

RESOLUTION NO. 19 - 21

**RESOLUTION APPROVING
THE NEW JERSEY INFRASTRUCTURE BANK SFY2020 TRANSPORTATION
INFRASTRUCTURE FINANCING PROGRAM FINANCIAL PLAN**

WHEREAS, pursuant to N.J.S.A. 58:11B-22.3, the New Jersey Infrastructure Bank (the “I-Bank”) is required to submit to the Legislature on or before May 15, 2019, a financial plan designed to implement the financing of the transportation projects to be approved pursuant to N.J.S.A. 58:11B-20.2 (“Transportation May Report”); and

WHEREAS, State Fiscal Year (“SFY”) 2020 marks the second full year in which the I-Bank in partnership with the New Jersey Department of Transportation will administer the New Jersey Transportation Infrastructure Financing Program to issue loans to finance transportation infrastructure projects (“Transportation Bank”); and

WHEREAS, the Transportation May Report shall contain an enumeration of the loans and bonds which the I-Bank intends to issue, including the amounts thereof and the terms and conditions therefore, a list of loans to be made to participants, including the terms and conditions thereof and the anticipated rate of interest per annum and repayment schedule therefore; and operating and financial statement covering the I-Bank’s proposed operations during the forthcoming fiscal year; and

WHEREAS, The Transportation May Report also includes the amount of income anticipated from all sources; the schedule of fees and charges collected from borrowers in connection with the I-Bank loans; and a summary of the status of each project for which loans have been made and a description of the major impediments to the accomplishment of the planned projects; and

WHEREAS, I-Bank approval of the SFY2020 Financial Plan is critical to its ability to issue loans and administer the Transportation Bank.

NOW THEREFORE BE IT RESOLVED THAT the I-Bank Board of Directors hereby approves the proposed SFY2020 Transportation May Report substantially in the form as the Plan included in its April 11, 2019 I-Bank Board meeting agenda with such changes thereto, and as the Executive Director, in consultation with the Chairman or Vice Chairman, shall approve and authorize; and

BE IT FURTHER RESOLVED THAT the Executive Director, in consultation with the Chairman or Vice Chairman, is hereby authorized and directed to take such other actions as are necessary or desirable to publish, file and distribute the Transportation May Report, including its printing and binding.

Adopted Date: April 11, 2019

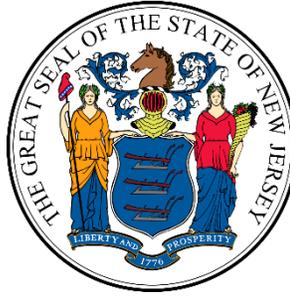
Motion Made By: Mr. Mark Longo

Motion Seconded By: Ms. Laine Rankin

Ayes: 7

Nays: 0

Abstentions: 0



NEW JERSEY TRANSPORTATION INFRASTRUCTURE FINANCING PROGRAM

STATE FISCAL YEAR 2020 FINANCIAL PLAN

Submitted to the State Legislature by:

The New Jersey Infrastructure Bank

MAY 2019



New Jersey Infrastructure Bank

Public Board Members

Robert A. Briant, Jr., Vice Chairman

Roger Ellis, Treasurer

Mark Longo, Secretary

Ex-Officio Members

Elizabeth Maher Muoio, New Jersey State Treasurer

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**Report to the Legislature
Pursuant to**

P.L. 1985, Chapter 334
New Jersey Infrastructure Trust Act
as amended including P.L.2016, c.56

By

Robert A. Briant, Jr., Vice-Chairman
New Jersey Infrastructure Bank

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**New Jersey
Infrastructure Bank**



**New Jersey
Department of
Transportation**

May [15], 2019

TO: Honorable Members of the New Jersey State Legislature
FROM: Robert A. Briant, Jr., Vice-Chairman, New Jersey Infrastructure Bank,
SUBJECT: State Fiscal Year 2020 New Jersey Transportation Infrastructure Financing Plan

The New Jersey Infrastructure Bank (the “I-Bank” or “NJIB”) is pleased to present the State Fiscal Year 2020 New Jersey Transportation Infrastructure Financial Plan to the New Jersey State Legislature pursuant to the New Jersey Infrastructure Trust Act N.J.S.A. 58:11 B-1 et seq. (“the Act”).

The Act established the New Jersey Transportation Infrastructure Bank (the “Transportation Bank”) to make low interest loans for local transportation infrastructure projects with a mission of reducing the cost of financing for New Jersey counties’ and municipalities’ critical transportation projects.

There are two state publications required each year:

- The New Jersey Department of Transportation (“DOT or Department”) publishes the **January Report**, which sets forth the Transportation Infrastructure Bank Priority System, and the Transportation Infrastructure Project Priority List for the ensuing fiscal year. The SFY2020 January Report was published and distributed earlier this year; and
- The I-Bank publishes the **Financial Plan** in May of each year and sets forth the terms and conditions of the financing program and operating budget for the ensuing fiscal year Financing Program, as well as a status of Transportation Bank Loans issued to date.

We are proud of the Transportation Bank’s achievements during its first year of operations. The first Transportation Bank loan was issued within the Financing Program’s first eight months of operations. To date, loans totaling \$25.835 million have been issued to four borrowers; Camden County, Orange City Burlington County, and Cape May County, for roadway repaving and traffic signal improvements, bridge demolition, and bridge rehabilitation respectively. An additional \$15.956 million has been allocated to six projects sponsored by Essex County, Little Silver Borough, Pennington Borough, Somerdale Borough (2), and Wildwood City for bridge replacement, sidewalk rehabilitation, and road repaving. All projects are scheduled to close loans with the Transportation Bank prior to June 30, 2019, resulting in the commitment of \$41.8 million in loans or 97% of all available funds appropriated to the I-Bank for project loans prior to date.

Thank you for your support as the I-Bank looks forward to advancing this important transportation financing initiative.

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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	1
INTRODUCTION / PROGRAM OVERVIEW	1
ELIGIBLE PROJECTS / ELIGIBLE BORROWERS.....	2
PROJECT FUNDING METHODOLOGY / PROJECT LIST	2
PROJECT PRIORITY LIST / FUNDING ALLOCATION	2
PROJECT FINANCING	3
ADVANTAGES OF TRANSPORTATION FINANCING.....	4
SFY2019 TRANSPORTATION BANK PROJECT FUNDING.....	5
II. FINANCING PROGRAM STRATEGY	5
A. SOURCES / USES OF FUNDS – FUNDING ALLOCATIONS.....	5
B. APPLICATION PROCESS.....	6
C. PROJECT PRIORITY LIST LEGAL PUBLICATIONS.....	9
D. SHORT-TERM CONSTRUCTION FINANCING PROGRAM LOAN CLOSING	10
INTRODUCTION	10
SHORT-TERM CLP CLOSING	10
FEES.....	13
DISBURSEMENT OF FUNDS.....	14
E. LONG-TERM FINANCING	14
THE I-BANK LONG-TERM BONDS.....	14
FEDERAL FUNDING	15
ESCROW CLOSING	16
COMPETITIVE SALE OF LONG-TERM BONDS.....	16
BORROWER DISCLOSURE IN CONNECTION WITH THE MARKETING AND SALE OF I-BANK LONG- TERM BONDS.....	16
SECONDARY MARKET DISCLOSURE	17
SECONDARY MARKET DISCLOSURE	17
DEFICIENCY AGREEMENT / CREDIT ENHANCEMENTS.....	17
STATE-AID INTERCEPT	17
COVENANTS AFFECTING THE LOCAL UNIT	18

TERMS OF REPAYMENT	19
DEFAULT	20
III. APPENDICES	21
SFY2020 TRANSPORTATION FINANCING PROGRAM PROJECT PRIORITY LIST	A1
SFY2020 TRANSPORTATION FINANCING PROGRAM PROJECT PRIORITY LIST	A2
SFY2020 APPROPRIATIONS (PROJECT ELIGIBILITY LIST)	B
STATUS ON SFY2019 TRANSPORTATION BANK PROJECT LOANS <u>ISSUED</u>	C1
STATUS ON SFY2019 TRANSPORTATION BANK <u>PENDING</u> PROJECT LOAN CLOSINGS	C2
SFY2020 PROPOSED BUDGET (DRAFT)	D
2019 BOARD MEETING DATES	E

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I. EXECUTIVE SUMMARY

INTRODUCTION / PROGRAM OVERVIEW

The New Jersey Infrastructure Bank¹ (the “I-Bank” or “NJIB”) presents the State Fiscal Year 2020 (“SFY2020”) New Jersey Transportation Infrastructure Financial Plan (the “Report”) to the New Jersey State Legislature pursuant to the New Jersey Infrastructure Trust Act N.J.S.A. 58:11B-1 et seq. (“the Act”).

In accordance with the Act, the I-Bank and the New Jersey Department of Transportation (“DOT or Department”) (together, the “Partners”) jointly administer the New Jersey Transportation Infrastructure Bank (the “Transportation Bank” or “Financing Program”) to make low interest loans to New Jersey counties’ and municipalities for critical local transportation infrastructure projects.

Earlier this year, the DOT published the January Report pursuant to the Act that included a discussion of project eligibility requirements, the Transportation Infrastructure Bank Priority System (TIBPS) and the initial Transportation Infrastructure Project Priority List (TIPPL) (“January Report”) for SFY2020.²

Also pursuant to the Act, this SFY2020 Financial Plan, published by the I-Bank discusses the following Financing Program initiatives for SFY2020:

- The initial SFY2020 TIPPL identifying projects to be considered for short-term funding;
- The loan application process, parameters and standards of approval for loans;
- The allocation of funds for each quarter to be utilized for project loans;
- Available loans, loan terms, and the loan closing processes to be utilized in SFY2020 for Projects identified in the interim TIPPL’s to be published each quarter in SFY2020; and
- A summary of projects which received short-term loans from the I-Bank in SFY2019.

1. The name of the “New Jersey Environmental Infrastructure Trust” was changed to the “New Jersey Infrastructure Bank” pursuant to statute effective January 16, 2018. The I-Bank is neither a “bank” nor a “savings bank” within the meaning the New Jersey Banking Act of 1948, or a “national banking association” or a “federal savings bank” within the meaning of the National Bank Act, nor is it subject to the supervision of New Jersey Department of Banking and Insurance (DOBI) or the Office of the Comptroller of the Currency (US Treasury Department), the Board of Governors of the Federal Reserve System or the Federal Deposit Insurance Corporation. The I-Bank does not accept “deposits” within the meaning of the New Jersey Banking Act of 1948 or the National Bank Act, and its obligations are not insured by the Federal Deposit Insurance Corporation.

2. The SFY2020 January Report is available at: <https://cdn.njib.gov/njtib/publications/sfy2020/January-Report.pdf>

ELIGIBLE PROJECTS / ELIGIBLE BORROWERS

Transportation Bank Loans are available for capital projects for public highways, approach roadways and other necessary land-side improvements, ramps, signal systems, roadbeds, transit lanes or rights of way, pedestrian walkways and bridges connecting to passenger stations and servicing facilities, bridges, and grade crossings (“Transportation Project” or “Project”). Additional guidance regarding project eligibility is set forth in the previously identified SFY2020 January Report.

Transportation Bank financing is limited to Transportation Project costs incurred: construction costs, engineering, legal counsel, financial advisor, permitting, project management and other costs as recognized in N.J.A.C. 16:20B-4, and excluding any costs for which DOT or other grants have been received.

Eligible Borrowers are local government units, defined for purpose of this TIBPS as a county, municipality, municipal, county or regional transportation authority, or any other political subdivision of the State authorized to construct, operate, and maintain public highways or Transportation Projects or consortia thereof. Applicants must demonstrate an ability to satisfy both the loan repayment obligations and the Transportation Bank’s credit worthiness standards, which require, among others, an investment grade credit rated municipal or county general obligation pledge to secure the repayment obligations.

PROJECT FUNDING METHODOLOGY / PROJECT LIST

The TIBPS and ranking methodology are the bases for applying limited Transportation Bank funding to projects and are set forth in the aforementioned SFY2020 January Report. The TIBPS incorporates project eligibility requirements of N.J.A.C. 16:20A and 16:20B. The initial list of Projects eligible for funding in SFY2020 pursuant to the SFY2020 TIBPS are also set forth in the SFY2020 January Report.

PROJECT PRIORITY LIST / FUNDING ALLOCATION

Transportation Infrastructure Project Priority List (TIPPL). Identification of a Project on the TIPPL is a prerequisite to Transportation Bank financing. Projects are placed on the ensuing year’s TIPPL upon DOT’s preliminary project ranking upon receipt of a Step 1 – Application Submission (page 6) and the project sponsor’s representation that the construction award will meet the ensuing year’s Construction Readiness standards.³ The I-Bank amends the TIPPL up to four times during each financing program year. The SFY2020 TIPPL will be amended at the beginning of each quarter (July, October, January and April). Projects will be placed on an amended TIPPL upon staff’s review and completion of Initial Due Diligence.

3. Projects are listed on the initial SFY2020 TIPPL based on project sponsors’ representations that their projects will award construction on or before June 30, 2021.

Project Funding Allocation. At the beginning of each quarter: (i) the DOT applies its Base Ranking to all *unranked* projects; (ii) projects for which Initial Due Diligence is complete and deemed Construction Ready will be placed on the amended TIPPL in ranked order; and (iii) Projects having a high probability of construction award within one year of that quarter will receive an additional 25 ranking points.⁴ Funds allocated for that quarter (as set forth in the program’s year’s Financial Plan) will be applied to projects in ranked order. The SFY2020 funding allocation for the anticipated appropriation funds is as follows:

SFY2020 Quarter	Allocation of Appropriations	Potential Leverage (Private Funds)⁵
Q1	\$5 million	\$5 - \$15 million
Q2	\$5 million	\$5 - \$15 million
Q3	\$5 million	\$5 - \$15 million
Q4	\$5 million	\$5 - \$15 million
Total:	\$20 million	\$20 - \$60 million

PROJECT FINANCING

The SFY2020 Financing Program features a transparent and intuitive application process to secure low interest loans designed to significantly reduce Borrower financing costs relative to independent financing. Utilizing the TIBPS set forth in the SFY2020 January Report, loans will be offered by the I-Bank to the highest ranked construction ready Projects on a quarterly basis.

Each Transportation Project financed through the Transportation Bank will receive initially a Short-Term Construction Financing Program Loan (“Short-Term CLP”) that, thereafter, will be refinanced through a Long-Term loan, modeled after the Water Bank (formerly, the “New Jersey Environmental Infrastructure Financing Program”). As discussed in Section D (page 10), this structure ensures (i) that capital is available (through a Short-Term CLP) during Project engineering through Project construction completion, (ii) debt service repayments commence subsequent to construction completion, (iii) the term of debt amortization, through repayments is the lesser of the Project’s useful life or 31 years, and (iv) interest rates on Long-Term loans are significantly less than independent financing.

Funds will be disbursed upon Short-Term CLP closing initially upon Transportation Bank approval of the Project engineering contract and subsequently upon approval of the construction contract. Funds are disbursed upon submission and receipt of requisitions and contractor invoices as discussed on page 13.

4. The SFY2019 3rd Interim Amended TIPPL was published separately on 3/1/2019 and is available at: <https://cdn.njib.gov/njtib/publications/sfy2020/January-Report.pdf> (see page 17).

5. Any additional private or federal funds procured by the I-Bank for project loans during SFY2020 shall be allocated to quarters remaining in the fiscal year on a prorated basis unless otherwise required by law.

Short-Term CLP interest rates are targeted to be 50% of the I-Bank's cost of short-term funds and will be set quarterly. Financing will be provided from a combination of funding sources. A detailed discussion of short-term financing terms and conditions are set forth in Section D.

ADVANTAGES OF TRANSPORTATION FINANCING

Program participants realize significant cost-saving measures through the following program features:

- Interest Cost Savings During Construction – In SFY2020, Program Borrowers will receive a Short-Term CLP with an interest rate that is reset quarterly and is between 0% and 50% of the I-Bank's cost of short-term funds;
- Debt Service Payments Deferred During Construction – During Project construction, Borrowers' payment of principal, interest (as applicable) and fees are deferred until construction completion. Such obligations are refinanced and restructured as part of the Long-Term loan, with the accrued interest capitalized as part of the Long-Term loan refinancing and restructuring;
- Interest Cost Savings During Long-Term Financing - Although Long-Term Loans are unlikely to be issued in SFY2020, it is anticipated that such loans will bear interest of up to 50% of the I-Bank's AAA market rate. This lower cost of funds results in interest savings of approximately 25% of the total Long-Term Loan amount for a Project having a useful life of 31 years when compared to the cost to a AAA-rated Borrower of financing their Project independent of the Transportation Bank.
- Minimized Financing Costs – Borrowers are charged a flat 2% administrative fee for the review of Project Applications and disbursement of funds, and an annual 0.15% loan servicing fee to process Long-Term loan repayments;
- Level Debt Service / No Front-Loading Requirement – local government units, when issuing their own general obligation debt, are required to "front load" their debt service schedule. This ensures that debt service payments are larger in the early years of the loan and decline over time. The Financing Program provides for level debt service throughout the life of the loan normalizing annual payments for tax payers;
- Upfront Cash – Through Short-Term CLPs, funds are available at the commencement of Project engineering (and environmental planning, if applicable) through to Project construction completion. Funds are disbursed through an expedited requisition approval process relieving Borrowers from utilizing cash-on-hand or working capital to pay contractors and vendors up front;
- Generous Allowable Costs – Associated project costs, including environmental planning (if applicable), engineering design, project management, and other professional fees necessary to finance or construct the Project may be financed through the Program based upon costs incurred;
- Flexible Long-Term Loan Maturity – Shorter amortization schedules are available for Borrowers who wish to minimize the repayment period of their loan.

SFY2019 TRANSPORTATION BANK PROJECT FUNDING

The Act requires the I-Bank to identify Short-Term CLPs issued in SFY2019 in the SFY2020 Financial Plan (See N.J.S.A. 58:11B-20.2(e)). A summary of projects receiving Short-Term financing in SFY2019 to date and anticipated Short-Term CLP closings for the duration of SFY2019 and are set forth in Appendices C1 and C2 respectively.

II. FINANCING PROGRAM STRATEGY

A. SOURCES / USES OF FUNDS – FUNDING ALLOCATIONS

Beginning in SFY2017, the State legislature commenced annual appropriations of State Local Aid Infrastructure Funds (LAIF) to the I-Bank’s Transportation Infrastructure Bank Fund. State LAIF appropriations in SFY2018 and SFY2019 totaled \$45.2 million, of which \$2.6 million was appropriated in each year to the I-Bank for program administration and operation expenses. Any funds not used for such expenses are made available for lending purposes.

In SFY2020, it is anticipated that an additional \$22.6 million appropriation of LAIF funds will be received, of which \$2.6 million is again expected to be made available for Program administration expenses. The I-Bank expects to utilize capital from the sale of bonds or one or more private lending institutions (“Private Capital”) as sources of funding for Short-Term CLPs. It is anticipated that as much as \$20 million in private capital for each year of appropriations, or a total of \$60 million, may be utilized for this purpose. In total, the I-Bank anticipates as much as \$80 million in available capital for Project loans in SFY2020.

Importantly, the I-Bank is also in discussions with the United States Department of Transportation (USDOT) to designate the I-Bank as New Jersey’s State Infrastructure Bank and enter a funding agreement for up to \$74.9 million in funding pursuant to the Fixing America’s Surface Transportation Act / Transportation Infrastructure Financing Efficiency Act for Transportation Bank Projects.

In SFY2020, Program administration and operations will be funded by interest earnings on undisbursed funds, administrative fees and appropriations for administration and operations.

Appropriated funds available for SFY2020 will be allocated equally at the beginning of each quarter (July, October, January and April), and committed to the highest ranked projects during each quarter as discussed in the Application Process chapter below. Any uncommitted funds from a quarter shall be applied to eligible change orders for existing projects and the following quarter as available. Any additional funding received by the I-Bank for project loans from either private or federal sources shall be applied on a pro-rata basis over the remaining fiscal year quarters in SFY2020 unless otherwise required by law.

B. APPLICATION PROCESS

Overview. A separate application is required for each Transportation Bank Project. Loan applications are accepted at any time throughout the year, and funding is prioritized for projects which are construction ready. Applications are not accepted after construction advertisement.

There are four steps to the loan application process all of which are submitted online and available at <https://www.njib.gov/njitib/apply/>. Applications will only be accepted from individuals specifically authorized by project sponsors to submit the loan application. The loan application process is as follows:

Step 1. Step 1 of the application consists of a brief submission by an individual authorized by the project sponsor to apply for Transportation Bank financing, of (i) information identifying the project sponsor, and (ii) general project information.

Application Meetings / Conference Calls. Upon receipt of Step 1, a Mandatory Application Meetings / Conference Call is held with each applicant and its professional advisors to provide the applicant with an overview of the application process. Of particular relevance, (as discussed in the Environmental Planning Section below), applicants are provided with guidance as to what, if any, submissions are required to document a Project's potential impact upon the environment and State cultural resources (if applicable). In addition, applicants are provided with other information to further reduce confusion, application related costs and delays. In addition, Transportation Bank staff gathers information relevant to its assessment of Project eligibility, sponsor eligibility (credit worthiness), reasonableness of cost estimates, and the Application Schedule,⁶ (hereafter "Initial Due Diligence"). The applicant takes no further action (other than updating their application schedule (as discussed below)) unless and until notified by the I-Bank that funds have been allocated for the Project.⁷

Each quarter, the Transportation Bank formally notifies the sponsors for which funding has been allocated of (i) its decision to reserve project funding in an amount equal to each project's total estimated project cost, (ii) the applicant's concurrence with the application schedule, and (iii) the need for applicant's submission of Step 2 of the Application (Step 2).

Step 2. Step 2 consists of a description of the engineering contract, a copy of the executed engineering contract and financial information necessary to close the Short-Term CLP as set forth in Section D. The sponsor is required to submit the engineer's estimate when available as a condition of the Step 3 Application Submission (Step 3).

6. The Application Schedule reflects Transportation Bank staff's determination of the time required for a project sponsor to complete project design, secure permits and approvals, and advertise and award construction based on information presented during the application process.

7. The SFY2020 funding allocation methodology is set forth on page 2 above.

Engineering Contract Certification. Transportation Bank approval of engineering contracts, construction plans, construction contract specifications, and construction contract award is required as part of all Transportation Bank applications. All applicants shall conform with DOT regulations including but not limited to Standards and Specifications set forth in N.J.A.C. 16:20B-5.1 and 5.2 and N.J.A.C. 16:20A-5.1 and 5.2.

Funding Commitment. A commitment of funds for the total estimated project cost occurs upon Short-Term CLP closing. Short-Term CLP closing occurs upon (i) the applicant's submission of Step 2, (ii) the I-Banks's approval of the engineering contract, (iii) approval from the Director of the Division of Local Government Services, and (iv) the sponsors satisfaction of other conditions precedent to loan closing.

Environmental Compliance. Transportation Bank funding recipients must meet program environmental compliance requirements.⁸ Many State construction Projects exceeding \$1 million are required to comply with State environmental regulations detailed in Executive Order 215 (September 11, 1989) ("EO 215") and in the provisions of the New Jersey Register of Historic Places Act. The DOT annually determines the applicability of EO 215 to candidate projects of its Capital Transportation Programs by assessing whether EO 215 exempts such projects from environmental review ("Exemption"). To that end, it is anticipated that the DOT will continue to provide environmental reviews for I-Bank applicants in SFY2020 and that Exemptions from environmental review may be warranted. Application Meetings / Conference Calls provide a forum to discuss the Project's eligibility for an EO 215 Exemption. In the event an EO 215 Exemption is not applicable, an applicant will be notified by DOT of the need to submit documentation demonstrating compliance with EO 215 requirements. Transportation Bank Borrowers are also required to satisfy relevant State permits.

The Transportation Bank is also in discussions with the federal government as to the potential federal funding sources for certain project loans. To that end, projects funded with federal funds will be required to meet federal compliance requirements such as the National Environmental Policy Act as a condition of funding, Davis Bacon, and American Iron and Steel.

Disadvantaged Business / Small Business Enterprise (DBE/SBE) Compliance. Transportation Bank Loan recipients are required to comply with the DOT's DBE/SBE Program. The DOT applies standards applicable to State funded Local Aid Projects but are modified to include both DBE and SBE provisions. Upon receipt of the Step 2 submission, the DOT Division of Civil Rights (DCR) is anticipated to continue overseeing DBE/SBE compliance. The DCR implements its current DBE/SBE compliance process for Transportation Bank Loans. Legislation is under consideration that if enacted would modify Transportation Bank loan requirements to comport with that required by the DOT's Local Aid and Economic Development Program.

8. Environmental Planning requirements for non-exempt projects are set forth in a document available on the I-Bank website: "*Guidelines for the Preparation of an Environmental Impact Statement*," New Jersey Department of Environmental Protection, April 23, 2002.

The sponsor is provided with the DBE/SBE set aside goal upon receipt of the engineer's estimate. The goal is incorporated by the sponsor in the contract specifications submitted in Step 3 of the Loan Application (Step 3).

Prevailing Wage. Transportation Bank Borrowers are required to pay not less than the prevailing wage rate to workers employed in the performance of any construction contract pursuant to P.L.1963, c.150 (C.34:11-56.25 et seq.). Applicants are furnished with relevant provisions to be inserted in contract specifications during the application process.

Transportation Bank Contract Documents (Plans & Specifications). Transportation Bank borrowers are required to comply with specifications substantially similar to the DOT specifications with minor modification as denoted therein. Sponsors are required to submit Plans & Specifications produced by a licensed Professional Engineer containing but not limited to the following: a set of detailed plan drawings including site plan/section/elevation views, current NJ prevailing wage rates, certification that the applicant has not and shall not enter into any contract with any person debarred/suspended from government contracting, certification that the applicant and its contractors shall comply with discrimination and affirmative action provisions of N.J.S.A. 10:2-1 through 10:2-4, Bonding (performance, payment, maintenance as applicable), Buy American provisions (N.J.S.A. 40A:11-18), Statement regarding need for uniformed traffic control and bid allowance, if applicable (N.J.S.A. 40A:11-23.1), Asphalt Price Adjustment Procedure, if applicable (N.J.S.A. 40A:11-13), Fuel Price Adjustment Procedure, if applicable (N.J.S.A. 40A:11-13), Competition, brand name or equal unless otherwise justified (N.J.S.A. 40A:11-13), Equal Employment Opportunity certification form, Affidavit of Non-collusion form, Certification of Non-Segregated Facilities form, Disclosure of Investment Activities in Iran form.

The Transportation Bank retains the right to elicit additional information from the applicant in conducting its review of either a Project's potential environmental impacts or engineering compliance with governing regulations. Sponsors are advised of the requirement in the Funding Allocation Notice and provided with a copy of contract specifications upon submission of Step 2.

Step 3. Transportation Bank approval is required prior to a Borrower's advertisement for construction. STEP 3 of the Loan Application provides the relevant information to the Transportation Bank to issue the Authorization to Advertise. Borrowers upload the following documents to the Transportation Bank website:

- i. Construction plans;
- ii. Construction contract specifications;
- iii. Engineer's Design Certification; and
- iv. Right of Way (ROW) Certification (if applicable).

Upon the Transportation Bank's completion of review of the Step 3 submissions, technical comments are submitted to the borrower followed by an authorization to advertise construction.

Borrowers are required to comply with relevant laws in their solicitation and award of construction contract bids. Prior to construction award, the applicant is required to Submit Step 4 of the Application (Step 4).

Step 4. Upon bid opening and approval of the governing body, the Borrower shall submit the following to the Transportation Bank.

- i. One copy of the summary of construction bids showing all bid quantities, unit prices and Extensions;
- ii. A fully executed and sealed resolution awarding the contract to the lowest responsible bidder, subject to the approval of the Transportation Bank;
- iii. The final sealed plans and specifications;
- iv. A certification by a licensed engineer that the final sealed plans & specifications comport with that submitted to the Transportation Bank and incorporate the technical comments received from the Transportation Bank;
- v. A certification from the appropriate county official that all right-of-way is available for the project, if such certification was not already provided prior to advertisement; and
- vi. Other related documents as may be required by the Transportation Bank.

Upon the review and approval of the Step 4 submissions, the Transportation Bank will issue an authorization to award construction.

Site Inspections. After the award concurrence by the Department, a Pre-Construction meeting shall be arranged by the Borrower. This meeting should be attended by representatives of the engineer’s office, the contractor, police, utility companies and others involved in the project, and may involve I-Bank personnel. Minutes of the meeting must be sent to the Transportation Bank. Topics of discussion should include:

- i. Construction Schedule
- ii. Utility Relocation and Coordination Maintenance and Protection of Traffic Subcontractors
- iii. Items of Construction
- iv. Material Questionnaire (Form SA-11) Construction Methods
- v. Material Sampling Requirements Change Orders

C. PROJECT PRIORITY LIST LEGAL PUBLICATIONS

A Project is eligible for a Short-Term CLP upon the publication of the TIPPL with the Legislature. Upon enactment of the appropriations law identifying such Project for Long-Term financing, and subsequent to Long-Term loan closing, a Project is removed from the TIPPL. The Projects eligible to secure financing in the SFY2020 Financing Program and their relative rank are set forth in the SFY2020 TIPPL set forth in the SFY2020 January Report

The Projects on the initial SFY2020 TIPPL are eligible for Transportation Bank financing and consist of a pool of **twenty-five (25)** Projects at a total estimated cost of **\$148.9 million**.

The I-Bank publishes up to four amended TIPPLs during each financing program year; the first of which will be published in July of 2019. Each amended SFY2020 TIPPL will be limited to projects satisfying the construction readiness standards for SFY2020. Transportation staff's determination, through its Initial Due Diligence, that the project has a high probability of construction contract award by June 30, 2021.

Upon completion of construction, a Project on a Project Priority List will be designated eligible for Long-Term funding and placed, with other like Projects, onto a sub-list referred to as the "Project Eligibility List" (set forth in Appendix A). Upon identification of the Project in an appropriations law, and submission of the Long-Term financial addendum form, the Project is eligible for Long-Term loan closing. The Project is removed from the TIPPL subsequent to Long-Term loan closing.

D. SHORT-TERM CONSTRUCTION FINANCING PROGRAM LOAN CLOSING

INTRODUCTION

Pursuant to the Act, each Transportation Bank applicant is required to issue a note or a bond to the I-Bank in order to evidence and secure its repayment obligation with respect to, respectively, the Short-Term CLP or the Long-Term Loan Agreement. Each applicant is required to secure its note or bond with a General Obligation tax pledge. In addition, it must be able to satisfy its repayment obligations and provide assurances of repayment of existing Transportation Bank obligations in the event of loan default. N.J.S.A. 58:11B-7(k). Such conditions are central to the Transportation Bank's ability to meet its fiduciary obligations in the management of public funds as well as ensuring loan repayments are available for future transportation Projects. The Long-Term financing program is currently in development and is not expected to have a critical mass of borrowers sufficient for a Long-Term public offering until SFY2021 at the earliest. To the extent that any existing or future Short-Term CLPs mature prior to the date upon which the I-Bank will issue Long-Term public debt, such Short-Term CLPs will either be rolled over or paid.

SHORT-TERM CLP CLOSING

Short-Term CLPs. Each Project financed through the Transportation Bank will receive (i) a Short-Term CLP (with closing prior to or during Project design) that will serve to finance (a) environmental planning (if applicable), engineering design and legal fees, and (b) construction, and (ii) a Long-Term Loan (with closing typically upon completion of Project construction) that will serve to refinance and restructure the Short-Term CLP, which Long-Term Loan will have a term of the Project's useful life not to exceed the period set forth in N.J.S.A. 58:11B-6(d) (i.e., 31 years).

The maturity of Short-Term CLPs is limited to the periods set forth in N.J.S.A. 58:11B-9(g) (i.e., the sooner of the last day of the fifth succeeding fiscal year following the closing date of the Short-Term CLP or the last day of the third succeeding fiscal year following the date of construction certification following the closing date of the Short-Term CLP).

Construction draws for project expenses will be made pursuant to requisitions submitted by borrowers. All interest charges will accrue to the I-Bank and be assessed on outstanding requisitioned amounts at a blended rate which will be established to cover interest, fees and administrative expenses incurred from borrowing Private Capital or a market interest rate if the I-Bank's funds are utilized.

The I-Bank Board sets the interest rates or calculation methodology on Construction Loans at the beginning of each calendar quarter during and may delegate this authority to the I-Bank's Executive Director. Rates will be posted on the I-Bank website. It is anticipated that short-term loans issued in SFY2020 will be at an effective interest rate of between 0% and 50% of the cost of the I-Bank's short-term market rate funds.

Interest charges incurred by participants under Construction loans are accrued and capitalized for the term of the loan or a minimum of six months subsequent to construction completion. Construction loans are termed out at the earlier of construction completion or three fiscal years plus the term of the Planning & Design phase of the loan, with principal and interest repayments commencing after long-term loan closing. Furthermore, subject to the above, the Borrower is generally not obligated to repay principal or interest during the term of the Construction Loan. These totals are rolled into the Borrower's long-term Financing Program loan.

Short-Term CLP interest rates are expected to be no greater than 50% of the cost of the I-Bank's short-term financing, reset quarterly on the first business day of each quarter. The I-Bank will be utilizing LAIF funding and may utilize capital from the sale of notes or bonds⁹ or from one or more private lending institutions ("Private Capital") as sources of funding for Short-Term CLPs. LAIF funding will comprise 100% of Short-Term CLPs for those Borrowers having investment grade ratings which negatively impact the cost of Private Capital or are otherwise unacceptable to the provider of Private Capital. Notwithstanding, Long-Term loans to such Borrowers will reflect the terms of the Transportation Bank Financing Program applicable to all Borrowers in effect at the time of construction contract award.

Short-Term CLPs are available within as little as three (3) weeks of satisfaction of the following:

- **I-Bank Project Certification.** For a Project to receive Transportation Bank financing, the I-Bank must certify that each of a Project's component contracts satisfy Transportation Bank requirements, e.g., engineering contract certification is a determination that costs associated with Project environmental planning and/or engineering design are eligible for financing, and construction contract certification is a determination by the Transportation Bank that construction costs are eligible for financing;

9. The I-Bank is considering issuing callable bonds as a source of funds for financing Short-Term CLPs. Such bonds would be sold in the same or different series during the I-Banks scheduled bond sales.

- **Step 2 – Financial Information.** While the actual requirements may vary by type of applicant (i.e., municipal, county or authority), information required in Step 2 shall include (i) Project description; (ii) information pertaining to official action (ordinances and resolutions) and the status thereof; (iii) information regarding the anticipated draw needs with respect to the Project; (iv) litigation disclosure; and (v) Local Finance Board application information;
- **Approval by Director of Division of Local Government Services.** Transportation Bank loan applicants will not be required to secure Local Finance Board (“LFB”) approval of the applicants’ debt instruments issued to the I-Bank pursuant to the I-Bank’s enabling act (N.J.S.A. 58:11B-7). Instead, the I-Bank is authorized to secure such approval upon the applicant’s authorization set forth in the STFAF, and the I-Bank will request such approval from the Director of the Division of Local Government Services (“DLGS”). Legislation under consideration may be enacted that would bring additional efficiencies with regard to certain other Department of Community Affairs approvals: specifically, (i) I-Bank loan applicants would be relieved of securing LFB approval of the waiver of the five percent (5%) down payment requirement provided the local bond ordinance exclusively funds a Transportation Bank Project, and (ii) LFB approval would not be required for Transportation Bank applicants’ Non-Conforming Maturity schedules; and
- **Credit Approval.** All Borrowers are required to satisfy the I-Bank’s Credit Policy. In brief, all applicants are required to have no less than an investment grade rating (e.g., at least BBB-, Baa3, or BBB-) from Fitch Ratings, Moody’s Investors Service or Standard & Poor’s Ratings, respectively. There are limited exceptions to this requirement listed in the Credit Policy (e.g. the ability of a borrower to supply a QBA bond). In addition, each applicant is required to secure its note or bond to the Transportation Bank with a General Obligation tax pledge.
- **Compliance with Application Schedule.** Each Borrower is required to comply with its agreed upon Application Schedule as set forth in the Note. A Borrower’s failure to award construction on or before the scheduled award date due to the inaction by it or its agents shall result in the de-obligation of Long-Term funding for the project. Moreover, no Short-Term funds will be disbursed for non-certified contracts and the project’s readiness ranking will be reduced by 5 ranking points in future funding rounds.

Upon satisfaction of the above, the I-Bank will contact the applicant to schedule the Short-Term CLP closing. In connection with Short-Term CLP closing, the I-Bank will circulate each of the following documents: (i) the form of Note to be issued by the Borrower to the I-Bank, including a series of Exhibits for inclusion thereto that shall include but not be limited to, the following: (a) the Project description; (b) the basis for the determination of allowable costs of the Project; (c) the loan disbursement schedule; (d) the Project event schedule; (e) the general administrative requirements; (f) a form of certification regarding lobbying; and (g) a disclosure of lobbying activities form; and (ii) the form of opinion to be rendered by bond counsel and general counsel to the Borrower (including, without limitation, opinion

points with respect to the enforceability of the Note). In addition to such forms to be completed and submitted by the Borrower at closing in the form required by the Transportation Bank, the Borrower must provide a certified copy of its official action relating to the authorization of its Project and the issuance of the Note. The nature of the Short-Term CLP and its structure as a note purchase program results in an efficient economy of closing documents.

Upon Short-Term CLP closing, funds are committed for the specific contract certified, initially the engineering contract. Funds for construction are committed at the time of certification of the construction contract by the DOT. In addition, the terms and conditions of the Project's Long-Term loan are committed upon the construction contract certification.

The I-Bank does not anticipate extending Long-Term financing for transportation Projects in SFY2020. Notwithstanding, it is anticipated that Long-Term loans, when made, will bear a fixed interest cost of between 0% and 50% of the I-Bank's AAA rated market rate for the lesser of the Project's useful life or 31 years based on a certification as to useful life by the Borrower's consulting engineer. Additional Information regarding Long-Term Transportation Bank Loans is set forth in Section II(D) below.

FEES

Administrative Fee. An Administrative Fee in the amount of 2% of the total estimated eligible Project cost is charged to all Borrowers. The 2% Administrative Fee offsets the cost of the Project review and construction management services provided to the Borrower and other operating costs. One-half of the Administrative Fee (1% of the total estimated eligible Project cost) is due by the Project sponsor upon Short-Term CLP closing and will be financed through the Short-Term CLP. Therefore, one-half of the Administrative Fee will be drawn on the date of closing of the Short-Term CLP and transferred in satisfaction of this partial fee payment obligation. The remaining 1% Administrative Fee balance is due and payable by the Borrower upon Short-Term CLP maturity, as a component of the Borrower's first Long-Term loan repayment or in-full should the Project sponsor opt out of long-term financing from the Transportation Bank. A separate loan servicing fee is payable annually to the I-Bank in the amount of 0.15% of the total original principal amount of the Long-Term Loan throughout the loan repayment period by all Borrowers to offset the I-Bank's ongoing loan servicing efforts.

Event of Default Fees and Expenses. The Borrower is charged reasonable fees and expenses of attorneys and other expenses incurred in the collection of repayments or any other sum due or the enforcement of the performance of any duties, covenants, obligations, or agreements of the Borrower under the Note. The hourly cost of professional services is set forth in agreements between the I-Bank and its professional advisors.

Engineering Costs. To the extent that consulting engineers are used for application review or construction management for a Borrower's Project, the costs thereof may be charged to the Borrower and shall be

charged in lieu of the administrative fee previously discussed. The hourly cost of such services will be set forth in agreements between the I-Bank and its consulting engineers.

DISBURSEMENT OF FUNDS

Upon Short-Term CLP closing, Transportation Bank funds for eligible costs are disbursed by the I-Bank for a certified contract upon the review and approval of borrower submitted engineering and construction invoices and requisitions utilizing the sources of funds set forth above. Funds are disbursed to Borrowers upon the Borrowers' demonstration that Project costs have been incurred as opposed to a demonstration that the applicant has disbursed funds. The Project construction drawdown schedules are developed by the I-Bank, based upon the Borrowers' own submissions, prior to Short-Term CLP closing.

E. LONG-TERM FINANCING

THE I-BANK LONG-TERM BONDS

Each I-Bank financing for a given qualifying Project will consist of (i) a Short-Term CLP that will serve to finance Project engineering and completion of Project construction, and (ii) a Long-Term Loan that will serve to refinance the Short-Term CLP upon completion of Project construction. The I-Bank anticipates that those Projects financed through the Short-Term CLP program in SFY2020 will complete construction in SFY2020 or thereafter. Please see Section II(C) above for detailed information concerning the I-Bank's Short-Term CLP program.

Although the I-Bank is considering the utilization of Long-Term Bond proceeds as one source of funds for the Long-Term loans to be made to each such Project, it does not anticipate the issuance of such Long-Term Bonds prior to SFY2021 at the earliest. Given the need to generate sufficient market interest and competitive pricing among underwriters for the issuance of Long-Term Bonds, as well as the I-Bank's experience that a bond sale consisting of a minimum principal par amount of \$15 to \$20 million is required in order to generate sufficient market interest and competitive pricing, it is anticipated that the first I-Bank Long-Term Bonds will be sold and issued only upon completion of multiple Projects. As noted above, this is not anticipated until SFY2021 or thereafter.

Notwithstanding this expectation on the part of the NJIB that Long-Term Bonds will not be issued until at least SFY2021, the following are the currently anticipated general parameters of the I-Bank's Long-Term Bonds with the purpose to refinance multiple Short-Term CLPs.

- Each series of Long-Term Bonds will fund a pool of Long-Term loans that, in turn, will serve to refinance Short-Term CLPs that previously had been made by the I-Bank to each pool participant in order to fund completion of Project construction by such pool participants. Each participant will be assigned to a loan pool by the I-Bank on the basis of such factors as a borrower's individual

credit characteristics, the borrower's effect on the pool's coverage, and the terms and conditions of each borrower's own outstanding bond documents, among others.

- Each series of Long-Term Bonds will be Special Obligations of the NJIB, secured primarily by the repayment by each pool participant of its Long-Term loan pursuant to the terms of a Long-Term loan agreement by and between the NJIB and each such participant. Such Borrower's loan repayments, in turn, will be collateralized by a General Obligation bond issued by such Borrower (or a government entity on the Borrower's behalf) to the I-Bank in order to secure such Borrower's obligation to make these loan repayments on time and in full. All Borrowers are required to issue bonds to the I-Bank, backed by the Borrowers' (or conduit's) General Obligation pledge.
- Additional security for the Long-Term Bonds (i) will be provided by certain State-aid payable to certain of the Borrowers, and (ii) may be provided by a debt service reserve fund.
- The Long-Term loan agreement and the local unit bond or other approved collateral of the Borrower are, except for certain reserved rights, assigned by the I-Bank to the Trustee for the Long-Term Bonds as security for the Long-Term Bonds.
- Neither the State nor any political subdivision thereof (other than the I-Bank, but solely to the extent of the applicable I-Bank transportation trust estate) is obligated to pay the principal of or interest on the Long-Term Bonds, and neither the full faith and credit nor the taxing power of the State or any political subdivision thereof (the I-Bank has no taxing power) is pledged to the payment of the principal of or interest on the Long-Term Bonds.
- The I-Bank will structure its Long-Term Bond financings so as to optimize the cost of financing for Transportation Bank Borrowers relative to the amount of funds the Transportation Bank makes available for loans and achieve the lowest cost of financing for its Borrowers.
- The I-Bank will consider various alternative and/or additional structural features with respect to its Long-Term Bonds to be issued in SFY2020 and thereafter, to the extent such structural features will serve the best interests of the Transportation Bank and will provide additional savings for the Borrowers that are pool participants.

FEDERAL FUNDING

The Program is assessing the viability of the Transportation Bank utilizing federal funds as an additional source of loan funds for project financing, specifically the Fixing America's Surface Transportation Act / Transportation Infrastructure Financing Efficiency Act. The I-Bank is anticipating securing a loan not to exceed \$75 million at an interest rate of approximately 50% of the U.S. Treasury rate in effect on the date of the loan agreement. It is anticipated that a loan agreement may be executed in the later part of

SFY2020. The final maturity date shall not exceed 31 years after the secured loan is obligated. The I-Bank anticipates contributing a 20% match for such funding which will be sourced from both internal and external sources. Federal funding received by the I-Bank will not negatively impact DOT's federal funding allocations.

ESCROW CLOSING

Prior to the sale of a series of Long-Term Bonds, the I-Bank will conduct an escrow closing for each participant in the pool, provided that, prior to escrow closing, such participant has adopted all necessary ordinances and resolutions and procured all required authorizations relating to its participation in the Transportation Bank. Loan agreements, Borrower bonds and related certifications are held in escrow until after bond sale and until all conditions precedent to final closing have been met. At that time, the documents are released from escrow concurrently with closing. This process ensures, to the greatest extent possible, that all Borrower conditions precedent to closing are satisfied prior to the competitive bond sale. Escrow is estimated to commence two months prior to each bond closing, thereby minimizing any potential disruption at the time of bond closing.

COMPETITIVE SALE OF LONG-TERM BONDS

Subsequent to escrow closing, the NJIB will schedule its bond sale. The NJIB enabling legislation requires that the NJIB's Long-Term Bonds be sold via a competitive process. Pursuant to such competitive process, the NJIB must publish a summary of the "Notice of Sale" once in at least three New Jersey newspapers and once in a recognized bond publication. The Long-Term Bonds will be awarded on the basis of the lowest true interest cost bid. Bidders are required to submit their bids electronically.

BORROWER DISCLOSURE IN CONNECTION WITH THE MARKETING AND SALE OF I-BANK LONG-TERM BONDS

Depending upon the Borrowers' characteristics, the participants in the I-Bank's Long-Term program are required to provide, through completion of their Long-Term Financial Addendum Form ("FAF") and certification of the accuracy of the data therein, information necessary for disclosure in the I-Bank's Official Statement to be disseminated in connection with the sale and issuance of its Long-Term Bonds. Full disclosure is required for pool participants that are determined by the I-Bank to be "material obligated persons" (defined as any Borrower whose debt service repayments exceed 10% of the aggregate debt service repayments from all Borrowers included in a given series of Long-Term Bonds). Reduced disclosure is required from those Borrowers that do not meet the standard for "material obligated persons." In each instance in which the I-Bank is issuing Long-Term Bonds for the purpose of funding long-term loans to a pool of Borrowers, the I-Bank will comply fully with the federal securities laws that are then-applicable to its Official Statement, including, without limitation, compliance by the "material obligated persons" in such pool of Borrowers with respect to required Borrower disclosure.

SECONDARY MARKET DISCLOSURE

Rule 15c2-12 of the Securities and Exchange Commission requires that certain information be provided on an annual basis, following the issuance of bonds, for use in the secondary market. The I-Bank has developed a policy, in satisfaction of the requirements of Rule 15c2-12, to (i) provide ongoing secondary market disclosure with respect to its financing program and each series of Long-Term Bonds that it issues, and (ii) ensure the provision of ongoing secondary market disclosure by certain Borrowers (i.e., those Borrowers that are determined by the I-Bank to be “material obligated persons”) that participated in the pool that was financed with such series of Long-Term Bonds. In each instance in which the I-Bank is issuing Long-Term Bonds for the purpose of funding long-term loans to a pool of Borrowers, the I-Bank will comply fully with the federal securities laws that are then-applicable to secondary market disclosure, including, without limitation, compliance by the “material obligated persons” in such pool of Borrowers with respect to required secondary market disclosure.

DEFICIENCY AGREEMENT / CREDIT ENHANCEMENTS

Certain authorities that are qualifying Borrowers have no taxing power and, as a result, must secure their bonds through a sponsoring public entity that provides the Transportation Bank with a General Obligation Pledge on behalf of the authority. In such cases, the I-Bank requires the Borrower bond of such Borrower to be additionally secured by a G.O. deficiency agreement with the Borrower’s underlying municipalities or the county. In the event such Borrower does not have an investment grade rating in satisfaction of the credit policy, the I-Bank will require the Borrower to secure such additional forms of credit enhancements.

STATE-AID INTERCEPT

To assure the continued operation and solvency of the I-Bank, the I-Bank’s enabling legislation authorizes the State Treasurer to intercept State aid to local government units that fail to meet their debt obligations to the I-Bank and to utilize those State aid funds to satisfy the local government unit’s debt obligations to the I-Bank.

The model for this approach is the State's Municipal Qualified Bond Program (“QBA”), which has been widely used by the State's lower rated Borrowers. State aid securing Qualified Bonds issued by participants in the QBA Program is pledged directly to the I-Bank’s Bond Series Trustee. State aid may also be intercepted by the I-Bank through the I-Bank’s statutory intercept powers. The State's experience with the Municipal Qualified Bond Program indicates that the State aid intercept can raise the ratings on bonds issued by financially stressed Borrowers to typically one step below the State’s rating. Therefore, participating municipalities and municipalities which are subject to deficiency agreements with participating authorities will be required to allow the State Treasurer to intercept their State aid on behalf of the I-Bank if that borrower’s payments are ever insufficient to pay debt service on the I-Bank Loan.

The intercept under the Transportation Bank is subordinate to the intercept securing bonds issued under the Municipal Qualified Bond Program. Should participants in the Transportation Bank have outstanding Municipal Qualified Bonds, financing documents will include covenants requiring that the coverage ratio of debt service by State aid be calculated by including those bonds as well as the Transportation Bank loan. This will mitigate the adverse effect of the senior claim on State aid of those Qualified Bonds.

The I-Bank will employ its State aid intercept powers to intercept funds of any Borrower that has defaulted on its I-Bank obligation. Intercepted funds will be applied to make up any repayment deficiencies to the I-Bank. Further, the I-Bank may take other actions to cause the local government unit to repay in a timely manner any sums in default. To date, the Transportation Bank has not had to employ its State aid intercept powers.

COVENANTS AFFECTING THE LOCAL UNIT

The Transportation Bank Long-Term loan agreements are legally valid and binding obligations of the Borrower; the Long-Term bonds or approved collateral pledged by the Local Government Unit are legally valid and binding obligations of the Borrower.

Consequently, each Borrower must be able to make unequivocal representations concerning its status. Ordinances and resolutions of the governing body must be in place to establish that the Borrower has the legal right and authority to undertake the Project, and own, efficiently operate and appropriately maintain the Project. The Borrower will need to certify that no undisclosed fact or event, and no pending litigation, will materially adversely affect the borrower, the project or the ability to make timely loan repayments.

Other covenants include:

- For a G.O. Borrower, a pledge of full faith and credit to exercise the unlimited *ad valorem* taxing power of the local government to insure the timely repayment of principal and interest;
- The intercept of State aid payable to a General Obligation Borrower who fails to meet I-Bank Loan repayment and/or administrative fee payment schedules; or
- A limitation on the Borrower's discretion to issue Qualified Bonds unless the coverage afforded by State aid anticipated for the current fiscal year is equal to a reasonable coverage test, which test in the past has been: the annual debt service on all outstanding Qualified Bonds divided by the annual funds available for these payments pursuant to the Qualified Bond Act must not exceed 0.80;
- A limitation on the use of loan proceeds to only finance allowable costs of the Project that are funded by the Long-Term loan;

- A limitation on the Borrower's discretion to sell, lease, abandon or otherwise dispose of the infrastructure without (i) an effective assignment of the Borrower's loan obligations, (ii) the prior written approval of the I-Bank, and (iii) an opinion from the I-Bank's bond counsel that such sale, lease, etc. will not have an adverse impact on either the security for the I-Bank's bonds or the tax-exempt status (if applicable) of the I-Bank's bonds;
- A prohibition on actions that may jeopardize the tax status of the bonds issued by the I-Bank (if applicable);
- A provision to provide secondary market disclosure information in accordance with the provisions of SEC Rule 15c2-12 and the policy established by the I-Bank, if required under the Rule; and

The I-Bank may impose additional covenants on certain Borrowers in order to address unique circumstances.

TERMS OF REPAYMENT

Interest begins accruing on the I-Bank's Long-Term loan when the I-Bank's Long-Term Bond closing occurs, and the Long-Term loan proceeds are used to repay the Borrower's outstanding Short-Term CLP.

Other repayment terms include:

- A level annual repayment schedule for the Long-Term loan, with interest payable in semi-annual installments and principal payable in annual installments;
- Payment of the remaining balance of the 2% Project administrative fee (1%) shall be paid at the time of the first Long-Term loan repayment;
- Payment of the I-Bank's annual administration fee at the rate of 0.15% of the original principal amount of the Long-Term loan shall be paid semiannually, commencing with the first Long-Term loan repayment for the term of the loan
- A late charge of 12% per annum, or [.50% above the prime rate], whichever is greater, of the loan payment amount that is past due, calculated from the due date;
- The application of each I-Bank loan repayment pursuant to the terms set forth the Bond Resolution (typically to interest first, then principal).

The loan agreements may also provide Borrowers with an option to prepay loan obligations without penalty. Prepayment of the I-Bank Loan requires a 90-day written notice to the I-Bank and a written approval thereof. I-Bank Loan prepayments, at a minimum, must satisfy the payment in full of accrued interest (if applicable), any non-callable bond interest (if applicable), any premium, principal through the prospective payment date for which the prepayment is to be credited and any fees incurred by the

Transportation Bank to execute such prepayment. Advance repayments will be applied first to interest on the portion prepaid, then to principal. The Borrower is responsible for paying all the costs of the I-Bank associated with any prepayments. In addition, whether or not prepayment is involved, any modification of the local government bonds securing the I-Bank Loan will require prior approval of the I-Bank.

DEFAULT

The Long-Term loan agreements will define an Event of Default (“EOD”) as:

1. the failure by the Borrower to make a loan repayment in full on or before the due date;
2. the failure to make timely payment of an administrative fee on the I-Bank Loan within 30 days after written notice is given;
3. the representation of false and misleading information that has a material effect on the integrity of the loan agreements or related documents;
4. the appropriate filing by or against a Borrower of any petition of bankruptcy or insolvency;
5. the general failure of the Borrower to pay its debts; and
6. the failure to observe or perform any other duties, obligations or responsibilities required by the I-Bank for participation in the Financing Program, within 30 days after written notice.

With respect to the EODs specified in (2) and (6), the Trustee may be authorized to provide relief for up to 120 days if the Borrower can represent that the failure to pay, observe or perform is correctable within that time frame. In addition, default may be averted if a petition of bankruptcy or insolvency is dismissed without prospects for appeal.

In an event of payment default, the I-Bank may accelerate the Long-Term loan, and in the event of any default, the I-Bank may elect to take whatever action of law or equity is necessary to recover the deficiencies manifested by the default or direct the Trustee to pursue these remedies.

III. APPENDICES

SFY2020 Transportation Financing Program Project Priority List	A1
SFY2020 Transportation Financing Program Project Priority List	A2
SFY2020 Appropriations (Project Eligibility List)	B
Status on SFY2019 Transportation Bank Project Loans <u>Issued</u>	C1
Status on SFY2019 Transportation Bank <u>Pending</u> Project Loan Closings	C2
SFY2020 Proposed Budget (DRAFT)	D
2019 Board Meeting Dates	E

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