

COVID-19: Additional Information for Credit Review

The following credit guidelines do NOT apply to any Applicant who (i) satisfies the rating requirements as defined on page 7 of the I-Bank Credit Policy (“Policy”) with a credit rating(s) reviewed and refreshed on or after May 1, 2020 by Fitch Ratings, Moody’s Investors Service and/or S&P Global Ratings (an Applicant with multiple ratings may be exempt if a single rating has been reviewed and refreshed as of May 01, 2020, as long as the remaining rating(s) is not lower than A- or A3) or (ii) possesses approval to issue Qualified Bonds as collateral for I-Bank loans, or (iii) qualifies as a De-minimis Loan Applicant as defined and set forth in the Policy (see pg. 5). Such Applicants are exempt from these guideline provisions. However, the general creditworthiness standards of the Policy still apply to such Applicants. A copy of the Policy can be found on the I-Bank’s web site at: https://cdn.njib.gov/njib/policies/njib_credit_policy_2020.pdf

- I. The Policy’s definition of a “Material Event” (see page 8) currently includes: “(iii) a material change in financial position demonstrating a material adverse effect upon the Applicant’s financial position within the last two fiscal years.” Pursuant to these terms of the Policy, COVID-19 has been determined to be a “Material Event” for all Applicants (with respect to their current Fiscal Year), other than those exempted in the paragraph above.
- II. Therefore, Applicants must provide the following additional information to the I-Bank for review thereby in connection with a determination by the I-Bank of compliance with the credit eligibility requirements under the terms of its Policy. This information (most if not all of which is already included in the publicly available Unrestricted Fund Balance and Audited Financial Statement submissions of each local government Applicant to the Division of Local Government Services (DLGS)) must (i) be (a) the most current data reported to the DLGS or other reporting agency as appropriate and (b) submitted within 30 days of anticipated loan closing, (ii) include, at a minimum, the same updated budget/cash flow projections due to DLGS on May 30, 2020, or for private entities, the most recently reported quarterly financials and (iii) be provided and certified by an authorized financial representative of the Applicant;
- III. Information should be addressed to Ms. Lauren Kaltman, CFO at lskaltman@njib.gov with a copy to David Zimmer, Executive Director at dzimmer@njib.gov. Depending on the program from which an Applicant is seeking financing, please also copy bond counsel Richard Nolan at rnolan@mccarter.com for Water Bank loans or tgasparine@csglaw.com and dkressel@csglaw.com for Transportation Bank loans.

1. **General Budget Information Check List:**

- Please provide (in Excel format) the final, adjusted budget for each of:
[] CY2018, and [] CY2019.
- Please provide (in Excel format) the most recent, adjusted budget for:
[] CY2020;
- Has the Applicant revised its CY2020 budget due to the COVID- 19 financial crisis? If yes, please provide in PDF/WORD format, an **Executive Summary** write up of the following:
 - [] In general terms, describe the impact, as of the submission date to the I-Bank, of the COVID-19 financial crisis on the Applicant, including (i) the impact upon revenues and (ii) the incurrence of unanticipated and unbudgeted expenses;
 - [] Identify and highlight the projected impact of COVID-19 (change) on revenues and expenses (\$-amount and as % of total);
 - [] Identify and highlight how the unanticipated and unbudgeted expenses due to the COVID-19 financial crisis will be paid for by the Applicant;
 - [] Identify the projected Unrestricted Fund Balance, as of year-end, for CY2020;
 - [] Identify the net change in Unrestricted Fund Balance for CY2020;

- [] For comparison purposes, identify the net change in Unrestricted Fund Balance for each of CY2018 and CY2019;
- [] In general, describe any countermeasures or contingencies that have been undertaken (or that have been identified and are being evaluated) by the Applicant thus far in response to the COVID-19 crisis;
- [] What liquidity issues does the Applicant expect are likely to occur within the next 3 – 6 months?

2. **Failure Criteria Check List:**

- **Budget / Cash Metrics** – Please provide as part of the Executive Summary identified above:
 - [] A statement identifying the projected Budget surplus or deficit, based on a forward-looking 60-day cash flow analysis (**Failure Criteria: projected deficit**).
 - [] A statement identifying the projected Available Fund Balance as of 12-31-2020 as a % of estimated CY2020 Revenues (**Failure Criteria: ≤ 3.00%**).
- **Debt / Debt Service Metrics** – Please provide as part of the Executive Summary:
 - [] Calculate the **Debt Service Coverage Ratio** (Net Oper. Income/Debt Obligations) as projected as of the conclusion of this calendar year. Include debt service payments due on bonds, notes and loans, as well as long-term capital leases. Present total values of both numerator and denominator (**Failure Criteria: < 1.10 X's**).
 - [] Calculate the Pro-Forma **Debt Ratio** (Debt/Assets). Include total outstanding bonds, notes and loans, long-term capital leases and the proposed Program Loan.
 - For Counties and Municipalities – as a percentage relative to the three-year average equalized valuation (**Failure Criteria: Exceeds 2.70%**);
 - For Utilities, Authorities and Private Water systems – as a percentage relative to asset valuation (**Failure Criteria: Exceeds 70%**).

Performance at a level consistent with (i) any one of the parenthetical “**Failure Criteria**” in the **Budget/Cash Metrics** section above) plus (ii) any one of the parenthetical “**Failure Criteria**” in the **Debt/Debt Service Metrics** section above shall require an Applicant to undertake one of the alternatives listed below in order to comply with the I-Bank’s credit eligibility requirements under the terms of the Policy.

IV. **Alternatives:**

1. Applicant’s credit rating(s) must be reviewed and refreshed by one of the three Nationally Recognized Rating Agencies listed above – on or after May 1, 2020; if the Applicant does not currently possess a credit rating, it must procure either a public or indicative rating. Note, Applicants with more than one rating, wherein either rating is less than BBB+ or Baa1 and one rating has been refreshed on or after May 1, 2020, must refresh all other ratings. In any case, **such rating(s) must satisfy the requirements of the Policy**; or
2. Include a contractual obligation in the Applicant’s Short Term Note to **issue a Qualified Bond** upon long-term conversion

V. **Disclaimer:**

In requesting the submission to the I-Bank of the data and responses identified above, the I-Bank makes no statement and provides no direction, guidance or advice to any submitter regarding compliance by such submitter with any federal or State statute, regulation or other law that may be applicable to such submission, including, without limitation, the provisions of SEC Rule 15c2-12 of the Securities Exchange Act.