CREDIT: COVID CREDIT REQUIREMENTS TERMINATED

On June 4, 2021, Governor Murphy signed EO No. 224 terminating the Public Health Emergency declaration in place since March 9, 2020. Consequently, the I-Bank determined that the COVID-19 pandemic no longer constitutes a State-wide Material Event pursuant to the I-Bank’s Credit Policy.

Accordingly, Project Sponsors applying for participation in the NJ Water Bank and NJ Transportation Bank Financing Programs no longer need to satisfy the additional COVID-19 Credit Guidelines to qualify for a Financing Program loan. However, Project Sponsors must still satisfy the requirements of the I-Bank Credit Policy which can be found at: https://www.njib.gov/njeit.

CREDIT: RATINGS FOR THE TERM OF BORROWERS’ LOANS

Effective July 1, 2021, the Water Bank and Transportation Bank implemented the I-Bank Credit Policy amendment for new loans closed, requiring borrowers with aggregate exposure to the Program exceeding $2 million to maintain Credit Policy compliance for the term of such loan(s). This requirement is consistent with bond issues sold in the public municipal market (i.e., the participants’ financing alternative). In addition, utilities serving multiple municipalities must provide a direct rating rather than rely on the ratings of the majority of their underlying municipalities. Exceptions still exist for municipalities using the rating of a contiguous school district, a utility authority using the rating of its underlying municipality when that utility serves only that one municipality, and de-minimis borrowers with an aggregate pro-forma annual debt service to the State/DEP or the I-Bank that is not greater than $50,000. See Credit Policy at: https://cdn.njib.gov/njib/policies/Amended%20and%20Restated%20Credit%20Policy%20wo%20pw.pdf.

FINANCE: SHORT-TERM INTEREST RATES

On July 1, 2021, the I-Bank issued its first series of commercial paper to provide additional funds for its short-term lending programs. Pursuant to each borrower’s short-term note issued to the I-Bank, an effective interest rate is applied to each borrower’s total drawn funds. The rate is reset monthly, and for July is set at 0.07%. In almost all cases, the I-Bank does not collect repayments of principal or interest on short-term loans until long-term conversion, at which time borrowers have the option to pay their outstanding interest charges directly or finance these charges as part of their long-term I-Bank Loan.

LEGISLATION: ENABLING ACT

As introduced in BULLETIN 20-01, several amendments to the I-Bank’s Enabling Act were passed during FY2021 that (i) expand the definition of projects eligible for disaster financing (SAIL Loans) to include Transportation projects and projects affected by a pandemic, (ii) authorize two new programs under the Transportation Bank to provide low interest rate financing to Local Government Units for Port and Aviation-related project costs, albeit with as yet unidentified funding, (iii) extend maturities for projects financed by the I-Bank involving federal WIFIA and/or TIFIA sourced loans, and (iv) authorize the I-Bank to issue long-term bonds pursuant to a negotiated sale, in addition to a competitive sale.

LEGISLATION: NJ LOCAL BOND LAW

Approved as P.L.2021, c.80, Local Government Units financing their projects through the Transportation Bank are no longer required to account for a down payment of five percent (5%) of the amount of the obligations authorized, a convenience already available to Water Bank borrowers.