates, amortization schedules, sources of repayment, security, and loan covenants, is then executed in conjunction with the closing of the loan.

To facilitate the above process, the Bank works closely with borrowers, RIDEM, underwriters, financial advisors, and legal advisors to coordinate the sequence of events necessary for bond sales and loan closings to occur. The Bank and RIDEM have worked towards a coordinated method of project approval and loan approval to maximize loan origination and disbursement in a timely manner.

FY19 Capitalization Grant Drawdowns

SFY19 CWSRF Binding Commitment Report

Program Loan Policies and Procedures

RIDEM Project Priority List

Attachment E

SFY 2020 Bank Audit

Sample Credit Review

Affordability Criteria