NEW JERSEY TRANSPORTATION INFRASTRUCTURE FINANCING PROGRAM

STATE FISCAL YEAR 2021 FINANCING PROGRAM YEAR FINANCIAL PLAN

Submitted to the State Legislature by:

The New Jersey Infrastructure Bank

MAY 2020

New Jersey Infrastructure Bank

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Report to the Legislature
Pursuant to

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

By

Roger Ellis, Vice-Chairperson
New Jersey Infrastructure Bank

New Jersey
Infrastructure Bank

New Jersey
Department of
Transportation

May 15, 2020

TO: Honorable Members of the New Jersey State Legislature

FROM: Roger Ellis, Vice-Chairperson New Jersey Infrastructure Bank,

SUBJECT: State Fiscal Year 2021 New Jersey Transportation Infrastructure Financing Plan

The New Jersey Infrastructure Bank (the "I-Bank" or "NJIB") is pleased to present the State Fiscal Year 2021 Financing Program Year New Jersey Transportation Infrastructure Financial Plan to the New Jersey State Legislature pursuant to the New Jersey Infrastructure Trust Act, N.J.S.A. 58:11 B-1 *et seq.* ("the Act"). The SFY2021 Financing Program Year is defined as July 01, 2020 up through and including June 30, 2021. (hereinafter "SFY2021")

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

The Transportation Bank is required to publish two state publications each year:

- The New Jersey Department of Transportation ("DOT" or "Department") publishes the ***January Report*****,** which sets forth the Transportation Infrastructure Bank Priority System, and the Transportation Infrastructure Project Priority List for the ensuing fiscal year. The SFY2021 January Report was published and distributed in January 2020; and
- The I-Bank publishes the ***Financial Plan*** in May of each year, setting forth the terms and conditions of the financing program and operating budget for the ensuing fiscal year Financing Program, as well as a status of Transportation Bank loans issued to date.
- As the Transportation Bank concludes its second full year of operations, we look back on the diversity of projects and project borrowers financed. To date, loans totaling $33 million have been issued to seven Borrowers, Camden County, Orange City, Burlington County, Little Silver Borough, Essex County, Somerdale Borough and Cape May County for roadway repaving, traffic signal improvements, sidewalk replacement, bridge demolition and bridge deck replacement. An additional $36 million has been allocated and is awaiting loan closing to seven projects sponsored by Essex County, Camden County, Atlantic County, Bayonne City, Hackensack City, Plainfield City, and Wildwood City for bridge replacement, streetscape, traffic signal improvements, and road repaving.

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

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I. INTRODUCTION/PROGRAM OVERVIEW

The New Jersey Infrastructure Bank[1] (the "I-Bank" or "NJIB") presents this State Fiscal Year[2] 2021 Financing Program Year New Jersey Transportation Infrastructure Financial Plan (the "Financial Plan") to the New Jersey State Legislature pursuant to the New Jersey Infrastructure Trust Act, N.J.S.A. 58:11B-1 *et seq.* (the "Act"). The State Fiscal Year 2021 Financing Program Year is defined as July 01, 2020 up through and including June 30, 2021) (hereinafter "SFY2021").

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

In January this year, the DOT published the Project Priority List that included a discussion of project eligibility requirements, the Transportation Infrastructure Bank Priority System ("Priority System") and the initial Transportation Infrastructure Project Priority List ("PPL") ("January Report") for SFY2021.[3]

This SFY2021 Financial Plan discusses the following Transportation Financing Program initiatives for SFY2021:

- The loan application process, parameters and standards of approval for loans;
- The allocation of funds for each quarter to be utilized for project loans;
- Available loans, loan terms, and the loan closing processes to be utilized in SFY2021 for Projects identified in the PPL as updated and amended each quarter in SFY2021; and

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1. The I-Bank is neither a "bank" nor a "savings bank" within the meaning the New Jersey Banking Act of 1948, or a "national banking association" or a "federal savings bank" within the meaning of the National Bank Act, nor is it subject to the supervision of New Jersey Department of Banking and Insurance ("DOBI") or the Office of the Comptroller of the Currency ("US Treasury Department"), the Board of Governors of the Federal Reserve System or the Federal Deposit Insurance Corporation. The I-Bank does not accept "deposits" within the meaning of the New Jersey Banking Act of 1948 or the National Bank Act, and its obligations are not insured by the Federal Deposit Insurance Corporation.

2. For purposes of the administration of various New Jersey Transportation Bank programs, policies and procedures, the "State Fiscal Year" is definitionally utilized frequently to define the commencement of, the conclusion of, and the application of variables to such programs, policies and procedures. When the "State Fiscal Year" standard was established for such various New Jersey Transportation Bank programs, policies and procedures, it was the intent and expectation of the I-Bank and the Department that such standard means, and would continue to mean, July 1 through June 30 in the given year. "State Fiscal Year" shall continue to be interpreted, for all purposes of this May Report, as meaning July 1 through June 30 in a given year, notwithstanding an extension of State Fiscal Year 2020 by the State for purposes of the State's general appropriation law (P.L.2020 c.19). Such interpretation by the I-Bank and the Department shall apply to all prior May Reports that make reference to State Fiscal Year 2020 and State Fiscal Year 2021.

3. The SFY2021 January Report is available at:

https://cdn.njib.gov/njtib/publications/sfy2021/SFY2021NJTIBJanuaryReport.pdf

- A summary of the status of the projects which received short-term loans from the I-Bank in SFY2020.

ELIGIBLE PROJECTS/ELIGIBLE BORROWERS

In accordance with the Act, the Transportation Bank is authorized to finance capital projects for public highways, approach roadways and other necessary land-side improvements, ramps, signal systems, roadbeds, transit lanes or rights of way, pedestrian walkways and bridges connecting to passenger stations and servicing facilities, bridges, and grade crossings ("Transportation Project" or "Project"). Eligible Borrowers are local government units, including counties, municipalities, municipal, county or regional transportation authorities, or any other political subdivision of the State, authorized to construct, operate, and maintain public highways or Transportation Projects. A detailed discussion of project and borrower eligibility is set forth in the SFY2021 January Report.

Transportation Bank financing is limited to Transportation Project costs incurred, including construction costs, engineering, legal counsel, financial advisor, permitting, project management and other costs or fees as recognized in N.J.A.C. 16:20B-4, excluding any costs for which DOT or other grants have been received. Note that grant funds received prior to loan closing are excluded from costs eligible for financing, but Project Sponsors may use future grant funds towards payments of debt service.

PROJECT FUNDING METHODOLOGY / PROJECT LIST

The Priority System and ranking methodology are the bases for determining the allocation of limited Transportation Bank funding to projects. The Priority System incorporates project eligibility requirements of N.J.A.C. 16:20A and 16:20B. Full detail of the Priority System and ranking methodology are set forth in the SFY2021 January Report.

PROJECT PRIORITY LIST (PPL) / FUNDING ALLOCATION

Transportation Infrastructure Project Priority List.

Identification of a Project on the PPL is a prerequisite to receiving Transportation Bank financing. Projects are placed on the ensuing year's PPL according to DOT's preliminary project ranking upon receipt of an Application Submission (Section II, Part B). The initial list of Projects eligible for funding in SFY2021 pursuant to the SFY2021 Priority System are set forth in the PPL. The Projects on the initial SFY2021 PPL consist of a pool of **twenty-one** (**21**) Projects with a total estimated cost of **$154.9 million**.

The I-Bank amends the PPL up to four times during each financing program year. The SFY2021 PPL will be amended at the beginning of each quarter (July, October, January and April). Projects will be placed on an amended PPL upon staff's review and completion of Initial Due Diligence. Initial Due Diligence consists of: (i) gathering information relevant to assessing project eligibility; (ii) determining sponsor eligibility (credit worthiness); (iii) deciding reasonableness of cost estimates; and (iv) forecasting a project application and construction schedule.

Project Funding Allocation. Projects on the PPL are allocated funds upon the Project Sponsor's representation that the construction award will meet the ensuing year's Construction Readiness standards. At the beginning of each quarter: (i) the DOT applies its Base Ranking to all projects for which Initial Due Diligence is complete; (ii) up to an additional 75 ranking points are applied to projects based on readiness to proceed and loan status as set forth in the January Report; and (iii) Projects are placed on the amended PPL in ranked order.[4] Funds allocated for that quarter (as set forth in the program year's Financial Plan), in addition to any funds unallocated from prior quarters, will be applied to projects in ranked order. Up to 50% of the quarterly allocation, in the discretion of the Executive Director, may be prioritized to fund eligible cost increases of Projects for which funds have already been allocated in a prior quarter. Such cost increases are available to Projects up to the lesser of $500,000 or 5% of total Project cost. Cost increases in excess of this threshold amount require Board approval.

The SFY2021 funding allocation for the anticipated appropriation funds is as follows:

SFY2021 Quarter	Allocation of Appropriations	Potential Leverage (Private Funds)
Q1	$5 million	$5 - $20 million
Q2	$5 million	$5 - $20 million
Q3	$5 million	$5 - $20 million
Q4	$5 million	$5 - $20 million
Total:	**$20 million**	**$20 - $80 million**

PROJECT FINANCING

The SFY2021 Financing Program offers low interest loans designed to significantly reduce Borrower financing costs relative to independent financing. Loans will be offered by the I-Bank to the highest Priority System ranked, construction ready projects on a quarterly basis.

Because the Transportation Bank Financing Program is modeled after the longstanding New Jersey Environmental Infrastructure Financing Program (the "Water Bank", formerly the NJEIT), Project Sponsors that have financed water infrastructure projects through the Water Bank will find the financing processes of the Transportation Financing Program to be familiar. Each Project financed through the Transportation Bank initially receives a Short-Term Construction Financing Program Loan ("Short-Term Loan") that, thereafter, is refinanced through a Long-Term loan. This structure offers (i) available capital (through a Short-Term Loan) during Project engineering up through Project construction completion, (ii) no debt

[4] The SFY2020 3rd Amended Interim PPL was published on 1/9/2020 and is available at: https://cdn.njib.gov/njtib/publications/sfy2020/SFY20_Trans_3rdAmended_PPL.pdf

service repayment until after construction completion, (iii) term of debt amortization through repayments of the lesser of the Project's certified useful life or 31 years, and (iv) significantly lower interest rates on Long-Term loans than independent financing.

Funds will be available upon Short-Term Loan closing after Transportation Bank's certification of the Project's applicable contract(s). Funds are disbursed upon submission and receipt of requisitions and contractor invoices as discussed in Section II, Part D.

Short-Term Loan interest rates will be set quarterly as directed by the I-Bank's Board. Financing will be provided from a combination of funding sources. A detailed discussion of short-term financing terms and conditions may be found in Section II, Part D.

ADVANTAGES OF TRANSPORTATION FINANCING

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

- Available Funding During Construction – Through Short-Term Loans, funds are available upon certification of the Project's engineering contract (including environmental compliance, if applicable) through to Project construction completion. Funds are disbursed through an expedited requisition approval process (usually 2-10 business days) relieving Borrowers from utilizing cash-on-hand or costly working capital bank lines to pay contractors and vendors quickly;
- Generous Allowable Costs – Associated project costs may be financed through the Program based upon costs incurred, including environmental compliance (if applicable), engineering design, project management, and other Project-related fees (i.e. legal and other advisory services) necessary to finance or construct the Project. Advance payment of costs for services rendered is not a prerequisite to a Borrower's submission of requisitions or receipt of corresponding funds;
- Interest Cost Savings During Construction – In SFY2021, Program Borrowers will receive a Short-Term Loan with an interest rate that is reset quarterly and shall be based on either the I-Bank's cost of short-term funds or between 0% and 50% of the I-Bank short-term market rate, or a combination thereof. For example, the short-term loan rate for the quarter starting April 1, 2020 was set at 1%. Borrowers are charged a cost of funds ONLY on those funds drawn;
- Debt Service Cash Payments Deferred During Construction – During Project construction, Borrowers' payment of principal, interest (as applicable) and fees are generally deferred until construction completion. Such obligations are refinanced and restructured as part of the Long-Term loan, with the accrued interest capitalized as part of the Long-Term loan refinancing and restructuring;
- Interest Cost Savings During Long-Term Financing – It is anticipated that Long-Term Loans are expected to be issued in the spring of 2021 bearing interest of up to 50% of the I-Bank's market

rate. This lower cost of funds results in interest savings of approximately 25% of the total Long-Term Loan amount for a Project having a useful life of 31 years when compared to the cost of a AAA-rated Borrower financing their Project independent of the Transportation Bank;

- Level Debt Service / No Front-Loading Requirement – local government units, when issuing their own general obligation debt, are required to "front load" their debt service schedule. This ensures that debt service payments are larger in the early years of the loan and decline over time. The Financing Program provides for level debt service throughout the life of the loan normalizing annual payments for budgetary purposes and for taxpayers;
- Minimized Financing Costs – Borrowers are charged a flat 2% administrative fee for the review of Project Applications and disbursement of funds, and an annual 0.15% loan servicing fee on the original loan amount to process Long-Term loan repayments;
- Flexible Long-Term Loan Maturity – Shorter amortization schedules are available for Borrowers who wish to minimize the repayment period of their loan.

II. FINANCING PROGRAM

A. SOURCES / USES OF FUNDS – FUNDING ALLOCATIONS

Beginning in SFY2018, the State legislature commenced annual appropriations of State Local Aid Infrastructure Funds ("LAIF") to the I-Bank's Transportation Infrastructure Bank Fund as a separate Program to provide a separate avenue of financing to local Projects. State LAIF appropriations from SFY2018 through SFY2020 totaled $67.8 million, of which $2.6 million was appropriated each year to the I-Bank to cover program administration and operation expenses. Any funds not used for such expenses are made available for lending purposes.

In SFY2021, it is anticipated that an additional $22.6 million appropriation of LAIF funds will be received, of which $1.5 million is expected to be made available for Program administration expenses. The I-Bank expects to utilize capital from the sale of notes or bonds or one or more private lending institutions ("Private Capital") as additional sources of funding for Short-Term Loans. It is anticipated that as much as $20 million in Private Capital for each year of appropriations, or a total of $80 million, may be utilized for this purpose. In total, the I-Bank anticipates as much as $100 million may be available as capital for project loans in SFY2021.

In the event that additional funds are appropriated from the State budget for specific types of Transportation Projects, such funds will be dedicated to those projects that meet the criteria set forth in the appropriation. These funds would be allocated to eligible projects and financed in accordance with the terms and conditions of the Program.

In addition to State funds and private capital, the I-Bank is in discussions with the Build America Bureau of the United States Department of Transportation ("USDOT") to designate the I-Bank as a State Infrastructure Bank and enter an initial loan agreement for up to $74.9 million in federal funding pursuant to the Fixing America's Surface Transportation ("FAST") Act / Transportation Infrastructure Financing Efficiency Act (TIFIA) for Transportation Bank Projects.

In SFY2021, Program administration and operations will be funded first by interest earnings on undisbursed funds and administrative fees and then by appropriations for administration and operations.

Appropriated funds available for SFY2021 will be allocated for loans equally at the beginning of each quarter (July, October, January, and April), and committed to the highest ranked projects during each quarter as discussed in the Application Process chapter below. Any excess funds from a quarterly allocation shall be allocated to Projects in the next following quarter. Any additional funding received by the I-Bank for project loans from either private or federal sources shall be applied on a pro-rata basis over the remaining fiscal year quarters in SFY2021 unless otherwise required by law.

B. APPLICATION PROCESS

Overview. A separate application is required for each Transportation Bank Project. Loan applications are accepted through the I-Bank's NJ-***Moves*** online system at any time throughout the year, and funding is prioritized for projects which are construction ready. Applications are not accepted after construction advertisement unless the advertisement is withdrawn, and the receipt of bids cancelled.

Loan applications are submitted through the online portal **NJ-*Moves.com***. Applications will only be accepted from individuals specifically authorized by Project Sponsors to submit the loan application ("Authorized Representative"). Applications shall conform with DOT regulations including but not limited to Standards and Specifications set forth in N.J.A.C. 16:20B-5.1 and 5.2 and N.J.A.C. 16:20A-5.1 and 5.2. The loan application process is as follows:

Project Information Submission. The Authorized Representative initiates an application to apply for Transportation Bank financing by submitting (i) information identifying the Project Sponsor, (ii) general project information, (iii) estimated cost breakdown, and (iv) anticipated project schedule.

Application Meetings / Conference Calls. Upon receipt of the Project Information Submission, an application meeting may be held (either in person or via conference call) with each applicant and its professional advisors, as necessary, to provide the applicant with an overview of the application process. Topics covered at the meeting include guidance on submission requirements costs, project scope-or-work sufficient to determine Executive Order 215 applicability, project schedule and application review process and deadlines. During the conference, Transportation Bank staff gathers information relevant to Initial Due Diligence. Thereafter, the Project Sponsor shall update the Initial Submission quarterly until notified by the I-Bank that funds have been allocated for the Project. If at any point in time up to allocation, the

Project Sponsor decides it does not wish to secure financing for the project, it shall notify the I-Bank at the earliest possible moment, and the project will be bypassed.

At the onset of each quarter, the Transportation Bank updates the PPL and allocates funds to the highest ranked projects. The I-Bank formally notifies the Project Sponsors for which program funding has been allocated that (i) project funding has been reserved in an amount equal to the project's total estimated project cost (inclusive of the initial Administrative Fee), (ii) the allocation is contingent upon the Project Sponsor's receipt of Concurrence of Award from the Department by the Scheduled Award Date, and (iii) additional financial and project information submissions will be required.

Financial Information Submission. After the I-Bank has allocated funds to a project, and once a Project Sponsor is ready to proceed with project financing, a Financial Information Submission must be submitted electronically through **NJ-*Moves.com*.** This submission requires the Project Sponsor to provide the information necessary to demonstrate the Project Sponsor's ability to meet the I-Bank's creditworthiness requirements as laid out in the I-Bank's Credit Policy (found on the I-Bank website at https://cdn.njib.gov/njib/policies/njib_credit_policy_2020.pdf, https://cdn.njib.gov/njib/policies/COVID-Credit-Policy-Guidelines.pdf). While the actual requirements may vary by type of applicant (i.e., municipal, county or authority), required financial information for each project shall include (i) information pertaining to official action (declaration of intent to reimburse cost, ordinances and resolutions) and the status thereof; (ii) Local Finance Board application authorization; and (iii) any other information needed by the Transportation Bank to evaluate the creditworthiness of the application.

C. CONTRACT REVIEW

Engineering Information Submission.

a. Engineering Design Contract.

For Project Sponsors that seek financing for engineering costs, a copy of the executed engineering contract must be submitted for review and I-Bank certification. The Engineering Design Contract must include (i) the scope of work, (ii) the total contract value, and (iii) the personnel identified as qualified to perform the tasks by title and projected rate of pay. The Project Sponsor shall submit the resolution authorizing the engineering design contract. The design contract agreement must be certified by the Transportation Bank in order to receive financing based on the following criteria:

1) the scope of work for design, environmental documentation, and environmental permits aligns to the Project being financed;
2) the proposed cost is appropriate for the scope of work and comparable to other similarly situated Transportation Projects; and
3) the Project Sponsor has a valid resolution in place authorizing the design work for the Project.

b. Construction Management Contract:

Project Sponsors who are financing construction management costs must submit the engineering services contract which will be utilized for project construction management ("Construction Management Contract") for Transportation Bank certification. Construction Management Contracts must include (i) the scope of work, (ii) the total contract value, and (iii) the personnel identified as qualified to perform the tasks (by title and rate of pay) for services during bidding, construction, inspection and project performance. The hours associated with the scope of work should match the values present in the final signed contract. Project Sponsors shall also submit a copy of the resolution authorizing the Construction Management Contract.

Certification of the Construction Management Contract is based on the following criteria:

1) The scope of work aligns to the Project, including any need for environmental mitigation, being financed;
2) The proposed cost is appropriate for the scope of work and comparable to other similarly situated Transportation Projects; and
3) The Project Sponsor has a valid resolution in place authorizing the construction management work for the Project.

Construction Contract Submission.

a. Authorization to Advertise.

Transportation Bank approval, in the form of an "Authorization to Advertise", is required prior to a Project Sponsor's advertisement for construction bid. The Project Sponsor provides the relevant information to secure an Authorization to Advertise by submitting the following documents: (i) Construction plans; (ii) Construction contract specifications; (iii) Engineer's Design Certification; and (iv) Right of Way Certification (if applicable).

Transportation Bank Contract Documents (Plans & Specifications).

Transportation Bank borrowers are required to comply with the current DOT standard specifications. Sponsors are required to submit plans and specifications produced by a licensed Professional Engineer containing but not limited to the following:

- A set of detailed plan drawings including site plan/section/elevation views,
- Current NJ prevailing wage rates,
- Certification that the applicant has not and shall not enter into any contract with any person debarred/suspended from government contracting,
- Certification that the applicant and its contractors shall comply with discrimination and affirmative action provisions of N.J.S.A. 10:2-1 through 10:2-4,

- Bonding (performance, payment, maintenance as applicable),
- Buy American provisions (N.J.S.A. 40A:11-18),
- Statement regarding need for uniformed traffic control and bid allowance, if applicable (N.J.S.A. 40A:11-23.1),
- Asphalt Price Adjustment Procedure, if applicable (N.J.S.A. 40A:11-13),
- Fuel Price Adjustment Procedure, if applicable (N.J.S.A 40A:11-13),
- Brand name or equal, unless otherwise justified (N.J.S.A. 40A:11-13),
- Equal Employment Opportunity certification form,
- Division of Civil Rights form(s), as applicable,
- Affidavit of Non-collusion form,
- Certification of Non-Segregated Facilities form, and
- Disclosure of Investment Activities in Iran form.

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

Highlights of Requirements.

1. Environmental Compliance.

Transportation Bank funding recipients must meet program environmental compliance requirements. Many State construction Projects exceeding $1 million are required to comply with State environmental regulations detailed in Executive Order 215 (September 11, 1989) ("EO 215") and in the provisions of the New Jersey Register of Historic Places Act. The DOT annually determines the applicability of EO 215 to candidate projects of its Capital Transportation Programs by assessing whether EO 215 exempts such projects from environmental review ("Exemption"). To that end, it is anticipated that the DOT will continue to provide environmental reviews for I-Bank applicants in SFY2021 and Grant Exemptions as applicable, unless and as modified in a Memorandum of Understanding between the DOT and the I-Bank. Application Meetings provide a forum to discuss the Project's EO 215 determination. In the event an EO 215 Exemption is not applicable, an applicant will be notified by DOT of the need to submit documentation demonstrating compliance with EO 215 requirements. Transportation Bank Borrowers are also required to satisfy relevant State or federal permits and other relevant environmental State approvals.

In the event that federal funds become available in the Program, Projects funded with federal funds will be required to meet federal compliance requirements including but not limited to the National Environmental Policy Act (NEPA), Davis-Bacon, and American Iron and Steel as conditions of funding.

2. Division of Civil Rights Compliance.

Transportation Bank loan recipients must comply with the DOT's Division of Civil Rights requirements. The DOT applies standards applicable to State-funded Local Aid Projects. The Project Sponsor is provided with the set aside goal (which is incorporated by the Project Sponsor in the contract specifications) upon the Transportation Bank's receipt of the engineer's estimate.

3. Prevailing Wage.

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

Upon the Transportation Bank's completion of review of the contract submissions, environmental compliance, approval of the Division of Civil Rights, and prevailing wage, technical comments are submitted to the Project Sponsor followed by the Authorization to Advertise for construction. Project Sponsors are required to comply with relevant laws in their solicitation and award of construction contract bids.

b. Construction Contract Award.

Upon bid opening and approval of the governing body, the Project Sponsor shall submit the following to the Transportation Bank prior to awarding the construction contract:

- One copy of the summary of construction bids showing all bid quantities, unit prices and extensions;
- A fully executed and sealed resolution awarding the contract to the lowest responsible bidder, subject to the approval of the Transportation Bank;
- The final sealed plans and specifications;
- Division of Civil Rights requirements: (i.e. copy of the signed goal memorandum specifying percentage, copy of the page from the specifications showing the SBE goals, copies of advertisements for bids through public bidding)
- A certification by a licensed engineer that the final sealed plans and specifications comport with that submitted to the Transportation Bank and incorporate the technical comments received from the Transportation Bank;
- A certification from the appropriate local official that all right-of-way is available for the project, if

such certification was not already provided prior to advertisement; and

- Other related documents as may be required by the Transportation Bank.

Upon the review and approval of such submissions by Transportation Bank staff, the Transportation Bank will issue a concurrence of construction contract award and project certification.

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

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

D. SHORT-TERM CONSTRUCTION FINANCING PROGRAM; LOAN CLOSING

INTRODUCTION

Funding Commitment. Each Project financed through the Transportation Bank will first receive a Short-Term Loan to finance the Project through construction and then a Long-Term Loan to refinance and restructure the Short-Term Loan. A commitment of funds for the total estimated project cost occurs upon Short-Term Loan closing. Short-Term Loan closing occurs after (i) the Transportation Bank's Allocation of Funds; (ii) the Transportation Bank's certification of one or more contract (i.e. the Engineering Design Contract, Construction Management Contract or Construction Contract); (iii) approval from the Director of the Division of Local Government Services; and (iv) the sponsors satisfaction of other conditions precedent to loan closing including satisfaction of the I-Bank's creditworthiness standards.

Pursuant to the Act, each Transportation Bank applicant is required to issue a note (with respect to the Short-Term Loan) or a bond (with respect to the Long-Term Loan Agreement) to the I-Bank in order to evidence and secure its repayment obligation. Each applicant is required to secure its note or bond with a General Obligation tax pledge. In addition, it must be able to satisfy its repayment obligations and provide assurances of repayment of existing Transportation Bank obligations in the event of loan default. N.J.S.A. 58:11B-7(k). Such conditions are central to the Transportation Bank's ability to meet its fiduciary obligations in the management of public funds as well as ensuring loan repayments are available for future Transportation Projects. The Long-Term financing program expects to have a critical mass of borrowers sufficient for a Long-Term public offering in or about early 2022. To the extent that any existing or future

Short-Term Loans mature prior to the date upon which the I-Bank will issue Long-Term public debt, such Short-Term Loans will either be rolled over or paid down, at the discretion of the I-Bank.

SHORT-TERM LOANS

Short-Term Loans may close as early as the Project design phase. They serve to finance environmental compliance (if applicable), engineering design, legal fees and construction. The maturity of Short-Term Loans is limited to the periods set forth in N.J.S.A. 58:11B-9(g) (i.e., the sooner of the last day of the fifth succeeding fiscal year following the closing date of the Short-Term Loan or the last day of the third succeeding fiscal year following the date of construction certification following the closing date of the Short-Term Loan). One supplemental short-term loan is available to larger complicated projects requiring additional construction time beyond the Short-Term Loan maturity date. In these cases, the initial Short-Term loan is converted to a Long-Term loan and a single second supplemental loans is available for up to three additional fiscal years, or construction completion. Construction draws for project expenses will be made pursuant to requisitions submitted by borrowers. All interest charges will be assessed on outstanding requisitioned amounts at a blended rate, which methodology will be established by the I-Bank Board, set quarterly and posted on the I-Bank website. The interest rate calculation methodology will be developed to cover interest, fees and administrative expenses incurred from borrowing Private Capital, or based on a similar market interest rate if the I-Bank's funds are utilized, or a combination of the two. It is anticipated that Short-Term loans issued in SFY2021 will be at an effective interest rate of between 0% and 50% of the cost of the I-Bank's short-term market rate funds.

Interest charges incurred by participants under Short-Term loans are accrued and capitalized for the term of the loan for up to six months after construction completion. Construction loans are termed out at the earlier of construction completion or maturity of the loan, with principal, interest, and fee payments commencing after long-term loan closing.[5] Furthermore, subject to the above, the Borrower is generally not obligated to repay principal or interest during the term of the Construction Loan. Any funds borrowed and/or owed by the Borrower are rolled into the Borrower's Long-Term loan. For larger projects requiring additional construction time beyond the Short-Term Loan maturity date, the initial Short-Term Loan is converted to a Long-Term loan for amounts drawn to the term-out date and a single second supplemental loans is available for the lesser of three additional fiscal years, or the expected construction completion date for the residual project amount.

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[5] For Short-Term Loans issued upon the certification of engineering contracts, long-term financing terms are established upon certification of the construction contract. For Short-Term Loans issued at the time of construction contract certification, long-term financing terms are established upon Construction Loan closing. The long-term financing terms apply at the time of long-term loan closing for applicants receiving construction contract certification and financing the cost of construction through non-Transportation Bank sources.

The I-Bank will be utilizing LAIF funding and may utilize Private Capital as sources of funding for Short-Term Loans. LAIF funding will comprise 100% of Short-Term Loans for those Borrowers having lower quality investment grade ratings which either negatively impact the cost of Private Capital or are otherwise unacceptable to the provider of Private Capital. Notwithstanding, Long-Term loans to such Borrowers will reflect the terms of the Transportation Bank Financing Program applicable to all Borrowers in effect at the time of construction contract award.

Assuming the Project Sponsor has the requisite approvals in place, Short-Term Loans are available within as little as three (3) weeks of receiving (i) I-Bank Project Certification, (ii) approval from the Director of Local Government Services, and (iii) satisfaction of creditworthiness.

i. **I-Bank Project Certification.** For a project to receive Transportation Bank financing, the I-Bank must certify that each of a project's component contracts satisfy Transportation Bank eligibility requirements.

ii. **Approval by Director of Division of Local Government Services.** Transportation Bank loan applicants are not required to seek Local Finance Board approval of the applicants' short-term debt instruments issued to the I-Bank pursuant to the Act (N.J.S.A. 58:11B-7). Instead, the Project Sponsor may authorize the I-Bank to secure such approval upon the applicant's authorization set forth in the Financial Information Submission. The I-Bank will request such approval from the Director of the Division of Local Government Services on behalf of the Project Sponsor. Legislation currently introduced in the State Senate (S-767), if passed and signed into law, would introduce additional efficiencies regarding certain Department of Community Affairs approvals for long-term funding. Specifically, (i) I-Bank loan applicants would be relieved of securing Local Finance Board approval of the waiver of the five percent (5%) down payment requirement provided the local bond ordinance exclusively funds a Transportation Bank Project, and (ii) Local Finance Board approval would not be required for Transportation Bank applicants' Non-Conforming Maturity schedules.

iii. **Credit Approval**. All Borrowers are required to satisfy the I-Bank's Credit Policy by demonstrating an ability to satisfy both the loan repayment obligations and the Transportation Bank's credit worthiness standards. In brief, all applicants are required to have no less than one investment grade rating from Fitch Ratings, Moody's Investors Service or Standard & Poor's Global Ratings as set forth in the I-Bank Credit Policy and no non-investment grade ratings. Applicants with a credit rating of less than Baa1 or BBB+ are required to procure an additional investment grade rating. The Credit Policy allows for limited exceptions to this requirement (e.g. the ability of a borrower to supply the I-Bank with a State Municipal Qualified Bond Act bond). In addition, each applicant is required to secure its note or bond to the Transportation Bank with a General Obligation tax pledge which must be investment grade rated to secure the repayment obligations.

iv. **Compliance with Application Schedule.** Each Borrower is required to comply with its agreed upon Scheduled Award Date as set forth in the Note. A Borrower's failure to receive concurrence of award on or before the Scheduled Award Date due to the inaction by it or its agents shall result in the de-obligation of Long-Term funding for the project. Moreover, no Short-Term Loan funds will be disbursed for non-certified contracts. Any non-disbursed funds for certified contracts will be unallocated and returned to the I-Bank's general loan fund, and the project's readiness ranking will be reduced by 5 ranking points in future funding rounds.

Upon satisfaction of (i)-(iv) above, the I-Bank will contact the applicant to schedule the Short-Term Loan closing. In connection with Short-Term Loan closing, the I-Bank will circulate each of the following documents: (i) the form of Note to be issued by the Borrower to the I-Bank, including a series of Exhibits for inclusion thereto that shall include but not be limited to, the following: (a) the project description; (b) the basis for the determination of allowable costs of the project; (c) the loan disbursement schedule; (d) the project event schedule; (e) the general administrative requirements; (f) a form of certification regarding lobbying; and (g) a disclosure of lobbying activities form; and (ii) the form of opinion to be rendered by bond counsel and general counsel to the Borrower (including, without limitation, opinion points with respect to the enforceability of the Note). In addition to such forms to be completed and submitted by the Borrower at closing in the form required by the Transportation Bank, the Borrower must provide a certified copy of its official action relating to the authorization of its project and the issuance of the Note. The nature of the Short-Term Loan and its structure as a note purchase program results in an efficient economy of closing documents.

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

ADDITIONAL SHORT-TERM FUNDING

Projects for which the Short-Term Loan amount is insufficient to complete construction may request additional loan amounts for eligible project costs. Project Sponsors shall submit the request for additional funds and supporting documentation through **NJ-*Moves.com***. Up to 50% of the quarterly allocation, in the discretion of the Executive Director, may be prioritized to fund eligible cost increases to Projects for which funds have already been allocated. Such cost increases are available to Projects up to the lesser of $500,000 or 5% of total Project cost. Cost increases in excess of this threshold amount require Board approval.

FEES

Administrative Loan Surcharge (Loan Origination Fee). An Administrative Fee in the amount of 2% of the total estimated eligible Project cost is charged to all Borrowers. The 2% Administrative Fee offsets the cost of engineering and environmental services and requisition review, fund disbursement and site inspection services provided by the Transportation Bank for the Borrower in connection with, and as a condition precedent to, the inclusion of the project in the Transportation Bank Program. The total Administrative Fee will be two percent (2%) of the final project cost. One-half of the Administrative Fee (1% of the total estimated eligible Project cost) is due by the Project Sponsor upon Short-Term Loan closing and will be financed through the Short-Term Loan. Therefore, one-half of the Administrative Fee will be drawn on the date of closing of the Short-Term Loan and transferred to the I-Bank in satisfaction of this partial fee payment obligation. The remaining 1% Administrative Fee balance is due and payable by the Project Sponsor upon Short-Term Loan maturity, as a component of the Borrower's first Long-Term loan repayment or in-full should the Project Sponsor opt out of long-term financing from the Transportation Bank.

Loan Servicing Fee. A separate loan servicing fee is payable annually to the I-Bank in the amount of 0.15% of the total original principal amount of the Long-Term Loan throughout the loan repayment period by all Borrowers to offset the I-Bank's ongoing loan servicing efforts.

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

Engineering Costs. To the extent that consulting engineers are used by the Transportation Bank for application review or construction management for a Borrower's Project, the costs thereof may be charged to the Borrower and shall be charged to partially offset the administrative fee previously discussed. The hourly cost of such services will be set forth in agreements between the I-Bank and its consulting engineers and the costs shared with Borrowers.

DISBURSEMENT OF FUNDS

Upon Short-Term Loan closing, Transportation Bank funds for eligible costs are disbursed by the I-Bank for a certified contract upon the review and approval of Borrower submitted invoices and requisitions. Funds are disbursed to Borrowers upon the Borrowers' demonstration that project costs have been incurred. Borrowers are not required to demonstrate that they have paid such costs and disbursed their own funds.

E. LONG-TERM FINANCING

THE I-BANK LONG-TERM BONDS

Upon completion of construction, a Long-Term Loan will serve to refinance and restructure the Short-Term Loan. Long-Term loans have a term of the Project's certified useful life not to exceed the period set forth in N.J.S.A. 58:11B-6(d) (currently 31 years). At that time, the Project on the Project Priority List, original or amended, will be designated eligible for Long-Term funding and placed, with other like Projects, onto a sub-list referred to as the "Project Eligibility List" (set forth in Appendix A). Upon identification of the Project in an appropriations law, and submission of the Long-Term financial information submission, the Project is eligible for Long-Term loan closing. The Project is removed from the PPL subsequent to Long-Term loan closing.

Although the I-Bank is considering the utilization of Long-Term Bond proceeds as one source of funds for the Long-Term loans to be made to each such Project, it does not anticipate the issuance of such Long-Term Bonds prior to the spring of SFY2021 at the earliest. Given the need to generate sufficient market interest and competitive pricing among underwriters for the issuance of Long-Term Bonds, as well as the I-Bank's experience that a bond sale consisting of a minimum principal par amount of $15 to $20 million is required in order to generate sufficient market interest and competitive pricing, it is anticipated that the first I-Bank Long-Term Bonds will be sold and issued only upon completion of multiple Projects. Notwithstanding, it is anticipated that Long-Term direct loans may be made in advance of a public bond issuance. When made, direct loans will bear a fixed interest cost of between 0% and 50% of the I-Bank's market rate for the lesser of the Project's useful life or 31 years based on a certification as to useful life by the Borrower's consulting engineer.

The Program reserves the right to set a shorter maturity term based on State or national projections of the impact of climate change on the project, such as rising sea level.

The following are the currently anticipated general parameters of the I-Bank's Long-Term Bonds with the purpose to refinance multiple Short-Term Loans.

- Each series of Long-Term Bonds will fund a pool of Long-Term loans that, in turn, will serve to refinance Short-Term Loans that previously had been made by the I-Bank to pool participants in order to fund completion of Project construction by such pool participants. Each participant will be assigned to a loan pool by the I-Bank on the basis of such factors as a Borrower's individual credit characteristics, the Borrower's effect on the pool's coverage, and the terms and conditions of each Borrower's own outstanding bond documents, among others.
- Each series of Long-Term Bonds will be Special Obligations of the NJIB, secured primarily by the repayment by each pool participant of its Long-Term loan pursuant to the terms of a Long-Term loan agreement by and between the NJIB and each such participant. Such Borrower's loan repayments, in turn, will be collateralized by a General Obligation bond issued by such Borrower (or a government entity on the Borrower's behalf) to the I-Bank in order to secure such Borrower's obligation to make these loan repayments on time and in full. All Borrowers are required to issue bonds to the I-Bank, backed by the Borrowers' (or conduit's) General Obligation pledge.
- Additional security for the Long-Term Bonds (i) will be provided by certain State-aid payable to certain credit impaired Borrowers (see "State Aid Intercept" section below), and (ii) may be provided by a debt service reserve fund.

- The Long-Term loan agreement and the local unit bond or other approved collateral of the Borrower are, except for certain reserved rights, assigned by the I-Bank to the Trustee for the Long-Term Bonds as security for the Long-Term Bonds.
- Neither the State nor any political subdivision thereof (other than the I-Bank, but solely to the extent of the applicable I-Bank transportation trust estate) is obligated to pay the principal of or interest on the Long-Term Bonds, and neither the full faith and credit nor the taxing power of the State or any political subdivision thereof (the I-Bank has no taxing power) is pledged to the payment of the principal of or interest on the Long-Term Bonds.
- The I-Bank will structure its Long-Term Bond financings to optimize the cost of financing for Transportation Bank Borrowers relative to the amount of funds the Transportation Bank makes available for loans.
- The I-Bank will consider various alternative and/or additional structural features and sources of funds with respect to its Long-Term Bonds to be issued in SFY2021 and thereafter, to the extent such structural features and sources of funds will serve the best interests of the Transportation Bank and will provide additional savings for the Borrowers that are pool participants.

FEDERAL FUNDING

The Program is assessing the viability of the Transportation Bank utilizing federal funds as an additional source of loan funds for project financing, specifically the FAST Act / Transportation Infrastructure Financing Efficiency Act ("TIFIA"). The I-Bank has begun an initiative to secure a loan from USDOT's Build America Bureau for approximately $75 million at an interest rate of approximately 50% of the U.S. Treasury rate in effect on the date of the loan agreement. It is anticipated that a loan agreement may be executed in the later part of SFY2021. Pursuant to federal law, the final maturity date of a TIFIA loan shall not exceed 35 years after the secured loan is obligated. The I-Bank anticipates contributing match funds totaling approximately 20% for such funding which will be sourced from both internal and external sources. Federal funding received by the I-Bank will not impact DOT's federal funding allocations.

For Transportation Projects which receive financing from the I-Bank sourced in part from TIFIA funds, financing shall be provided with a combination of up to 80% financing from TIFIA at the TIFIA cost of funds (generally, 50% of the U.S. Treasury interest rate) and the residual funds provided by the I-Bank at the I-Bank's cost of funds. Borrowers whose loans are financed in part with TIFIA funds shall receive an interest rate on their I-Bank loan at no greater than 50% of the I-Bank's cost of funds.

ESCROW CLOSING

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

COMPETITIVE SALE OF LONG-TERM BONDS

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

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

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

SECONDARY MARKET DISCLOSURE

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

DEFICIENCY AGREEMENT / CREDIT ENHANCEMENTS

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

STATE-AID INTERCEPT

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

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

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

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

COVENANTS AFFECTING THE LOCAL UNIT

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

Consequently, each Borrower must be able to make unequivocal representations concerning its status. Ordinances and resolutions of the governing body must be in place to establish that the Borrower has either (i) the legal right and authority to undertake the Project, and own, efficiently operate and appropriately maintain the Project, or (ii) the legal right and authority to borrow funds on behalf of a duly-constituted regional transportation authority, commission, or similar organization (a "Transportation Authority"), for a Project that will be owned, operated, and/or maintained by such Transportation Authority. The Borrower will need to certify that no undisclosed fact or event, and no pending litigation, will materially adversely affect the Borrower, the Project or the ability to make timely loan repayments. In the case of a Borrower borrowing on behalf of a Transportation Authority, the I-Bank may require that the Transportation Authority provide certain certifications, as well.

Other covenants include:

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

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

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

TERMS OF REPAYMENT

Interest begins accruing on the I-Bank's Long-Term loan at the time of the I-Bank's Long-Term Bond closing.

Other repayment terms include:

- A level annual repayment schedule for the Long-Term loan, with interest payable in semi-annual installments and principal payable in annual installments;
- Payment of the remaining balance of the 2% project administrative fee (1%) shall be paid at the time of the first Long-Term loan repayment;
- Payment of the I-Bank's annual administration fee at the rate of 0.15% of the original principal amount of the Long-Term loan shall be paid semiannually, commencing with the first Long-Term loan repayment for the term of the loan;
- A late charge of 12% per annum, or 0.50% above the prime rate, whichever is greater, of the loan payment amount that is past due, calculated from the due date;
- The application of each I-Bank loan repayment pursuant to the terms set forth in the Bond Resolution (typically to interest first, then principal).

The loan agreements may also provide Borrowers with an option to prepay loan obligations without penalty. Prepayment of the I-Bank Loan requires a 90-day written notice to the I-Bank and a written approval thereof. I-Bank Loan prepayments, at a minimum, must satisfy the payment in full of accrued interest (if applicable), any non-callable bond interest, any premium, principal through the prospective payment date for which the prepayment is to be credited and any fees incurred by the Transportation Bank to execute such prepayment. Advance repayments will be applied first to interest on the portion prepaid, then to principal. The Borrower is responsible for paying all the costs of the I-Bank associated with any prepayments. In addition, whether prepayment is involved, any modification of the local government bonds securing the I-Bank Loan will require prior, written approval of the I-Bank.

DEFAULT

The Long-Term loan agreements will define an Event of Default as any one of the following:

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

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

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

III. PINELANDS PROJECT FINANCING

Established by the Pinelands Infrastructure Trust Bond Act of 1985, L.1985, c.302, the Pinelands Infrastructure Trust Fund provides a source of funds specifically for infrastructure projects needed to accommodate existing and future needs in the 23 designated Pinelands Regional Growth Areas. Pinelands projects are approved by the Commissioner of the New Jersey Department of Environmental Protection only after a finding has been made by the Pinelands Commission that the master plan and zoning ordinance of the municipality, and master plan of the county, where the project is to occur conforms to the Pinelands Infrastructure Master Plan and the provisions of the comprehensive management plan.

Pinelands infrastructure projects are prioritized pursuant to the Pinelands Project Priority Methodology and placed on the Pinelands Project Priority List. The Pinelands Infrastructure Master Plan provides all ranking and prioritization guidelines for Pinelands infrastructure projects. The Pinelands Project Priority List is developed in conformance with the Pinelands Infrastructure Master Plan. The Pinelands Infrastructure Master Plan was amended in February 2019 to include one transportation infrastructure project. The Pinelands Commission has requested that the project be financed through the Transportation Bank using the funds sourced from the Pinelands Infrastructure Trust Fund. The Transportation Bank has included Pinelands Projects on its Project Priority List based on the methodology and ranking of the Pinelands Commission.

Pinelands/I-Bank financing for the Pinelands transportation infrastructure project(s) will be structured in accordance with the Pinelands Commission Master Plan:

- Pinelands infrastructure transportation projects are funded by the I-Bank with monies appropriated to the I-Bank from the Pinelands Infrastructure Trust Fund;
- Up to 40% of allowable project costs will be in the form of a grant;
- Up to 50% of allowable project costs will be in the form of a loan at an interest rate of 1.00%;
- The remaining 10% of any Pinelands transportation infrastructure project shall be funded through local match ("Match"). A Project Sponsor may either self-finance the Match or apply for an I-Bank loan to finance the Match requirement as long as the project qualifies for Transportation Bank funds pursuant to the Transportation Bank Project Priority List. The interest rate of such an I-Bank loan would be at a rate commensurate with the I-Bank's Transportation Bank program. In the event a participant elects to fund the Match with an I-Bank loan, the Project Sponsor is subject to the terms and conditions of the applicable Transportation Bank Short-Term Loan Program; and
- A participant may issue their own bonds to finance the unallowable costs of the project and allowable costs which exceed the I-Bank/Pinelands amounts or participants may finance these costs from other funds. Each participant must be capable of financing these costs in order to be eligible for financing from the Financing Program.

IV. FUNDS APPROPRIATED IN SFY2021

To the extent that additional funds are appropriated to the I-Bank to finance transportation infrastructure projects in SFY2021, the I-Bank shall finance projects in accordance with the terms and conditions of the source of funds and Board approval. In the event funds are appropriated to the I-Bank for financing the transportation infrastructure component of redevelopment projects, the I-Bank may issue grants, loans and provide other financial assistance including the establishment of a debt service reserve fund, and establish financing terms in accordance with, and in furtherance of, the purposes of the appropriation.

V. APPENDICES

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APPENDIX A

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APPENDIX A
SFY2021 Project Eligibility List

Projects are placed on the Project Eligibility List in anticipation of Long-Term financing. All projects initially receive Short-Term financing and Long-Term financing is issued upon construction completion to ensure certainty of project cost. All current financed projects and projects to be financed in SFY2021 are anticipated to complete construction in late SFY2021 or thereafter.

As such, there are <u>no</u> Projects on the Project Eligibility List at this time.

Borrower	Project	Long-Term Loan Amount	Status
N/A	N/A	N/A	N/A

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APPENDIX B

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APPENDIX B
NEW JERSEY INFRASTRUCTURE BANK
JULY 1, 2020 – JUNE 30, 2021 PROPOSED BUDGET

REVENUES	Water Bank 2020	Water Bank DRAFT 2021	Transportation Bank 2020	Transportation Bank DRAFT 2021	Combined Total 2020	Combined Total DRAFT 2021
Admin Fee Total =	5,589,199	5,575,866	800,000	585,016	6,389,199	6,160,882
Loan Surcharge (COI at closing) (Fall Deal - Nov '20 (A&B))	23,000	73,000	-		23,000	73,000
Loan Surcharge (COI at closing) (Spring Deal - May '20)	35,000	75,000	-		35,000	75,000
Loan Surcharge Total =	58,000	148,000	0	0	58,000	148,000
Interest Income (Direct / S-T CLP Loans / SAIL) - Direct Loans	331,365	885,177	150,000	680,051	481,365	1,565,228
Interest Income (Operating Accts): *	750,000	120,000	1,291,667	394,091	2,041,667	514,091
Other Income Total =	1,081,365	1,005,177	1,441,667	1,074,142	2,523,032	2,079,319
TOTAL REVENUES =	**6,728,564**	**6,729,043**	**2,241,667**	**1,659,158**	**8,970,231**	**8,388,201**

EXPENSES			Water Bank 2020	Water Bank DRAFT 2021	Transportation Bank 2020	Transportation Bank DRAFT 2021	Combined Total 2020	Combined Total DRAFT 2021
FINANCING PROGRAMS	Bond Counsel	- Bond/Loan Issuance Costs (M&E, CSG)	726,200	861,200	222,000	157,000	948,200	1,018,200
		- Program / Development Charges (M&E, CSG)	300,000	300,000	290,000	250,000	590,000	550,000
		B.C. Total =	1,026,200	1,161,200	512,000	407,000	1,538,200	1,568,200
	Financial Advisor	- Bond/Loan Issuance Costs (PFM, Lamont)	153,400	158,700	120,000	95,000	273,400	253,700
		- Program / Development Charges (PFM, Lamont)	120,000	150,000	25,000	25,000	145,000	175,000
		F.A. Total =	273,400	308,700	145,000	120,000	418,400	428,700
		Short Term Borrowing Fees and Interest	187,500	562,500	287,500	453,115	475,000	1,015,615
		Custodial, Trustee and Loan Servicer Fees (Includes UCC Filings)	172,000	160,628	15,000	15,000	187,000	175,628
		Rating Service (ST & Bond Programs)	201,500	335,930	79,000	79,000	280,500	414,930
		SAIL Program Expenses	40,000	-	-	-	40,000	-
		Master Program Trustee	11,000	14,000	-		11,000	14,000
		Arbitrage Rebate Services	48,000	48,050	-	-	48,000	48,050
		3rd Party Bond Issuance Expenses (iPREO, Newspapers, POS/OS)	15,000	15,000	5,000	-	20,000	15,000
		TOTAL FINANCING PROGRAM EXPENSES =	**1,974,600**	**2,606,008**	**1,043,500**	**1,074,115**	**3,018,100**	**3,680,122**
NJIB OPERATIONS		Total Salaries & Fringe (Original)	3,107,725	3,022,126	1,459,071	1,532,350	4,566,796	4,554,476
		a. FTE Salaries (Original)	1,717,176	1,692,164	962,857	1,048,478	2,680,033	2,740,642
		b. Fringe + DEP Indirect (**2021**: 46.15% + 22.2%)	1,390,549	1,329,962	496,214	483,872	1,886,763	1,813,834
		Human Resources (HRIS+Payroll Svcs, Training, Memberships, Recruiting)	-	12,243		7,617		19,860
	I.T.	- Expenses (Hardware, Software, Online Services)	339,359	363,030	263,727	222,502	603,086	585,532
		Admin Expenses General (Office supplies, bond buyer, publications, etc.)	34,640	17,816	20,660	11,085	55,300	28,900
		Facilities - Rent & Property Insurance, PSEG	100,355	105,520	59,855	65,653	160,210	171,174
		Investment Advisor (PFM)	91,000	90,300	36,167	37,002	127,167	127,302
	Auditor	- NJIB Financials (CLA LLP)	15,409	16,274	9,191	10,126	24,600	26,400
		- State CW/DW SRF Financials (CLA LLP)	50,400	52,900	-	-	50,400	52,900
		Internal Control Audit (CohnReznick)	100,223	70,157	59,777	43,651	160,000	113,808
		Accounting System Maintenance & Support	20,045	19,357	11,955	12,043	32,000	31,400
		State Liaison Charges (AG/GAU)	49,103	52,095	40,411	37,269	89,514	89,364
		Reports, Publications, Conferences & Marketing	24,364	43,138	8,236	18,776	32,600	61,915
		Vehicle (Insurance, gasoline, depreciation)	9,950	12,927	4,020	8,043	13,970	20,971
		Depreciation (Other: IT, Furniture, etc.)	9,811	23,975	2,073	13,357	11,884	37,332
		Board Member Expense (Bond + misc.)	5,324	6,165	3,176	3,835	8,500	10,000
		TOTAL OPERATING EXPENSES =	**3,957,708**	**3,908,023**	**1,978,366**	**2,023,310**	**5,936,027**	**5,931,333**
		TOTAL EXPENDITURES =	**5,932,308**	**6,514,030**	**3,021,866**	**3,097,425**	**8,954,127**	**9,611,455**
		Anticipated Amount of Appropriations Utilized =			1,450,000	1,600,000	1,450,000	1,600,000
		Unencumbered Contingencies (for Direct Loans, etc.) =	$ 796,255	$ 215,013	$ 669,801	$ 161,733	$ 1,466,104	$ 376,746

* certain funds and interest earned are restricted

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APPENDIX C

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APPENDIX C

New Jersey Infrastructure Bank

2020 BOARD MEETING DATES

(subject to change)

January 16, 2020

February 20, 2020

March 20, 2020

April 9, 2020

May 14, 2020

June 11, 2020

July 9, 2020

August 13, 2020

September 10, 2020

October 8, 2020

November 12, 2020

December 10, 2020

NEW JERSEY INFRASTRUCTURE BANK

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LinkedIn: https://www.linkedin.com/company/nj-infrastructure-bank