

RESOLUTION NO. 20-18

**RESOLUTION OF THE NEW JERSEY INFRASTRUCTURE BANK
APPROVING THE I-BANK'S AMENDED AND RESTATED CREDIT POLICY**

WHEREAS, the New Jersey Infrastructure Bank (the "I-Bank"), pursuant to and in accordance with the "New Jersey Infrastructure Trust Act", constituting Chapter 334 of the Pamphlet Laws of 1985 of the State of New Jersey (codified at N.J.S.A. 58:11B-1 et seq.), as the same has been, and in the future may from time to time be, amended and supplemented (the "I-Bank Act"), is authorized to make and contract to make loans to project sponsors to finance a portion of the costs of the respective environmental infrastructure system projects thereof, which project sponsors may lawfully undertake or acquire and for which they are authorized by law to borrow funds, subject to such terms and conditions as the I-Bank shall determine to be consistent with the I-Bank Act and the purposes of the I-Bank; and

WHEREAS, on October 14, 2016 the I-Bank Act was amended pursuant to Public Law 2016, Chapter 56 (the "Amending Statute"). The Amending Statute, which became effective on January 16, 2018, pursuant to Public Law 2017, Chapter 327, changed the name to the New Jersey Infrastructure Bank "I-Bank" and expanded the statutory authority of the I-Bank to finance certain infrastructure projects to local government units, pursuant to the I-Bank Act; and

WHEREAS, the Board of Directors of the I-Bank (the "Board"), passed Resolution No. 18-39 on June 18, 2018, wherein it adopted that certain "Resolution Approving an I-Bank Amended and Restated Credit Policy," (i) to ensure consistency and appropriate management of all credit risk on the part of the I-Bank with respect to all Water Bank and Transportation Bank applicants with respect to the creditworthiness standards; and

WHEREAS, each project financed through the NJEIFP typically consists of an I-bank loan and State (Fund) loan; and

WHEREAS, the creditworthiness standards set forth in a letter, dated October 29, 2001, from the State Treasurer to the Executive Director of the I-Bank continue to remain in effect for the State Loan under the NJEIFP; and

WHEREAS, it is the desire of the Board to amend and restate the Credit Policy, in the form attached hereto as Exhibit A, and made a part hereof, to further enhance the strength of the creditworthiness requirements for the I-Bank Credit Policy for both the NJEIFP and the NJTIFP.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the I-Bank, that the Board hereby authorizes and approves (i) the adoption by the I-Bank of the Amended Creditworthiness Policy, in the form attached hereto as Exhibit A and made a part hereof, with such immaterial modifications thereto as the Executive Director of the I-Bank shall approve, following consultation with Bond Counsel to the I-Bank, the Office of the Attorney General of the

State and the Financial Advisor to the I-Bank, and (ii) the implementation by the I-Bank of such Amended Credit Policy pursuant to the terms thereof. This Resolution shall become effective in accordance with the terms of Section 4(i) of the Act (N.J.S.A. 58:11B-4(i)).

Adopted Date: March 20, 2020

Motion Made By: Mr. Jack Kocsis

Motion Seconded By: Ms. Kimberly Holmes

Ayes: 7

Nays: 0

Abstentions: 0

EXHIBIT A

AMENDED CREDITWORTHINESS POLICY

NEW JERSEY INFRASTRUCTURE BANK



CREDIT POLICY

Revised – March 2020

POLICY AND PROCEDURE

NO. 1.21

SUBJECT: Credit Policy

REVISION HISTORY:	Adopted:	1/10/2013	Effective:	1/29/2013
	Revised:	10/17/2013	Effective:	10/31/2013
	Revised:	2/20/2014	Effective:	3/7/2014
	Revised:	6/12/2014	Effective:	6/30/2014
	Revised:	1/15/2015	Effective:	2/2/2015
	Revised:	6/9/2016	Effective:	6/24/2016
	Revised:	6/18/2018	Effective:	7/3/2018
	Revised:	3/20/2020	Effective:	4/3/2020

PURPOSE: To define and clarify the credit worthiness standards required for participation in the New Jersey Environmental Infrastructure Financing Program (“Water Bank”) and the New Jersey Transportation Infrastructure Financing Program (“Transportation Bank”)

Credit Worthiness Policy for Loans of the New Jersey Infrastructure Bank

The I-Bank prides itself on staying true to its core mission:

- Promoting and facilitating the construction of:
 - Water quality and public health infrastructure projects throughout the State by providing low cost funding to local government units and drinking water systems;
 - Local transportation infrastructure projects by providing low interest loans to local government units; and
- Fulfilling a fiduciary responsibility to ensure that the credit standards of the Water Bank and Transportation Bank provide the highest levels of protection, thereby allowing future generations to borrow funds through each the Water Bank and Transportation Bank at the lowest and most efficient costs available.

In simplest terms, the Water Bank and Transportation Bank are each pools of subsidized loans dedicated to financing improvements to New Jersey's water quality and transportation infrastructure, respectively. Central to the I-Bank's continued success is the dedication of infrastructure project funding in perpetuity through a revolving fund structure. As participating borrowers in the Water Bank and Transportation Bank ("Borrowers") repay the State-funded component of their loans, these funds are re-lent to other Borrowers to finance new projects, hence, the revolving fund moniker.

In the event a Borrower defaults on its repayment obligation to the Water Bank or Transportation Bank, the consequences of the loss are, 1) the loss of funds reduces the total amount of revolving loan funds available for future borrowers; and 2) the default negatively impacts the credit rating of the I-Bank increasing the cost of financing for other Borrowers. Accordingly, the I-Bank maintains Borrower credit eligibility requirements as a precondition to qualification for a loan through either of the financing programs. The Water Bank and Transportation Bank are not meant to be lenders of last resort. This Credit Policy protects each financing program as a sustainable source of low-cost infrastructure financing for current and future Borrowers.

Since the I-Bank's inception, the Water Bank has provided more than \$7.18 billion in zero and low interest rate long-term loans to local communities through a combination of federal and State funds and I-Bank bond proceeds, resulting in an estimated interest cost savings of over \$2.59 billion to these local communities. New Jersey's rate payers and taxpayers are the direct beneficiaries of the Water Bank's multiple cost savings subsidies and administrative benefits. It is anticipated that the newly created Transportation Bank will offer similar savings to local communities.

In this Credit Policy, the I-Bank addresses the requirement of credit worthiness through the analysis of risk that each loan applicant ("Applicant") presents. This risk analysis considers the probability that a Borrower will not fulfill its annual debt service repayment obligation on its I-Bank loan on time and in full, as well as how each I-Bank Loan is secured to minimize any corresponding loss. This Credit Policy builds upon the previous policy by clearly articulating the I-

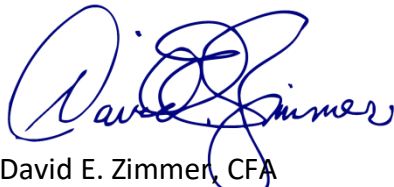
Bank's credit requirements to more effectively address the complex range of projects and Applicants to the Water Bank and Transportation Bank.

To apply this Credit Policy in a manner that is practical, transparent and fair to each Applicant, the Credit Policy considers (i) each Applicant's ability to repay its I-Bank Loan as demonstrated (in almost all cases) by an independent, investment grade credit rating from either Fitch Ratings, Inc., Moody's Investors Service or S&P Global Ratings, and (ii) the type of collateral that each Applicant will pledge as security for its Program Loan, defined by either (a) a General Obligation ("G.O.") Bond that constitutes the full faith and credit secured by a pledge of the *ad valorem* taxing authority of the underlying county or municipalities being served by the project or (b) a Revenue Bond, that is an obligation secured by the gross receipts generated by the water system or overall general revenues of the borrower.

This Credit Policy segregates Applicants by Borrower-type (Municipality, Authority, Private Water System) and collateral-type (G.O. Bond, Revenue Bond) and by Financing Program. Given the early stages of the Transportation Bank, the Credit Policy limits qualified Applicants to the Transportation Program to Municipalities, Counties and regional transportation authorities providing an investment grade rated G.O. pledge or qualifying Authorities that secure and provide an investment grade rated G.O. pledge from the underlying County or municipality. Given the more secure and stable nature of cash flow streams from water-related projects relative to transportation projects, the Credit Policy provides more latitude for Applicants of the Water Bank by qualifying certain higher-risk Applicants, including Revenue Bond Applicants and non-rated de-minimis borrowers. In recognizing the value of an investment grade G.O. pledge, and in order to ensure that all future, qualified Applicants receive fair access to the Financing Program's subsidized zero and low interest loans (*a benefit that has saved the average Borrower more than 25% of their total Program Loans principal amount in interest costs savings*), this Credit Policy requires more collateral from certain, higher-risk Water Bank Applicants. In this way, the I-Bank is less prone to future default and loss risks.

If you have any questions regarding this Credit Policy, please do not hesitate to contact either the I-Bank or our legal or financial advisor. We look forward to providing you the top-rated and efficient service that has always been the hallmark of the I-Bank financing programs.

Respectfully,



David E. Zimmer, CFA
Executive Director

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New Jersey Infrastructure Bank Credit Policy Statement

Revised March 20, 2020

I. STATUTORY AUTHORITY

The I-Bank, originally organized in August of 1986 as the “New Jersey Wastewater Treatment Trust”, is a public body corporate and politic with corporate succession, constituted as an instrumentality of the State, exercising public and essential government functions, and organized and existing under and pursuant to N.J.S.A. 58:11B-1 et seq. (the “I-Bank Act”). Since 1987, the I-Bank and the State have provided loan financing for acquiring, constructing, improving or installing wastewater treatment projects for wastewater treatment systems undertaken by local government units in the State. In 1998, the I-Bank Act was amended expanding the program to finance the costs of drinking water supply projects undertaken by local government units, private entities and nonprofit entities.

On October 14, 2016, the I-Bank Act was further amended pursuant to Public Law 2016, Chapter 56 (the “Amending Statute”), changing the name of the I-Bank to the “New Jersey Infrastructure Bank” and expanding its statutory authority. More specifically, the I-Bank’s statutory authority was expanded to make loans and provide other assistance to local government units to finance the cost of certain transportation infrastructure projects, as defined in the I-Bank Act. The Amending Statute became effective on January 16, 2018, pursuant to Public Law 2017, Chapter 327.

The I-Bank is structured organizationally as two distinct operating departments:

- (i) one department, the NJ Environmental Infrastructure Trust (“NJEIT”) which partners with the NJ Department of Environmental Protection (“NJDEP”) for the purpose of jointly operating and administering the New Jersey Environmental Infrastructure Financing Program, known as the New Jersey Water Bank (the “Water Bank”), and
- (ii) a second department, the NJ Transportation Infrastructure Bank, which partners with the NJ Department of Transportation for the purpose of jointly operating and administering the New Jersey Transportation Infrastructure Financing Program”), known as the New Jersey Transportation Bank (the “Transportation Bank”).

The I-Bank is responsible for ensuring that I-Bank Loans in the Water Bank and Transportation Bank are administered efficiently and fairly to all *qualified* Applicants in a fiscally responsible manner that safeguards the I-Bank’s future ability to make infrastructure loans in the most cost-efficient manner.¹ This Policy does not address the State of New Jersey’s credit standards utilized in issuing the State loan component of Water Bank Loans.

¹ Note: Capitalized terms used herein shall have the meaning ascribed to such terms in Article V hereof, unless otherwise noted.

II. OBJECTIVE

The I-Bank maintains minimum credit worthiness standards, compliance with which is a pre-condition to an Applicant's qualification to receive an I-Bank Loan. These credit worthiness standards help to ensure that (i) loans made through the Water Bank and Transportation Bank are repaid (on-time and in full) enabling the I-Bank to relend these funds over and over to other Borrowers in the State, (ii) publicly issued I-Bank Environmental Infrastructure bonds maintain a AAA/Aaa/Aaa Credit Rating from the three Nationally Recognized Rating Agencies ("NRRA") and, as a result, the I-Bank is able to issue its bonds at the lowest absolute rate for the benefit of all current and future Water Bank Borrowers and (iii) publicly issued Transportation Infrastructure bonds receive the highest possible rating given the size of the pool from the three Nationally Recognized Rating Agencies ("NRRA") and, as a result, the I-Bank is able to issue its bonds at a low rate for the benefit of all current and future Transportation Bank Borrowers.

Recognizing that one of the hallmarks of the I-Bank has always been equal and shared access for all qualified Applicants to the I-Bank's low financing costs offered through the Water Bank and Transportation Bank. The I-Bank was neither created to be, nor intended to perform as, the lender of last resort for every Applicant seeking financing for environmental or transportation infrastructure projects in the State. Consequently, the purpose of this Credit Policy is to further define the financial conditions and requirements that must be satisfied by each Applicant so that all lending decisions and actions of the I-Bank continue to be consistent, transparent and, ultimately, fiscally prudent. Notwithstanding the existence of separate credit standards of the State and the I-Bank, the I-Bank credit policy provisions apply to all I-Bank loans.

III. RECENT HISTORY

The Water Bank: The Water Bank has been subject to a number of policy revisions and product innovations since its inception more than 33 years ago. These changes include: the introduction of a water supply system or drinking water ("DW") component (1998), the introduction of the Master Program Trust Account ("MPTA") which serves as Water Bank Loan coverage or a reserve fund that is capitalized with Fund Loan repayments owed to the State and that acts as additional collateral support for the I-Bank's Environmental Infrastructure Loan Program outstanding bonds (1995), the most recent clarification and revision of the State's credit policy (2001), the Direct Loan Program (2001), introduction of the Financing Program's Enterprise Application Software system (2012), the Small System (NANO) Loan Program (2012), the Supplemental Financing Program (2012), the I-Bank's initial Credit Policy (2013), the SAIL Disaster Relief Loan Program (2013), the multi-year Short-Term Construction Loan Program (2015), and the rolling application process (2016).

Over 90% of the loans made by the I-Bank to date are secured either by (i) a general obligation ("G.O.") bond issued by a taxing entity (a Municipality or county) and secured by a pledge of its full faith and credit or (ii) a Revenue Bond issued by an Authority and ultimately secured by a G.O. pledge of the full faith and credit of the municipal Participants served by that Authority. The Authority pledges to the I-bank, through its indenture or bond resolution, all payments payable to the Authority by the Participants pursuant to the Service Agreement. When applicable, these G.O. pledges obligate the Municipalities and/or counties to raise *ad valorem*

taxes “without limitation as to rate or amount” in order to either (i) satisfy their debt service obligation to the I-Bank or (ii) satisfy any payment obligations pursuant to the Service Agreement in order for the Authority to repay its debt service obligations to the I-Bank.

The remainder of the outstanding Water Bank loans made by the I-Bank (i.e., less than 10%) are secured by a Revenue Bond. Revenue Bonds are not secured by a G.O. pledge of one or more Municipalities or Counties. As such, these Revenue Bonds may pose greater repayment default AND loss risk to the Water Bank. The fact that such Revenue Bonds are growing each year as a percentage of the Water Bank’s overall portfolio exposure speaks to the changing nature of the Water Bank and the recognition from non-traditional parties of the cost of capital advantages that the Water Bank offers relative to market-based lending alternatives. While the I-Bank’s publicly held bonds have never suffered a payment default, it is critical to establish and maintain policies that safeguard against the risk of default and loss in the future.

The Transportation Bank: The SFY2019 Financing Program was the first full year of operation for the Transportation Bank offered program loans to qualified Borrowers at extremely low interest rates to significantly reduce Borrower financing costs relative to independent financing.

IV. RISK PARAMETERS

This Credit Policy segregates default risk by Borrower-type and by credit pledge-type. In the event of a potential bankruptcy, Borrowers which are Municipalities, Counties or local Authorities must obtain the approval of the Local Finance Board within the Department of Community Affairs (“DCA”) before they are legally able to commence bankruptcy proceedings. Given (i) the G.O. pledge that secures the I-Bank Loan, and (ii) the additional legal hurdle and corresponding oversight from the State associated with bankruptcy proceedings, these entities have a greater hurdle, and therefore, a lower likelihood of experiencing default than their non-G.O. counterparts. In addition, the strength of a Borrower’s security for their respective loans has a limiting effect on both their probability of default as well as the magnitude of any principal or interest repayment loss should that Borrower default on its repayment obligation to the I-Bank. As such, any Borrower that can be compelled to raise, or compel a Participating municipality to raise, *ad valorem* taxes through their pledge of either a direct or indirect G.O. will be less likely to default and, in the unlikely Event of Default, will be less likely to cause a loss on their repayment obligations to the I-Bank. With this in mind, the Credit Policy divides Water Bank or Transportation Bank Borrowers into the following categories:

1. Water Bank and Transportation Bank

- a. G.O. Pledge:
 - i. Municipality/County
 - ii. Authority

2. Water Bank only

- a. G.O. Pledge
 - i. Redevelopment Project sponsored by an LGU

- b. Revenue Pledge:
 - i. Authority
 - ii. Corporate/Private-Owned Water System
- c. *De-minimis* Borrowers
- d. SAIL Loans

(See Section VI for further discussion of risk categories and corresponding criteria.)

V. DEFINITIONS

“Aggregate Annual Debt Service” means, with respect to any given Applicant, the total of the annual debt service payments for both direct and indirect (i.e., as a result of such Applicant’s participation in an Authority) obligations of the Applicant to either the Water Bank or Transportation Bank, as applicable, due and payable, or in the instance of a Short-Term Loan, estimated to be payable on a long-term basis, each State Fiscal Year to the I-Bank with respect to all outstanding Water Bank Loans or all outstanding Transportation Bank Loans when aggregated, or to the State with respect to all outstanding Fund Loans when aggregated. Note, the Aggregate Annual Debt Service calculation facilitates the determination of *De-minimis* status.

“Applicant” means an entity having submitted, pursuant to the I-Bank Act and applicable regulations, project information and/or a Letter of Intent or Short-Term Financial Addendum Form or an application for the financing of a project through the Water Bank or Transportation Bank.

“Authority” means a State authority, a municipal, county or regional sewerage or utility authority, a municipal sewerage district, an improvement authority, or any other political subdivision of the State, *other than* a Municipality or county, that is authorized to construct, operate and maintain a wastewater treatment system or a public water supply system, or to construct, rehabilitate, operate or maintain water supply facilities or otherwise provide water for human consumption, or a regional transportation authority, or any other political subdivision of the State authorized to construct, operate, and maintain public highways or transportation projects.

“Borrower” means any entity that has any Water Bank or Transportation Bank loans outstanding with either the State and/or the I-Bank.

“Credit Eligibility Requirements” means those standards set forth in Section VI:2 below pursuant to an Applicant’s borrower-type and security pledge.

“Credit Rating” means an assessment by one or more of the three Nationally Recognized Rating Agencies of the credit worthiness (i) of an Applicant and the Applicant’s ability to repay principle and interest on its bonds, or (ii) of a Nationally Chartered Bank or a State Chartered Bank and its ability to satisfy its liabilities.

“De-minimis Loan Applicant” means an Applicant with respect to which the *Pro-Forma* Water Bank Aggregate Annual Debt Service owed to the I-Bank is less than \$50,000. De-minimis Applicants must be an LGU or HOA that services multiple units and must provide the I-Bank with all information necessary for review at least 4 months prior to the date of loan closing.

“Direct Loan Closing” means the date on which a Borrower delivers to the I-Bank and State (if applicable), and the I-Bank and State accepts from such Borrower, a note or other obligation evidencing an I-Bank Loan and Fund Loan to such Borrower pursuant to the direct loan program of the Water Bank or Transportation Bank, established pursuant to the I-Bank Act and one or more resolutions of the I-Bank.

“Escrow Closing” means the date on which the I-Bank, the State, a Borrower and an escrow agent appointed by the I-Bank each enter into an escrow agreement, pursuant to which (i) the I-Bank and the State each commit to make a loan to the Borrower with respect to a particular Environmental Infrastructure Project under the Water Bank or the I-Bank commits to make a loan to the Borrower with respect to a particular Transportation Infrastructure Project under the Transportation Bank; (ii) the Borrower commits to accept a loan from each of the I-Bank and the State with respect to such Environmental Infrastructure Project or the Borrower commits to accept a loan from the I-Bank with respect to such Transportation Infrastructure Project; and (iii) the I-Bank Loan Agreement and I-Bank Loan Bond for both Water and Transportation Infrastructure Projects and the Fund Loan Agreement and Fund Loan Bond for Water Bank Projects, together with certain other documents and legal opinions, are deposited into escrow, to be released by the escrow agent upon the issuance by the I-Bank of its bonds.

“Environmental Infrastructure Project” means the acquisition, construction, improvement, repair or reconstruction of all or part of any structure, facility or equipment, or real or personal property necessary for or ancillary to any (i) wastewater treatment system project, including any stormwater management or combined sewer overflow abatement projects, or (ii) water supply project, as authorized pursuant to P.L.1985, c.334 (C.58:11B-1 et seq.) or P.L.1997, c.224 (C.58:11B-10.1 et al.), including any water resources project, as authorized pursuant to P.L.2003, c.162.

“Event of Default” means any occurrence or event defined as an Event of Default pursuant to a I-Bank Loan Agreement or a Fund Loan Agreement.

“Financial Due Diligence Meeting” means a meeting convened by the I-Bank to discuss elements of an Applicant’s financial health, including, without limitation, the sources of funding for an Applicant’s Environmental or Transportation Infrastructure Project, the current Credit Rating, the potential impact of such an Environmental or Transportation Infrastructure Project on the Applicant’s Credit Rating, and other matters deemed necessary or appropriate by the I-Bank to aid it in assessing (i) an Applicant’s compliance with this Credit Policy and (ii) its financial eligibility to receive and repay a I-Bank Loan and Fund Loan. Financial Due Diligence Meetings may include the following representatives:

- Representatives of the NRRAs that rated the Applicant’s outstanding debt;

- The Applicant’s chief financial officer, highest elected official, and business administrator;
- One or more representatives of the developer of the Environmental or Transportation Infrastructure Project, if applicable, possessing knowledge and authority to provide detailed information regarding the Environmental or Transportation Infrastructure Project and its regulatory and financial details;
- A representative of each of the non-I-Bank entities, including other State Agencies, if any, providing funding for any aspect of the Environmental or Transportation Infrastructure Project;
- A representative of each entity that may provide a guarantee for the financing of the Environmental or Transportation Infrastructure Project, if applicable;
- Two representatives of the I-Bank’s senior management;
- A representative of any entity that may serve as signatory to an I-Bank Loan Agreement or Fund Loan Agreement, or another form of contractual obligation in connection with the financing of the Environmental or Transportation Infrastructure Project; and
- Such other individuals deemed necessary or appropriate by the I-Bank to aid in conducting financial due diligence including, without limitation, representatives from the New Jersey Department of Community Affairs and/or the New Jersey Board of Public Utilities.

“Financing Program Principals” means the I-Bank and the State, collectively, as parties to the Water Bank and Transportation Bank.

“Finding of Unacceptable Credit Risk” means a written finding by the I-Bank (i) that the Applicant fails to meet the Credit Eligibility Requirements, (ii) that one or more Material Events has occurred within the immediately preceding sixty (60) months, or (iii) that the I-Bank otherwise identifies credit, liquidity or operational risks deemed by the I-Bank to constitute unacceptable risks to the Water Bank or Transportation Bank.

“Fund Loan” means a loan provided by the State, acting by and through the NJDEP, to a Borrower for the financing as part of the Water Bank all or a portion of an Environmental Infrastructure Project pursuant to the Federal Clean Water Act or the Federal Drinking Water Act.

“Fund Loan Agreement” means an agreement, by and between the State, acting by and through the NJDEP, and a Borrower, pursuant to which the State extends a Fund Loan to a Borrower in connection with the financing of all or a portion of an Environmental Infrastructure Project, and the Borrower agrees to certain terms and conditions, including, without limitation, the construction of the Environmental Infrastructure Project and the repayment of the Fund Loan.

“Fund Loan Bond” means a senior lien bond issued by a Borrower to the State, acting by and through the NJDEP, in order to evidence and secure the Fund Loan repayment obligations of such Borrower to the State, all in connection with the financing of all or a portion of an Environmental Infrastructure Project. The State may, in its discretion, accept a Junior Lien Bond, subject to certain covenant obligations, in lieu of a senior lien bond.

“I-Bank Investment Grade Rated” means an Applicant with either (i) at least one current rating assigned by an NRRRA that is BBB+ (S&P and Fitch) or Baa1 (Moody’s) or better, or (ii) at least two current ratings assigned by NRRRA’s that are BBB- (S&P and Fitch) or Baa3 (Moody’s) or better, as well as for both (i) and (ii) no Non-Investment Grade Rated Credit Ratings from any of the NRRAs.

“I-Bank Loan” means a loan made by the I-Bank to a Borrower for the financing as part of the Water Bank or Transportation Bank of all or a portion of an Environmental or Transportation Infrastructure Project pursuant to N.J.S.A. 58:11B-1 et seq.

“I-Bank Loan Agreement” means an agreement, by and between the I-Bank and a Borrower, pursuant to which the I-Bank extends an I-Bank Loan to a Borrower in connection with the financing of all or a portion of an Environmental or Transportation Infrastructure Project, and the Borrower agrees to certain terms and conditions, including, without limitation, the construction of the Environmental or Transportation Infrastructure Project and the repayment of the I-Bank Loan on-time and in-full.

“I-Bank Loan Bond” means a senior lien bond issued by a Borrower to the I-Bank in order to evidence and secure the I-Bank Loan repayment obligations of such Borrower to the I-Bank, all in connection with the long-term financing of all or a portion of an Environmental or Transportation Infrastructure Project pursuant to N.J.S.A. 58:11B-1 et seq. The I-Bank may, in its discretion, accept a Junior Lien Bond, subject to certain covenant obligations in lieu of a senior lien bond.

“I-Bank Non-Investment Grade Rated” means an Applicant that possesses either (i) a Credit Rating assigned by an NRRRA that is lower than BBB- (S&P and Fitch) or Baa3 (Moody’s), or (ii) only one Credit rating and the rating assigned by an NRRRA is lower than BBB+ (S&P and Fitch) or Baa1 (Moody’s).

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto.

“Letter of Credit” or “LOC” means an irrevocable Letter of Credit issued by a Nationally Chartered Bank or a State Chartered Bank that secures the payment of the principal and/or interest on (as applicable) the I-Bank Loan Bond and Fund Loan Bond issued to the I-Bank and the State, respectively, by the Applicant that procured such LOC.

“Loan Loss Reserve Fund” or “LLR” means a fund established by the I-Bank, pursuant to N.J.S.A. 58:11B-1 et seq., for the deposit of the annual Risk Premium as defined herein. Risk Premium payments will be deposited by the I-Bank into the LLR and shall secure repayments owed only on those Water Bank or Transportation Bank loans in connection with which Risk Premium payments are required.

“Local Government Unit” or “LGU” means (i) a State Authority, county, Municipality, municipal, county or regional sewerage or utility Authority, municipal sewerage district, joint meeting, improvement Authority, or any other political subdivision of the State authorized pursuant to law

to construct, operate and maintain wastewater treatment systems, or (ii) a State Authority, district water supply commission, county, Municipality, municipal, county or regional utilities Authority, municipal water district, joint meeting or any other political subdivision of the State authorized pursuant to law to operate or maintain a public water supply system or to construct, rehabilitate, operate or maintain water supply facilities or otherwise provide water for human consumption; or (iii) 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 as defined pursuant to this section.

“LGU Sponsor” means a Local Government Unit whose participation in an I-Bank Loan Agreement and/or a Fund Loan Agreement, or any other form of contractual obligation, is necessary to satisfy Water Bank or Transportation Bank requirements, including, but not limited to, compliance with this Credit Policy for the purpose of assisting a third party in securing access to funding from the Water Bank for an Environmental Infrastructure Project or Transportation Bank for a Transportation Infrastructure Project of mutual benefit to such Local Government Unit and such third party.

“Material Event” means, with respect to a given Applicant, the occurrence of any one or more of the following: (i) an Event of Default under an existing I-Bank Loan Agreement and/or Fund Loan Agreement to which the Applicant is a party; (ii) the Applicant’s receipt of notice of a criminal complaint, criminal investigation or indictment pertaining to the Applicant or any of its officers or directors; (iii) a material change in financial position demonstrating a material adverse effect upon the Applicant’s financial position within the last two fiscal years; (iv) the filing by the Applicant of a bankruptcy petition or the administration of the Applicant pursuant to the provisions of any applicable bankruptcy statute; (v) any written documentation that is produced by the NJDEP, NJDOT or the I-Bank which identifies (1) material mismanagement by the Applicant of (a) any of its Environmental or Transportation infrastructure facilities, or (b) the proposed Environmental or Transportation Infrastructure Project to be financed through the I-Bank, in which the Applicant has been unable to cure such material mismanagement or (2) failure of such Applicant to properly satisfy its repayment obligations with respect to any outstanding Water Bank or Transportation Bank Loans, including, without limitation, late payments or (3) failure of such Applicant to properly and promptly apply unexpended proceeds of any outstanding Water Bank or Transportation Bank Loans; (vi) material misrepresentations by the Applicant in any Water Bank or Transportation Bank application documents; or (vii) failure by the Applicant to submit timely responses to requests for information presented to the Applicant by the I-Bank and/or the NJDEP/NJDOT; or (viii) failure of the Applicant to satisfactorily complete all filings with the LFB or any overseeing State agency; or (ix) being placed under oversight by the LFB or any overseeing State agency. Applicants with Material events may be asked to enhance the security of their loan through mechanisms, such as Qualified Bonds.

“Municipality” means any city, borough, town, township or village situated within the boundaries of the State of New Jersey.

“Nationally Chartered Bank” means a banking institution chartered and supervised by the Office of the Comptroller of the Currency, an agency in the U.S. Treasury Department, pursuant to the National Bank Act, 12 U.S.C. Section 21 *et seq.*

“Nationally Recognized Rating Agency” or “NRA” means any of Fitch Ratings, Inc. (“Fitch”), Moody’s Investors Service (“Moody’s”) or S&P Global Ratings (“S&P”).

“NJDEP” means the New Jersey Department of Environmental Protection.

“NJDOT” means the New Jersey Department of Transportation.

“New Jersey Infrastructure Bank” or “I-Bank” means a body corporate and politic organized under the laws of the State of New Jersey pursuant to N.J.S.A. 58:11B-1 *et seq.*

“Non-Rated” means an entity, which does not possess a current Credit Rating from any of the three NRAs.

“Participant” means one or more Municipalities and/or Authorities that have entered into a Service Agreement in which they have pledged their GO to a Special Obligation Entity.

“Preliminary Financial Information” means certain written information produced by an Applicant and delivered to the I-Bank pursuant to a written request submitted by the I-Bank, all in furtherance of the assessment by the I-Bank of the Applicant’s compliance with this Credit Policy.

“Privately-Owned Water System” means a drinking water system required to comply with New Jersey State primary drinking water regulations for which a Public Water System Identification number (“PWSID”) exists.

“Pro-forma Aggregate Annual Debt Service” means, with respect to any given Applicant for both direct and indirect obligations to the Water Bank or Transportation Bank separately, the sum of (i) the Aggregate Annual Debt Service and (ii) the additional annual debt service payments due and payable each State Fiscal Year with respect to the I-Bank Loan and Fund Loan for which the Applicant is then applying to the Water Bank or Transportation Bank.

“Qualified Bonds” means any bond issued by a Municipality pursuant to the provisions of the Qualified Bond Act, N.J.S.A. 40A:3-1 *et seq.*

“Qualified Bond Debt Service Coverage Ratio” means the annual debt service to be paid by a municipality each fiscal year on any of its outstanding and authorized Qualified Bonds divided by the annual funds available for these payments pursuant to the Qualified Bond Act.

“Ratings” means:

Investment Grade Rating of the three major rating agencies				I-Bank Rank
	Moody's	Standard & Poor's	Fitch	
Best Quality	Aaa	AAA	AAA	12
High Quality	Aa1	AA+	AA+	11
	Aa2	AA	AA	10
	Aa3	AA-	AA-	9
Upper Medium Grade	A1	A+	A+	8
	A2	A	A	7
	A3	A-	A-	6
Medium Grade	Baa1	BBB+	BBB+	5
	Baa2	BBB	BBB	4
	Baa3	BBB-	BBB-	3
Non-Investment Grade	Ba1	BB+	BB+	2
	Ba2	BB	BB	1
	Below Ba2	Below BB	Below BB	0

“Redevelopment Project” a project where a government unit serves as the applicant on behalf of, or in conjunction with, a private entity for the water quality component costs of a remediation or redevelopment project to statutorily qualify for NJEIFP loans and one or more of the following fact scenarios exists: (i) such government unit secures its repayment obligations pursuant to the provisions of the Redevelopment Area Bond Financing Law; (ii) the redeveloper’s contractor administers or oversees all or a portion of project construction; or (iii) the borrowed funds are provided by the government unit to a redeveloper or its agent to fund all or a portion of the project’s expenses (“Conduit Borrower”).

“Revenue Bond” means a bond supported by the revenue from the general revenues of the Applicant or specifically sponsored project.

“Risk Premium” means an annual premium imposed by the I-Bank on Borrowers providing Revenue Bonds to the I-Bank in an amount equal to 1% of the outstanding aggregate principal amount of the I-Bank Loan and the Fund Loan, provided, however, such amount shall be subject to the limitations imposed by the Internal Revenue Code as such limitations shall be interpreted and applied by the I-Bank following consultation with counsel.

“SAIL Loan” a short term or temporary loan to repair environmental infrastructure that was damaged during a declared disaster or to improve the resiliency of such infrastructure that otherwise would have been damaged in future disasters pursuant to N.J.S.A. 58:11B-9.5.

“Service Agreement” means an agreement wherein a Special Obligation Entity agrees to provide wastewater treatment service or drinking water to one or more Participants in exchange for monetary compensation.

“Short Term Loan Closing” means the date on which a Borrower delivers to the I-Bank, and the I-Bank accepts from such Borrower, a note or other obligation evidencing a short-term or temporary loan made by the I-Bank to such Borrower pursuant to the short term loan program of the Water Bank, established pursuant to N.J.S.A. 9(d) and one or more resolutions of the I-Bank, or the short term loan program of the Transportation Bank, established pursuant to N.J.S.A. 58:11B-9(g) and one or more resolutions of the I-Bank.

“Special Obligation Entity” means an Authority, a nonprofit entity, a private entity, or any other Applicant or Borrower with respect to which the obligation to repay the I-Bank Loan and the Fund Loan is not secured by the irrevocable pledge of such Applicant or Borrower to exercise its unlimited taxing powers for the timely payment thereof.

“State” means the State of New Jersey.

“State Chartered Bank” means a banking institution chartered and supervised by the New Jersey Department of Banking and Insurance pursuant to the laws of the State, including, without limitation, N.J.S.A. 17:9A-1 *et seq.*

“State Fiscal Year” or “SFY” means the period beginning on the first day of July of each calendar year and ending on the thirtieth of June of the next succeeding calendar year, such period of time being established as the fiscal year of the State pursuant to N.J.S.A. 52:5-1. Each State Fiscal Year shall be designated by the calendar year in which such State Fiscal Year concludes.

“Transportation Bank” means the New Jersey Transportation Infrastructure Financing Program implemented by the NJDOT and the I-Bank in partnership to provide loans to Borrowers for Transportation Infrastructure Projects pursuant to N.J.S.A. 58:11B-1 et seq.

“Transportation Infrastructure Project” means 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 as authorized pursuant to P.L.1985, c.334 (C.58:11B-1 *et seq.*).

“Water Bank” means the New Jersey Environmental Infrastructure Financing Program implemented by the NJDEP and the I-Bank in partnership to provide loans to Borrowers for Environmental Infrastructure Projects pursuant to N.J.S.A. 58:11B-1 et seq., the Federal Clean Water Act and the Federal Drinking Water Act.

VI. LOAN APPLICANTS

1. GENERAL APPLICABILITY PROVISIONS

Introduction: Applicants must meet the Credit Eligibility Requirements of this Credit Policy as set forth in Section VI:2 below in order to evidence and secure an I-Bank Loan repayment obligation through the issuance of privately negotiated bonds. Such Credit Eligibility Requirements shall apply to all Applicants seeking an I-Bank Loan, without regard to the relative proportions of the I-Bank Loan and/or the Fund Loan to the total amount of financial assistance sought by the Applicant from the Financing Program. In assessing compliance by an Applicant with the Credit Eligibility Requirements, the I-Bank will consider credit, liquidity, and operational risk as well as any other factors deemed necessary and appropriate by the I-Bank to (i) evaluate the risk of repayment default and (ii) in order to determine that there are no existing Material Events.

Credit Ratings: For the purposes of this Credit Policy, Applicant Credit Ratings may be either a public rating or a ratings assessment. All public ratings must be currently under surveillance by the NRRRA that issued such public rating and Borrower's with over [\$2M] in outstanding Loans to the I-Bank must maintain a rating until the maturity of the loan. The I-Bank may require an Applicant to have a rating re-affirmed if a Material Event has occurred since the last review by the Rating Agency. Any Applicant relying on a ratings assessment must have received such rating from a NRRRA within twelve months prior to the I-Bank's determination of the Applicant's compliance with the I-Bank's Credit Eligibility Requirements and Borrowers with over [\$2M] in outstanding Loans to the I-Bank must maintain the rating until the maturity of the loan. Separately, the unenhanced rating (i.e., giving no consideration to enhancement from, among other sources, the State's "Chapter 72 School Bond Reserve Program") of a contiguous school district may be cited and relied upon by a Municipality(s) not possessing a Credit Rating and which is providing either a direct or indirect obligation in order to evidence and secure its own I-Bank Loan repayment obligation or the repayment obligation of an Authority. In the case of an applicant that has entered into either a tri-party agreement or guarantee agreement, in a form acceptable to the I-Bank, that establishes a Municipal, County or other LGU guaranty or a corporate parent guaranty, such credit support may be cited and relied upon for the purposes of evaluation as to creditworthiness pursuant to the criteria set forth within.

Portfolio Limitations: The I-Bank retains the right to reject outright any Applicant for which the resulting I-Bank Loan Bond is a Revenue Bond, the aggregate principal amount of which will serve to increase the projected I-Bank Revenue Bond principal exposure to an amount that exceeds 10% of the projected principal amount of publicly issued I-Bank Environmental Infrastructure bonds. Further, the I-Bank retains the right to require a rating from a NRRRA for a *De-minimis* Loan Applicant for which the resulting I-Bank Loan Bond is a Revenue Bond, the aggregate principal amount of which will serve to increase the projected I-Bank's exposure to *De-minimis* Loan Borrowers to an amount that exceeds \$10 million.

Additional Information: In assessing an Applicant's compliance with the Credit Eligibility Requirements of the Credit Policy, the I-Bank may require the Applicant to participate in a

Financial Due Diligence Meeting without regard to the Applicant's Credit Rating. The Applicant shall provide Preliminary Financial Information to the I-Bank no later than 15 business days following receipt of such written request from the I-Bank.

De-minimis Loan Requirement: For all *De-minimis* Loan Applicants, the Applicant shall provide to the I-Bank, in the case of an Applicant providing a direct or indirect G.O. pledge, evidence of either approval from the Local Finance Bond to incur debt through the Water Bank for the requested Loan amount or in the case of a Revenue Bond Applicant, evidence from the Board of Directors, or other governing body of the Applicant, a resolution pursuant to which such governing body acknowledges and agrees to:

- i. The projected debt service repayment obligation of the Applicant over the course of the proposed I-Bank Loan and Fund Loan.
- ii. With respect to any Applicant that is a Local Government Unit, a contractual obligation to provide an annual certification of an authorized officer of the Applicant that the Applicant has timely provided to the Division of Local Government Services within the New Jersey Department of Community Affairs (the "DLGS") a balanced budget for the forthcoming fiscal year, and that such budget has been approved by the Director of the DLGS, all in accordance with the Local Budget Law or the Local Authorities Fiscal Control Law, as applicable.
- iii. a contractual obligation, to be set forth in the I-Bank Loan Agreement and Fund Loan Agreement of the Applicant that obligates the Applicant each year, a Program Loan is outstanding, to fix the rates it charges its service customers in an amount at least equivalent to pay all outstanding debt service, operation & maintenance charges, and further, to pay any other expenses necessary to operate the Applicant's system in compliance with applicable laws and regulations. The Applicant will further covenant to provide to the I-Bank and the State a certification of an authorized officer of the Applicant, on an annual basis at the conclusion of each fiscal year of the Applicant, to the effect that the Authority has for such fiscal year, complied with the rate covenant set forth above. Failure to provide such certification, upon the expiration of a thirty-day notice and cure period, shall be an Event of Default pursuant to each of the I-Bank Loan Agreement and the Fund Loan Agreement, and shall give rise to a right of acceleration of the Program Loans by the I-Bank and the State, respectively.
- iv. In addition, the Applicant shall be subject to a covenant obligation to provide written notice to the I-Bank and the NJDEP within 30 days of the occurrence of any Event of Default, pursuant to and as defined in its indenture of trust or bond resolution, or any event that with the passage of time and/or the giving of notice shall constitute an Event of Default.

Junior Lien Bond Policy: Neither the Water Bank nor the Transportation Bank require debt service reserve funds of I-Bank Investment Grade Rated Authorities to act as security for the I-Bank Loan Bond or the Fund Loan Bond issued by such Authority. Furthermore, if such reserve funds are required by the Authorities' own indenture of trust or bond resolution, neither the Water Bank nor the Transportation Bank will make I-Bank Loan proceeds or Fund Loan proceeds available to Authorities to fund such debt service reserve funds. However, the Water Bank or Transportation

Bank will accept from such Authorities a junior-lien bond as evidence of and security for the I-Bank Loan and Fund Loan repayment obligations of such Authority. While this junior-lien bond is subordinated to any senior-lien debt of that Authority, the Water Bank and the Transportation Bank each protect themselves from repayment default and loss by requiring each Authority to comply with the following: (i) compliance with Credit Eligibility Requirements; (ii) a Service Agreement that is secured by the full faith and credit of one or more Participants; and (iii) a contractual obligation set forth in the indenture of trust or bond resolution of the Authority that obligates the Authority to raise the rates it charges its service customers by an amount at least equivalent to pay all outstanding debt service (including debt service with respect to the Junior-Lien I-Bank Loan Bond and the Junior-Lien Fund Loan Bond), operation & maintenance charges, and further, to pay any other expenses necessary to operate the Authority in compliance with applicable laws and regulations. In addition, the Authority shall be subject to a covenant obligation to provide written notice to the I-Bank, and the NJDEP when applicable, immediately upon the occurrence of any Event of Default, pursuant to and as defined in its indenture of trust or bond resolution, or any event that with the passage of time and/or the giving of notice shall constitute an Event of Default. The failure by the Authority to satisfy the obligation set forth in (iii), above, shall constitute an Event of Default, pursuant to and as defined in its I-Bank Loan Agreement and its Fund Loan Agreement.

Determination of Ineligibility: Any Finding of Unacceptable Credit Risk shall be issued in writing by the I-Bank to the Applicant and shall render the Applicant ineligible to receive as I-Bank Loan for the Water Bank or Transportation Bank Financing Program year.

Action by the I-Bank Pursuant to the Credit Policy: Any determination or action authorized or required to be undertaken by the I-Bank pursuant to the terms and provisions of this Credit Policy may be undertaken or performed by any authorized officer designated as such by the Board of Directors of the I-Bank through formal action, including but not limited to I-Bank Board Resolution No. 11-10 enacted on April 7, 2011.

Report of a Material Event to the Board: At the first meeting of the Board of Directors of the I-Bank immediately following the execution and delivery of any loan instruments relating to any loan made to a Borrower by the I-Bank, in connection with which the Executive Director of the I-Bank has determined the occurrence of a Material Event (as defined in the Credit Policy of the I-Bank) with respect to such Borrower, the Executive Director of the I-Bank shall provide a report to the Board of Directors of the I-Bank concerning details of such transaction and the Material Event that was identified by the Executive Director of the I-Bank. Such report shall include, with respect to such Borrower that was a recipient of such loan, (i) the identity of the Borrower, (ii) a summary of the project(s) for which financing was provided, (iii) the nature of the Material Event at issue, and (iv) a discussion of the Borrower's compliance with the Credit Eligibility Requirements.

2. CREDIT ELIGIBILITY REQUIREMENTS

Applicants shall satisfy the I-Bank's Credit Eligibility Requirements. A determination as to compliance with the Credit Eligibility Requirements shall be made by the I-Bank at the earlier of the time of the Environmental or Transportation Infrastructure Project's. All loans, other than for asset management plans, must be greater than \$150,000:

- i. Short-Term Loan Closing, including, without limitation, the Disaster Relief Emergency Loan Financing Program (SAIL), or
- ii. Escrow Closing, or
- iii. Direct Loan Program Closing, or
- iv. Notice from the I-Bank of a Finding of Unacceptable Credit Risk.

If a Borrower (i) does not satisfy the credit worthiness requirements as outlined in this Policy and (ii) is eligible pursuant to the Appropriations Act for a New Jersey Environmental Infrastructure Financing Program Fund Loan for 100% of the cost of the project, upon determination of (i) and (ii) above, the I-Bank shall provide a credit report to the DEP outlining the estimated repayment capacity of the Borrower along with a recommendation so that the DEP Commissioner, or his or her Designee, in consultation with the Treasurer may make a qualified credit determination whether to provide such loan to the Borrower.

If a Borrower satisfies the credit eligibility at the time of Short-Term Loan Closing and is downgraded prior to the closing of their Long Term Loan to a level in which they would be required under this policy to provide additional collateral, the Borrower will be asked to provide such collateral for their long term loan. If the Borrower is unable to meet the collateral requirements, the I-Bank may provide long term funding outside of the regular program.

Excepting the existence of a Material Event(s), Credit Eligibility Requirements are waived for supplemental loans with respect to existing I-Bank Loans. Supplemental loans require at a minimum the same collateral and funding terms as the original loan. If a Borrower is downgraded prior to the closing of the supplemental loan to a level whereby they would be required under this policy to provide additional collateral, the Borrower will be asked to provide such collateral for their long-term loan. If the Borrower is unable to meet the collateral requirements, the I-Bank may provide long term funding outside of the regular program.

I. WATER BANK OR TRANSPORTATION BANK CREDIT ELIGIBILITY REQUIREMENTS

A. PLEDGED G.O., *provided that the Applicant is Municipality/County* which is:

- i. **I-Bank Investment Grade Rated:** No additional requirements.
- ii. **I-Bank Non-Investment Grade Rated:** For an Applicant that is a Municipality, credit support is provided in the form of (i) a Qualified Bond, and (ii) a covenant obligation on the part of the Applicant to satisfy upon issuance of such Qualified Bond, the Qualified Bond Debt Service Coverage Ratio at $\leq 80\%$ and to immediately

notify the I-Bank if, and when, the Applicant's Qualified Bond Debt Service Coverage Ratio exceeds 80% until the maturity of the I-Bank Loan Bond and Fund Loan Bond;

- iii. **Non-Rated:** A Credit Rating is obtained by the Municipality or the County from any of the three NRRAs and the applicable requirements relating to such Credit Rating as outlined in either Sections VI:2.1-A(i) or VI:2.1-A(ii) are satisfied.

A Municipality or a county failing to meet any one of the above criteria is ineligible to receive an I-Bank loan under this provision.

B. PLEDGED G.O., provided that the Applicant is an Authority which is:

- i. **I-Bank Investment Grade Rated:** No additional requirements.
- ii. **I-Bank Non-Investment Grade Rated:** A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - a) with a Credit Rating(s) of no less than A (Fitch or S&P) or A1 (Moody's) and no Non-Investment Grade Credit Rating(s) from any of the three NRRAs; **and**
 - b) which Letter(s) of Credit shall be maintained at least at A (Fitch or S&P) or A1 (Moody's), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); **and**
 - c) licensed to do business in the State of New Jersey; **and**
 - d) which secures the payment of the principal of and interest on (as applicable) the I-Bank Loan Bond and the Fund Loan Bond issued to the I-Bank and the State, respectively, by such Borrower for the term of the I-Bank Loan and Fund Loan.
- iii. **Non-Rated:**
 - a) A Credit Rating is obtained from any of the three NRRAs and the applicable requirements relating to such Credit Ratings as outlined in either Sections VI:2.1-B(i) or VI:2.1-B(ii) are satisfied; **or**
The Authority has only one Participant and the Participant has an Investment Grade Rating.

An Authority failing to meet any one of the above criteria is ineligible to receive an I-Bank loan under this provision.

II. WATER BANK CREDIT ELIGIBILITY REQUIREMENTS

A. PLEDGED G.O., for a Redevelopment Project sponsored by a Local Government Unit which is:

- i. **I-Bank Investment Grade Rated:**
 - a) A Financial Due Diligence Meeting is required to discuss the financial impact upon the LGU Sponsor of the proposed additional debt (note: if the NRRRA that has rated the LGU Sponsor does not attend the Financial Due

Diligence Meeting, the LGU Sponsor shall present to the I-Bank a certification that the NRRRA has been informed in writing of the proposed financing and has chosen not to attend); ***and***

- b) Additional requirements as appropriate are agreed upon to secure the LGU Sponsor including, but not limited to:
 - i. PILOT payments,
 - ii. Statutory rights pursuant to the Redevelopment Area Bond Financing Law,
 - iii. Reserve funds, and
 - iv. Corporate guarantees.
- ii. **I-Bank Non-Investment Grade Rated LGU Sponsor:**
 - a) A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A (Fitch or S&P) or A1 (Moody's) and no Non-Investment Grade Credit Rating(s) from any of the three NRRAs; ***and***
 - ii. which Letter(s) of Credit shall be maintained at least at A (Fitch or S&P) or A1 (Moody's), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); ***and***
 - iii. licensed to do business in the State of New Jersey; ***and***
 - iv. which secures the payment of the principal of and interest on (as applicable) the I-Bank Loan Bond and the Fund Loan Bond issued to the I-Bank and the State, respectively, by such Borrower for the term of the I-Bank Loan and Fund Loan; ***and***
 - b) All requirements as set forth in Section VI:2.II-A(i) must be satisfied.
- iii. **Non-Rated LGU Sponsor:** A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements based on the ratings as outlined in either Sections VI:2.II-A(i) or VI:2.II-A(ii) are satisfied.

A redevelopment project failing to meet any one of the above criteria is ineligible to receive an I-Bank loan under this provision.

B. REVENUE BOND, *provided that the Applicant is a(n):*

a. Authority and is:

i. I-Bank Investment Grade Rated:

- a) The indenture of trust or bond resolution pursuant to which the Authority issues its I-Bank Loan Bond and Fund Loan Bond shall include:
 - i. A debt service coverage ratio covenant; ***and***
 - ii. A rate covenant; ***and***
 - iii. A debt incurrence test,each deemed by the I-Bank to be acceptable; ***and***
- b) For any time during the life of the Loan that a Credit Rating has been assigned to the Authority by any NRRRA of less than A- or A3, the annual

Risk Premium will be imposed by the I-Bank; provided, however, such amount shall be subject to the limitations imposed by the Internal Revenue Code as such limitations shall be interpreted and applied by the I-Bank following consultation with counsel. The payments will be deposited by the I-Bank into the LLR. This Provision will be enacted beginning with Water Bank Loans made in SFY2014.

ii. I-Bank Non-Investment Grade Rated:

- a) A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A (Fitch or S&P) or A1 (Moody's) and no Non-Investment Grade Credit Rating(s) from any of the three NRRAs; ***and***
 - ii. which Letter(s) of Credit shall be maintained at least at A (Fitch or S&P) or A1 (Moody's), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); ***and***
 - iii. licensed to do business in the State of New Jersey; ***and***
 - iv. which secures the payment of the principal of and interest on (as applicable) the I-Bank Loan Bond and the Fund Loan Bond issued to the I-Bank and the State, respectively, by such Borrower for the term of the I-Bank Loan and Fund Loan; ***and***
- b) The indenture of trust or bond resolution pursuant to which the Authority issues its I-Bank Loan Bond and Fund Loan Bond shall include (i) a debt service coverage ratio covenant, (ii) a rate covenant and (iii) a debt incurrence test, each deemed to be acceptable by the I-Bank;

- iii. Non-Rated:** A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements relating to such Credit Ratings as outlined in either Sections VI:2.II-B.a(i) or VI:2.II-B.a(ii) are satisfied.

An Authority failing to meet any one of the above criteria is ineligible to receive an I-Bank loan under this provision.

b. Privately-Owned Water System and is:

i. I-Bank Investment Grade Rated:

- a) The indenture of trust pursuant to which the Privately-Owned Water System issues its I-Bank Loan Bond and Fund Loan Bond shall include
 - i. A debt service coverage ratio covenant; ***and***
 - ii. A rate covenant; ***and***
 - iii. A debt incurrence test,each deemed by the I-Bank to be acceptable; ***and***
- b) For any time during the life of the Loan that a Credit Rating has been assigned to the Privately-Owned Water System by a Nationally Recognized Rating Agency of less than A- or A3, the annual Risk Premium will be

imposed by the I-Bank; provided, however, such amount shall be subject to the limitations imposed by the Internal Revenue Code as such limitations shall be interpreted and applied by the I-Bank following consultation with counsel. The Risk Premium payments will be deposited by the I-Bank into the LLR. This Provision will be enacted beginning with Loans made in SFY 2014.

ii. I-Bank Non-Investment Grade Rated:

- a) A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A (Fitch or S&P) or A1 (Moody's) and no Non-Investment Grade Credit Rating(s) from any of the three NRRAs; **and**
 - ii. which Letter(s) of Credit shall be maintained at least at A (Fitch or S&P) or A1 (Moody's), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); **and**
 - iii. licensed to do business in the State of New Jersey; **and**
 - iv. which secures the payment of the principal of and interest on (as applicable) the I-Bank Loan Bond and the Fund Loan Bond issued to the I-Bank and the State, respectively, by such Borrower for the term of the I-Bank Loan and Fund Loan; **and**
- b) The indenture of trust pursuant to which the Privately-Owned Water System issues its I-Bank Loan Bond and Fund Loan Bond shall include (i) a debt service coverage ratio covenant, (ii) a rate covenant and (iii) a debt incurrence test, each deemed to be acceptable by the I-Bank;

- iii. Non-Rated:** A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements relating to such Credit Ratings as outlined in either Sections VI:2.II-B.b(i) or VI:2.II-B.b(ii) are satisfied.

A Privately-Owned Water System failing to meet any one of the above criteria is ineligible to receive an I-Bank loan under this provision.

C. PLEDGED G.O. or REVENUE BOND, De-minimis Loan Applicant, provided that the Applicant is:

- i. **I-Bank Investment Grade Rated:** No additional requirements. The I-Bank reserves the right to require the Borrower to establish a debt service reserve account as collateral for the I-Bank Loan and Fund Loan. Funds for a debt service reserve fund may not be borrowed.
- ii. **I-Bank Non-Investment Grade Rated:** A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - a) with a Credit Rating(s) of no less than A (Fitch or S&P) or A1 (Moody's) and no Non-Investment Grade Credit Rating(s) from any of the three NRRAs; **and**

- b) which Letter(s) of Credit shall be maintained at least at A (Fitch or S&P) or A1 (Moody's), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); ***and***
 - c) licensed to do business in the State of New Jersey; ***and***
 - d) which secures the payment of the principal of and interest on (as applicable) the I-Bank Loan Bond and the Fund Loan Bond issued to the I-Bank and the State, respectively, by such Borrower for the term of the I-Bank Loan and Fund Loan.
- iii. **Non-Rated:** An Applicant meeting the established financial criteria, as set forth by the I-Bank from time to time and publicly disseminated (*See Attachment 1*), shall be eligible to receive a I-Bank loan subject to the requirements as outlined in Section VI:2.II-C(i) above. Additionally, such Applicant shall provide proof of authorization to enter into the Loan Agreements with the NJDEP and the I-Bank from its governing body, such as a Board of Directors. Any Applicant not meeting the established financial criteria, as set forth by the I-Bank, is subject to the requirements as outlined in Section VI:2.II-C(ii) above.

A *De-minimis* Loan Applicant failing to meet any one of the above criteria is ineligible to receive a I-Bank Loan under this provision.

D. SAIL Loans: Notwithstanding anything in this credit policy to the contrary, in the event that an Applicant providing a General Obligation pledge seeks financing through the SAIL Program and at least 50% of the loan amount has been obligated by and is anticipated to be reimbursed by FEMA or other similar Federal grant program, such Applicant shall be deemed compliant with the Credit Eligibility Requirements of the Credit Policy.

ATTACHMENT

Deminimis Credit Metrics Criteria Municipality -- General Obligation Pledge

Water Utility Fund Primary Factors (Required)

Debt Service Coverage Ratio	≥ 1.1
Liabilities to Asset Ratio	$\leq 65\%$
Quick Ratio	> 1.0

Secondary Factors (3 of 5 Required)

Fund Balance (Reserve) as % of Revenue	$\geq 10\%$ for last three years
Long Term Debt per customer Year 1 - Pro Forma	$\leq \$1,500$
Long Term Debt per customer Year 5 - Pro Forma	$\leq \$1,500$
Account Growth	\geq Stable
Water Charge as % of Median Household Income	$< .75\%$
Water and Sewer Charge as % of Median Household Income	$< 1.5\%$

Additional Factors (Considered)

Demographics:	
Median Household Income Relative to County	
Median Home Value relative to County	
Town Metrics	
NJ fund Balance as percentage of Muni Revenue	$\geq 10\%$ for last three years
Total Full Value per Capita	$\geq \$100,000$
County Credit Ratings	
Number of Households Served	

Deminimis Credit Metrics Criteria Utility Authority -- No General Obligation Pledge

Primary Factors (Required)

Debt Service Coverage Ratio	≥ 1.25
Liabilities to Asset Ratio	≤ 65%
Quick Ratio	> 1.0
Board Resolution Acknowledging and Agreeing to Loan Terms, Program Requirements and Repayment Obligations	Passed Prior to any Program Financing

Secondary Factors (3 of 5 Required)

Cashflow	Positive for prior two years
Long Term Debt per customer Year 1	≤ \$1,500
Long Term Debt per customer Year 5	≤ \$1,500
Account Growth	≥ Stable
Water Charge as % of Median Household Income	< .75 %
Water and Sewer Charge as % of Median Household Income	< 1.5%

Additional Factors (Considered)

Demographics:
Median Household Income
Median Home Value
Town and County Credit Ratings
Number of Households Served

Deminimis Credit Metrics Criteria Small Systems/HOA's No General Obligation Pledge

Primary Factors (Required)

Debt Service Coverage Ratio	≥1.5%
Liabilities to Asset Ratio	≤ 65%
Quick Ratio	> 1.1
Board Resolution Acknowledging and Agreeing to Loan Terms, Program Requirements and Repayment Obligations	Passed Prior to any Program Financing
Reserves - separate line item for reserve contributions	Minimum at least 10% of gross expenses
Delinquent HOA Dues/Policy	No more than 10% of total units can be in arrears, past 30 days for fee payments, a copy of delinquent dues collection policy and procedure must be submitted
Special Assessment	(If Yes) Certified explanation is required

Secondary Factors (3 of 5 Required)

Cashflow	Positive for prior two years
Long Term Debt per customer Year 1	≤ \$1,500
Long Term Debt per customer Year 5	≤ \$1,500
Account Growth	≥ Stable
Water Charge as % of Median Household Income	< .75 %
Water and Sewer Charge as % of Median Household Income	< 1.5%

Additional Factors (Considered)

Demographics:
Median Household Income Relative to County
Median Home Value relative to County
Town and County Credit Ratings
Number of Households Served

DEFINITIONS – FOR MUNICIPALITY (GO PLEDGE)

“DEBT SERVICE COVERAGE RATIO” (DSCR) - measures the ability of a System to pay current debt obligations plus pro forma. DSCR is net operating income expressed as a percentage of debt obligations due within one year, including interest, principal, sinking-fund and lease payments. The higher the ratio, the greater the ability of a system to pay its creditors. These figures are located on the applicant’s Statement of Operations & Changes in Fund Balance.

DSCR is calculated as follows:

$$\text{DSCR} = \text{Net Operating Income} / \text{Annual Debt Service}$$

Net Operating Income = Gross Revenues less Operating Expenses.

Annual Debt Service = Principal, Interest and Lease payments due per year.

Gross Revenues = Annual revenues including all taxes collected, operating service fees, connection charges, wholesale supply charges, consulting fees, etc.

Operating Expenses = Total annual expenditures including all Operations & Maintenance (n.b. excludes capital replacement expenditures).

“LIABILITIES TO ASSET RATIO” means a municipality’s liabilities divided by its total assets as listed in the Statement of Assets, Liabilities, Reserves & Fund Balance of the Current Fund. A measure of leverage which indicates the degree to which a municipality’s assets are financed through borrowing and other obligations. A ratio closer to 0.0 indicates a low level of municipal assets are financed through long term obligations.

“QUICK RATIO” (Q.R.) equals current assets divided by current liabilities as listed in the most recent Statement of Assets, Liabilities, Reserves & Fund Balance of the applicant’s Current Fund. The Q.R. is a measure of liquidity and indicates the ability of the municipality to pay all current liabilities, meet short term expenses and emergencies.

QR is calculated as follows:

$$\text{Q.R.} = \text{Current Assets} / \text{Current Liabilities}$$

“FUND BALANCE” means the difference between a governmental fund’s current assets (i.e., cash, short-term investments, inventories, receivables, and other unrestricted assets expected to be available to finance operations in the immediate future) and its current liabilities. A positive difference of current assets minus current liabilities gives an indication of the resources immediately available to finance ongoing operations. The Fund Balance is located on the applicant’s Statement of Operations & Changes in Fund Balance.

“FUND BALANCE AS % OF REVENUE” means a Municipality’s Fund Balance as a percentage of the Total (annual) Revenues within the Current Fund located on the applicant’s Statement of Operations & Changes in Fund Balance. This ratio measures the ability of a municipality to supplement annual revenues without increasing rates.

Fund Bal/Revenue is calculated as follows:

$$= \text{Fund Balance} / \text{Total Revenues}$$

“LONG TERM DEBT PER CUSTOMER” means the ratio of total bonded debt of the municipality divided by the number of (commercial, non-profits, households) customers located within the municipality as of the most recent U.S. Census.

“ACCOUNT GROWTH” related to service area demographics is growth in a municipality’s residential, commercial, industrial, and government customer bases as well as its customer concentration. Stable growth is considered 3% per annum or less and moderate/rapid growth exceeds 3% per year.

“WATER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage of average annual household water charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is calculated in the Applicant’s Environmental Decision Document (EDD) issued by NJDEP.

“WATER AND SEWER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage of average annual household water and sewer charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is provided by the Applicant and calculated in the Applicant’s Environmental Decision Document (EDD), issued by NJDEP.

“MEDIAN HOUSEHOLD INCOME RELATIVE TO COUNTY” means the applicant’s Median Household Income divided by the County Median Household Income according to the latest U.S. Census figures.

“MEDIAN HOME VALUE RELATIVE TO COUNTY” means the Municipality’s Median Home Value divided by the County Median Home Value according to the latest U.S. Census figures.

“TOTAL FULL VALUE PER CAPITA” means an applicant’s full property value (the value of all taxable property as calculated by the tax assessor) divided by the population of the municipality as of the latest U.S. Census figures.

“COUNTY CREDIT RATING” means an assessment issued by one or more of the three Nationally Recognized Rating Agencies relating to the credit worthiness of the County in which the Applicant is located indicating the County’s ability to repay principle and interest on its bonds in full and on time.

“NUMBER OF HOUSEHOLDS SERVED” means the number of households in the Municipality served by the specific Applicants water or water and sewer system.

DEFINITIONS – FOR UTILITY AUTHORITY (NO G.O. PLEDGE)

“DEBT SERVICE COVERAGE RATIO” (DSCR) - measures the ability of a System to pay current debt obligations. DSCR is net operating income expressed as a percentage of debt obligations due within one year, including interest, principal, sinking-fund and lease payments. The higher the ratio, the greater the ability of a system to pay its creditors. These figures are located on the applicant’s Statement of Operations & Changes in Fund Balance.

DSCR is calculated as follows:

$$\text{DSCR} = \text{Net Operating Income} / \text{Annual Debt Service}$$

Net Operating Income = Gross Revenues less Operating Expenses.

Annual Debt Service = Principal, Interest and Lease payments due per year.

Gross Revenues = Annual revenues including operating service fees, connection charges, wholesale supply charges, consulting fees etc.

Operating Expenses = Total annual expenditures including all Operations & Maintenance (excludes capital replacement expenditures).

“LIABILITIES TO ASSET RATIO” means a Utility Authority’s liabilities divided by its total assets as listed in the Statement of Net Position. A measure of leverage which indicates the degree to which a Utility Authority’s assets are financed through borrowing and other obligations. A ratio closer to 0.0 indicates a low level of the authority’s assets are financed through long term obligations.

“QUICK RATIO” (Q.R.) equals current assets divided by current liabilities as listed in the most recent Statement of Assets, Liabilities, Reserves & Fund Balance of the applicant’s Current Fund. The ability of the utility authority to pay all current liabilities, meet short term expenses and emergencies, measures liquidity.

QR is calculated as follows:

$$\text{Q.R.} = \text{Current Assets} / \text{Current Liabilities}$$

“NET POSITION” means the difference between (1) assets and deferred outflows of resources, and (2) liabilities and deferred inflows of resources. Governments display net position in three components; (i) net investment in capital assets, (ii) restricted, and (iii) unrestricted. Net Position can be located in the applicant’s Statement of Net Position.

“NET POSITION AS % OF REVENUE” means a Utility Authority’s Net Position as a percentage of the Current Fund Total Revenues located on the applicant’s Statement of Revenues, Expenses & Changes in Net Position.

“CASH FLOW” means Incomings and outgoings of cash, representing the operating activities of an organization, the difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance). It is called positive if the closing balance is higher than the opening balance, otherwise called negative. Cash flow is increased by (1) selling more goods or services, (2) selling an asset, (3) reducing costs, (4) increasing the selling price, (5) collecting faster, (6) paying slower, (7) bringing in more equity, or (8) taking a loan.

“NUMBER OF HOUSEHOLDS SERVED” means the number of households in the Authority’s service area served by the specific applicant’s water or water and sewer system.

“LONG TERM DEBT PER CUSTOMER” means the ratio of total bonded debt of the utility divided by the number of (commercial, non-profits, households) customers located within the utility’s service area as of the most recent U.S. Census.

“ACCOUNT GROWTH” related to service area demographics is growth in a utility’s residential, commercial, industrial, and government customer bases as well as its customer concentration. Stable growth is considered 3% per annum or less and moderate/rapid growth exceeds 3% per year.

“WATER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage average annual household water charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is calculated in the Applicant’s Environmental Decision Document (EDD) issued by NJDEP.

“WATER AND SEWER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage average annual household water and sewer charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is calculated in the Applicant’s Environmental Decision Document (EDD) issued by NJDEP.

“MEDIAN HOUSEHOLD INCOME” (MHI) means the calculation computed by the U.S. Census Bureau - Income of Households - This includes the income of the householder and all other individuals 15 years old and over in the household, whether they are related to the householder or not. Because many households consist of only one-person, average household income is usually less than average family income. The median divides the income distribution into two equal parts: one-half of the cases falling below the median income and one-half above the median. For households and families, the median income is based on the distribution of the total number of households and families including those with no income. The median income for individuals is based on individuals 15 years old and over with income. Median income for households, families, and individuals is computed on the basis of a standard distribution.

“MEDIAN HOME VALUE” (MHV) means that one half of all homes were worth more and one-half were worth less. The midway point of all the houses/units sold at market **price** (or sold amount) over a set period (monthly, yearly, quarterly, etc.). (See US Census Reports).

“TOWN AND COUNTY CREDIT RATING” means an assessment issued by one or more of the three Nationally Recognized Rating Agencies relating to the credit worthiness of the Town and County in which the Applicant is located indicating the Town’s and County’s ability to repay principle and interest on its bonds in full and on time.

DEFINITIONS – SMALL SYSTEMS/HOA’S (NO G.O. PLEDGE)

“DEBT SERVICE COVERAGE RATIO” (DSCR) - measures the ability of a Homeowner’s Association (HOA) to pay current debt obligations. DSCR is net operating income expressed as a percentage of debt obligations due within one year, including interest, principal, sinking-fund and lease payments. The higher the ratio, the greater the ability of a system to pay its creditors. These figures are located on the applicant’s Statement of Operations & Changes in Fund Balance.

DSCR is calculated as follows:

$$\text{DSCR} = \text{Net Operating Income} / \text{Annual Debt Service}$$

Net Operating Income = Gross Revenues less Operating Expenses.

Annual Debt Service = Principal, Interest and Lease payments due per year

Gross Revenues = Annual fees assessed and collected plus any other miscellaneous charges.

Operating Expenses = Total annual expenditures including all Operations & Maintenance (n.b. excludes capital replacement expenditures).

“LIABILITIES TO ASSET RATIO” means a HOA’s liabilities divided by its total assets as listed in the Statement of Net Position. A measure of leverage which indicates the degree to which a HOA’s assets are financed through borrowing and other obligations. A ratio closer to 0.0 indicates a low level of the HOA’s assets are financed through long term obligations.

“QUICK RATIO” (Q.R.) equals current assets divided by current liabilities as listed in the most recent Statement of Assets, Liabilities, Reserves & Fund Balance of the applicant’s Current Fund. The ability of the HOA to pay all current liabilities, meet short term expenses and emergencies, measures liquidity.

QR is calculated as follows:

$$\text{Q.R.} = \text{Current Assets} / \text{Current Liabilities}$$

“RESERVES” means the funds that are earmarked by an Applicant from its operations set aside for future use, such as for the payment of likely-to-be-incurred bad debts.

“BOARD RESOLUTION ACKNOWLEDGING AND AGREEING TO LOAN TERMS, PROGRAM REQUIREMENTS AND REPAYMENT OBLIGATIONS” means a formally adopted resolution of the Applicant’s governing body acknowledging and agreeing to the loan terms and program requirements of the NJEIFP, and obligating the HOA members to the repayment of any liability on time and in full.

“DELINQUENT HOA DUES/POLICY” means the Small System/HOA Board approved delinquency policy for collection of unpaid dues/assessments. A sound policy will include: due date, grace period, late fee amount and/or penalty amount, timing of collection letters (often on 30-60-90-day schedule, when the matter will be turned over to the association attorney, when a lien will be filed of record, when foreclosure will begin.

“DELINQUENT ACCOUNT BALANCE” means the number of HOA units in arrears (both # and dollar amount), or past 30 days due for fee payments or assessments. At any point over the past 2 years, no more than 10% of the total HOA units can be in arrears, past 30 days for fee payments or assessments.

“SPECIAL ASSESSMENT” means an amount of money that a condominium trust/homeowner’s association (HOA) needs in order to pay for a project or outstanding debt that was not part of the annual budget/assessment. The trustees of the condominium/HOA levy the special assessment against all unit owners and require them to pay their fractional interest of the money being requested. The payment of the special assessment is divided by each unit owner’s interest in the common area. The amount may be requested immediately from each unit owner or may be broken into installments depending on how the trustees have decided to handle it.

“CASH FLOW” means Incomings and outgoings of cash, representing the operating activities of an organization, the difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance). It is called positive if the closing balance is higher than the opening balance, otherwise called negative. Cash flow is increased by (1) selling more goods or services, (2) selling an asset, (3) reducing costs, (4) increasing the selling price, (5) collecting faster, (6) paying slower, (7) bringing in more equity, or (8) taking a loan.

“NUMBER OF HOUSEHOLDS SERVED” means the number of households in the small system’s service area served by the specific Applicants water or water and sewer system.

“LONG TERM DEBT PER CUSTOMER” means the ratio of total debt of the HOA divided by the number of households being serviced by the system.

“ACCOUNT GROWTH” related to service area demographics is growth in a utility’s residential, commercial, industrial, and government customer bases as well as its customer concentration Stable growth is considered 3% per annum or less and moderate/rapid growth exceeds 3% per year.

“WATER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage average annual household water charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is calculated in the Applicant’s Environmental Decision Document (EDD) issued by NJDEP.

“WATER AND SEWER CHARGE AS % OF MEDIAN HOUSEHOLD INCOME” the percentage average annual household water and sewer charges of the system divided by the Median Household Income as of the latest U.S. Census figures. This figure is calculated in the Applicant’s Environmental Decision Document (EDD) issued by NJDEP.

“MEDIAN HOUSEHOLD INCOME” (MHI) means the calculation computed by the U.S. Census Bureau - Income of Households - This includes the income of the householder and all other individuals 15 years old and over in the household, whether they are related to the householder or not. Because many households consist of only one-person, average household income is usually less than average family income. The median divides the income distribution into two equal parts with 50% of the cases falling below the median income and 50% above the median. For households and families, the median income is based on the distribution of the total number of households and families, including those with no income. The median income for individuals is based on individuals 15 years old and over with income. Median income for households, families, and individuals is computed on the basis of a standard distribution.

“MEDIAN HOME VALUE” (MHV) means that one half of all homes were worth more and one-half were worth less. The midway point of all the houses/units sold at market **price** (or sold amount) over a set period (monthly, yearly, quarterly, etc.). (See US Census Reports).

“TOWN AND COUNTY CREDIT RATING” means an assessment issued by one or more of the three Nationally Recognized Rating Agencies relating to the credit worthiness of the Town and County in which the Applicant is located indicating the Town’s and County’s ability to repay principle and interest on its bonds in full and on time.