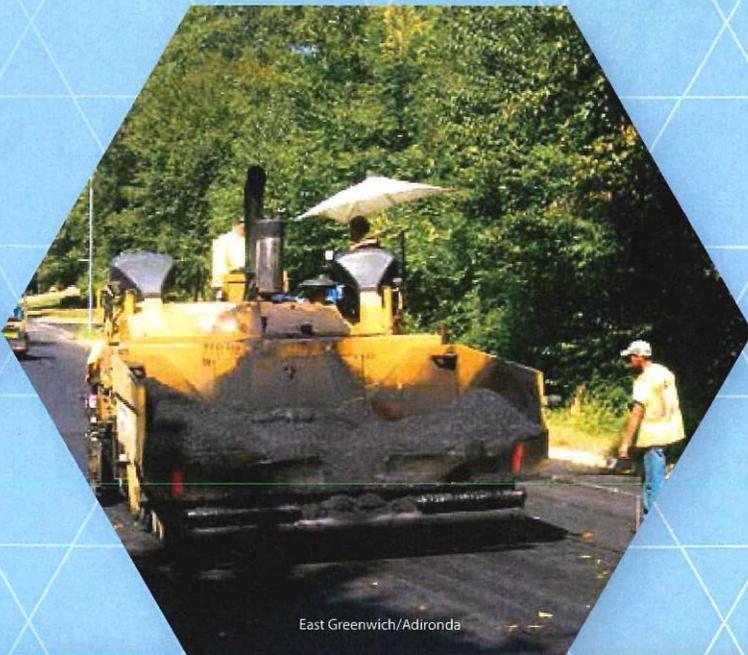


Newport/Broadway at Farewell Street/
Courthouse Street/Washington Square

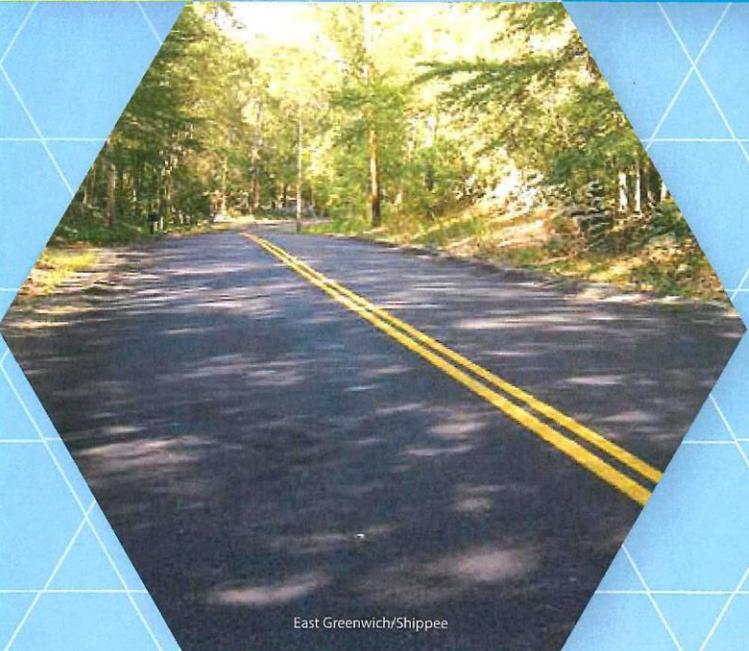


East Greenwich/Adironda

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INFRASTRUCTURE
BANK

ANNUAL
2015
REPORT



East Greenwich/Shippee



Warwick/New Phosphorus



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Warwick/New Phosphorus Building
with Levee in Background

Annual Report Message

November, 2015

Dear Governor Gina Raimondo, Speaker Nicholas Mattiello, Senate President Teresa Paiva Weed, Members of the General Assembly and fellow Rhode Islanders:

In cooperation with Rhode Island cities, towns, the Narragansett Bay Commission and drinking water suppliers, the Rhode Island Infrastructure Bank (the "Bank"), formerly known as the Rhode Island Clean Water Finance Agency, has established one of the foremost infrastructure financing programs in the country. In FY 2015, the Bank achieved the twin goals of financing a cleaner Rhode Island environment and creating meaningful jobs for Rhode Islanders.

The Drinking Water State Revolving Fund achieved a federal return on investment of 223.5%, meaning for every federal dollar drawn, approximately \$2.24 of assistance was disbursed through the program. The Clean Water State Revolving Fund program had a return of 406% or \$4.06 dollars of assistance. These returns allowed the Bank to achieve a ranking at the top level among SRF Programs. The Bank will use the strength of its programs to meet the present and future needs of the state. Over our 26-year history, the Bank has loaned \$1.119 billion in Clean Water Funds and \$386 million in Safe Drinking Water funds to Rhode Island cities and towns, waste water utilities, and water suppliers. FY 2015 also saw the Bank issue its first Green Bond, which closed in July of 2015. Additionally, the Municipal Road and Bridge program, first launched in 2013, ended its second year successfully with fifteen loans to Rhode Island cities and towns totaling \$18.6 million, and providing interest savings of \$1.7 million.

In the FY 2016 budget, as submitted by Governor Gina Raimondo and approved by the Rhode Island General Assembly, the name of the agency was changed, effective September 1, 2015, to the Rhode Island Infrastructure Bank and our programmatic authority was expanded. The change has us working increasingly collaboratively with Rhode Island General Treasurer Seth Magaziner, who serves as a member on our board, the Office of Energy Resources, the Department of Environmental Management, and CommerceRI to make energy efficiency and renewable energy projects a state priority. Our charge was increased by adding new programs such as residential and commercial PACE, which would allow the Bank to facilitate energy efficiency and renewable energy loans for commercial buildings and residential property owners. A new Efficient Buildings Fund for cities and towns was established to provide longer term financing for energy efficiency and renewable energy projects at municipally-owned buildings. Lastly, a Brownfields Revolving Loan Fund was authorized to make loans for the remediation of sites designated as Brownfields.

On behalf of the Board of Directors and staff of the Rhode Island Infrastructure Bank, we thank you for your continued support.

Sincerely,

Merrill W. Sherman

Merrill W. Sherman, Chairman

Joseph Dewhirst

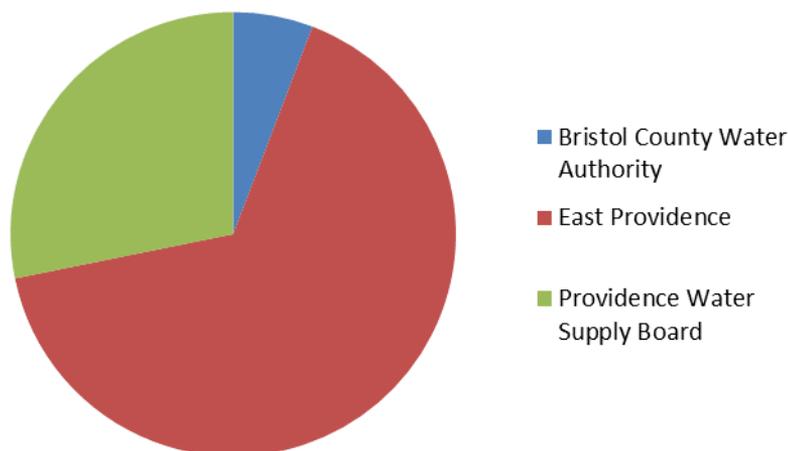
Joseph Dewhirst, Interim Executive Director

Bank Operations

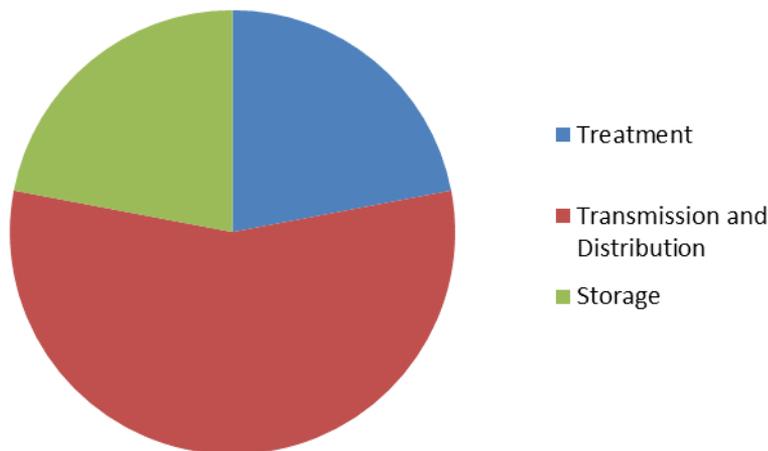
Fiscal Year 2015

The Bank continues to operate on a fiscally sound basis with a goal of continuing to function as an efficient entity and maximizing the use of Bank funds for low-interest loans and assistance to Rhode Island municipalities. The Bank ended FY 2015 with \$1.44 billion in assets, and revenues for the year totaled \$36 million.

Recipients of FY 2015 DWSRF Funds



Uses of FY 2015 DWSRF Funds



The Bank's operating expenses are funded solely from loan service fees generated from managing its programs. Bank staff consists of an Executive Director, a Deputy Director/CFO, a Senior Advisor, a Senior Accountant, a Clean Water SRF Program Manager, a Drinking Water SRF Manager, a Road and Bridge/Compliance Manager, and an Administrative Assistant.

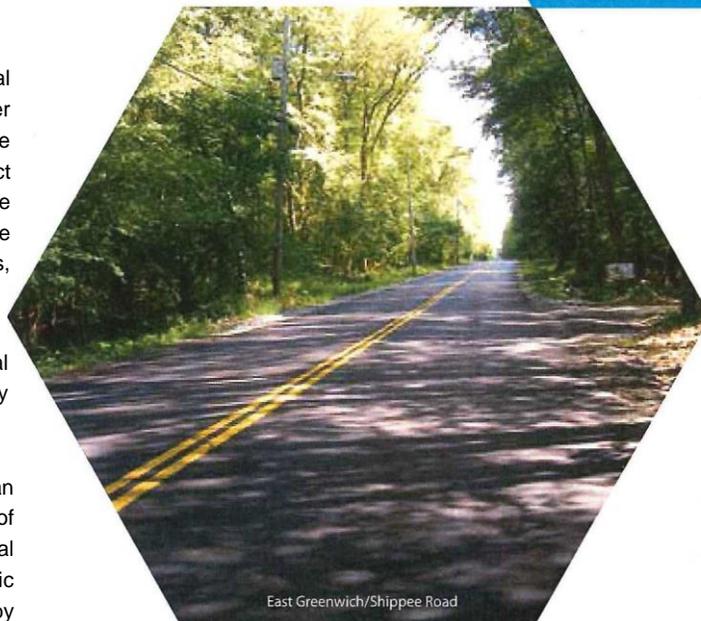
Bank Programs

Clean Water SRF

The Clean Water SRF (CWSRF) is a subsidized loan program for local governmental units to finance wastewater infrastructure projects. In order for a project to be eligible for funding, the project must be on the Rhode Island Department of Environmental Management's (DEM) Project Priority List (PPL) and have a Certificate of Approval (CA) from DEM. The PPL is updated by DEM on an annual basis. Since the inception of the CWSRF, loans totaling \$1.119 billion have been made to municipalities, the Narragansett Bay Commission (NBC) and Providence Water.

Funding for the program is available from four sources: federal capitalization grants from the U.S. Environmental Protection Agency (EPA), state match monies, Bank revenue bonds, and revolved capital.

Federal funds are made available under Title VI of the Federal Clean Water Act that established the CWSRF loan program. A state match of 20% of the total federal grant award is required to receive the federal funds. The annual grant award to Rhode Island is based on a specific percentage of the total appropriated annually for the program by Congress. It is not based on project needs in any given year. The Bank has two years to apply for a federal grant after the funds have been appropriated and funds can be drawn down over a ten-year period of time.



Rhode Island Water Pollution Control Revolving Fund

Established under the authority of Chapter 46-12.2 of the Rhode Island General Laws, the Rhode Island Water Pollution Control Revolving Fund (RIWPCRF) receives state capital contributions before the funds are transferred to the CWSRF. The Bank has the authority to use the fund to make loans, issue bonds and receive interest earnings or other capital from public or private sources. The fund has been used to finance projects not meeting the requirements of federal programs.

Facility Plan Loan Program

As part of the RIWPCRF, the Facility Plan Loan Program (FPLP) allows the Bank to make low-interest loans to municipalities to complete facility plan documents, amendments, or updates. These facility plans are a prerequisite to receive funding from the CWSRF. Loans are capped at \$150,000, with an interest rate of 1% and repayment is over a three-year period. To date, the Bank has made FPLP loans to the Town of Bristol in the amount of \$100,000, Town of Smithfield in the amount of \$75,000, the Town of Portsmouth in the amount of \$150,000 and the Town of Tiverton in the amount of \$50,000.

Rhode Island Zero Interest Loan Fund

As part of the RIWPCRF, The Rhode Island Zero Interest Loan Fund ("RIZILF") was established under the authority of Chapter 55 of the 2000 Public Laws of Rhode Island. The RIZILF was structured by the Bank to maximize the number of loans made utilizing the fund. As such, the Bank decided to make CWSRF loans whereby one-half (1/2) of the loan would be at zero percent interest and one-half (1/2) of the loan would be at 66 2/3% of the Borrower's Market Rate. The Bank Blended these two rates to produce a final interest rate of approximately 33 1/3% of the Borrowers Market Rate. The Bank provided loans at this blended rate for as long as funds in RIZILF were available. To date, the Agency has made 59 loans totaling \$252.5 million in zero interest loans. As of June 30, 2015, there were no funds available to make additional zero interest loans.

Community Septic System Loan Program

The Bank, in cooperation with DEM and Rhode Island Housing (RIH), successfully launched its the Community Septic System Loan Program (CSSLP) as part of the CWSRF in the spring of 1999. The Bank has engaged RIH to be the homeowner loan administrator for the CSSLP. The CSSLP allows homeowners in communities without wastewater treatment facilities to access low-interest cost SRF funds for the repair or replacement of failed, failing or substandard septic systems, or to replace a cesspool with a septic system. Communities are able to access these funds after completing an On-Site Wastewater Management Plan approved by DEM. Once the plan appears on DEM's PPL and the CA is obtained, the community will negotiate a loan with the Bank. Once the loan is negotiated, the community may then allow residents to access the funds. The borrowing cost for the homeowner is a loan service fee of 1% and a \$300 loan origination fee for a term up to ten years.

The Bank uses federal dollars recycled from previous CWSRF loans to provide the source of funds for the CSSLP. To date, the Bank has made 41 CSSLP Loans totaling \$11.5 million.

Sewer Tie-In Loan Fund

In addition to the CSSLP program, the Bank has implemented a Sewer Tie-In Loan Fund (STILF) program. Modeled after the CSSLP, the STILF will provide below-market rate loans to homeowners to connect their residences into the local sewer system and abandon their individual septic systems. The Bank has engaged RI Housing to be the homeowner loan administrator for the STILF.

Loans up to \$150,000 will be made to the municipality which owns the sewer system by the Bank at an interest rate of 0%. Once the loan is negotiated, the municipality may then allow residents to access the funds. The borrowing cost for the homeowner is a loan service fee of 1% and a \$300 loan origination fee for a term up to five years. Upon notification by the sewer system owner that the individual building owner qualifies for the local tie-in program, RI Housing processes the loan applications, cuts the checks to the vendors and processes loan repayments. Loans are made to borrowers based upon program requirements and available funds.



The maximum a homeowner can borrow from the STILF is \$10,000. Connections to the sewer by either gravity or low pressure, including the grinder pump, are both STILF eligible. The cost to properly abandon the existing septic system (pumping out its content and filling with sand) is also STILF eligible. Since the average loan is approximately \$3,000, STILF loans have up to a 5-year term. The Bank has made 4 STILF loans to Rhode Island communities totaling \$600,000.

The Bank anticipates that future loans addressing non-point source pollution problems, when combined with other pollution abatement loans made by the Bank, will further assist the State of Rhode Island in meeting its long-term water quality improvement goals.

Drinking Water SRF

The Drinking Water SRF (DWSRF) was created by Congress in 1996 through the Safe Drinking Water Act Amendments to finance drinking water projects. The DWSRF provides low-interest loans to local government units and publicly- and privately-organized water suppliers. Projects relate to the planning, design and construction of safe drinking water supply, treatment and transmission infrastructure. The Rhode Island Department of Health (DOH) prepares a PPL to rank potential projects according to several health and economic criteria prior to eligibility for DWSRF financing. The focus of the program, as mandated by the federal government, is toward small water suppliers and disadvantaged systems. A small water supplier is defined as one serving fewer than 10,000 persons, while a disadvantaged system is defined as one whose system improvements would dramatically increase water rates paid by consumers as it relates to median household income.

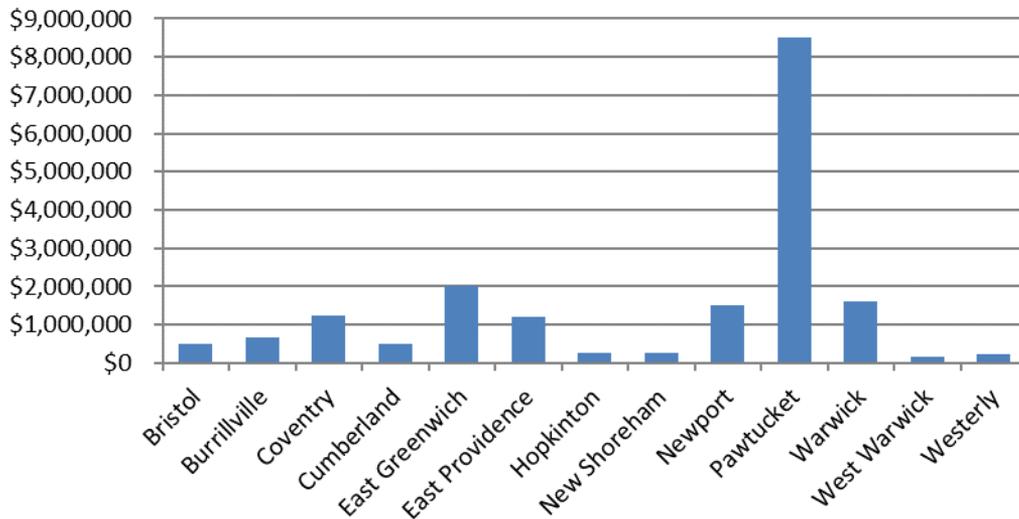
The DWSRF receives federal funding under Section 1452 of the Safe Drinking Water Act Amendment of 1996 with the Bank agreeing to provide state match through methods available to it. Initially, the program provided direct loans with an interest rate subsidy of 25% off of a water suppliers' market rate of borrowing. As the frequency of loan applications and loan amounts increased, the Bank has utilized a leveraged financial structure so as to maximize the dollar amount available for loans. Funds are used to:

- Assist small systems in preparing application for revolving fund assistance.
- Assist all public water supply systems in maintaining financial, managerial and technical abilities and maintain compliance with the Safe Drinking Water Act Amendments of 1996.
- Assist small systems in meeting compliance with the Act.
- Provide financial assistance, principally through the issuance of Bank Drinking Water Revenue Bonds and direct loans. As of June 30, 2015, the Bank has made a total of \$386.3 million in Drinking Water Loans.

Municipal Road and Bridge Revolving Fund

The purpose of the Municipal Road and Bridge Revolving Fund (MRBRF) is to provide low-interest loans to Rhode Island's cities and towns for road and bridge infrastructure projects identified and ranked on an annual PPL by the Rhode Island Department of Transportation (RIDOT). In FY 2014, The General Assembly budgeted \$6.9 million for road and bridge infrastructure projects and provided an additional \$3.3 million in their supplemental budget for a total of over \$10 million. The Bank issued nine Municipal Road and Bridge loans to Rhode Island communities totaling \$10,215,000 in 2014. MRBRF borrowers received an interest subsidy yielded a savings of \$785,747.47. In FY 2015, the state budgeted \$5 million for the MRBRF and the Bank transferred \$3,500,000 from its administrative fund to meet the borrowing requests presented. The Bank issued 6 loans totaling \$8.8 million through MRBRF in the later part of fiscal year 2015. To date, total Municipal Road and Bridge loans made amount to over \$18.6 million.

Recipients of FY 2015 MRBRF Funds



How Do the State Revolving Funds Work for Rhode Island?

Step 1:

The EPA and the State of Rhode Island commit capital to the fund.

Step 2:

Construction money is raised by one or both of the following methods:

- A. Federal and State capital is used as collateral to raise funds in the bond market by a process called leveraging. This method is used when there is a great need for construction dollars.
- B. Federal and State capital is loaned directly to the borrowers without accessing the bond market. This method is used when project demand is low and/or when credit conditions warrant.

Step 3:

Borrowers pay back their loan to the Fund, usually over 20 years. The loans carry an interest rate of one-third (33.3%) off the borrower's market rate for the CWSRF and one-quarter (25.0%) off the borrower's market rate for the DWSRF. These subsidized interest rates allow communities to save millions of dollars in interest costs over the life of the loan.

Step 4:

The repayment stream from earlier borrowers becomes the source of funds for later borrowers. In this way, the SRF is constantly being replenished with funds for future projects.



Warwick/Phosphorus Building Walls Going Up

Year in Review

Meetings:

9 held in FY15

Subjects Addressed:

Credit Reviews -18

Loan Approvals – 18

Clean Water SRF Loans - 9

Drinking Water SRF Loans - 2

Municipal Road & Bridge Loans - 7

General Bank Administration

Meeting Minutes:

See sos.ri.gov

Regulations Adopted:

Amended Community Septic System Loan Program (CSSLP) and Sewer Tie-In Loan Fund Program (STILP) application fee.

Capitalization Grants Applications and Intended Use Plans Submitted to EPA:

Clean Water SRF Capitalization Grant and IUP

Drinking Water SRF Capitalization Grant and IUP

Annual CAFR:

On web page: www.riinfrastructurebank.com

Performance*:

Clean Water dollars loaned/federal dollars = \$3.91

Drinking Water dollars loaned/federal dollars = \$2.10

*Source: EPA PER reports for 2014

Fiscal Year 2015

Bank Highlights

CSSLP Loans:

\$300,000 loan to Charlestown #7
\$300,000 loan to South Kingstown #7

Administrative Loans:

\$5,500,000 loan to West Warwick
\$3,500,000 loan to Warwick

DWSRF Loans:

\$1,643,232 loan to Bristol County Water Authority
\$18,725,000 loan to the City of East Providence
\$8,000,000 loan to the Providence Water Supply Board

MRBRF Loans:

\$1,215,000 loan to East Providence	\$1,600,000 loan to Warwick
\$255,000 loan to New Shoreham	\$3,500,000 loan to Pawtucket
\$1,500,000 loan to Newport	\$500,000 loan to Cumberland
\$680,000 loan to Burrillville	\$340,000 loan to Coventry
\$225,000 loan to Westerly	\$500,000 loan to Bristol
\$900,000 loan to Coventry #2	\$2,000,000 loan to East Greenwich
\$253,000 loan to Hopkinton	\$5,000,000 loan to Pawtucket #2
\$150,515 Loan to West Warwick	

Previous Fiscal Years Highlights

FY14:

\$90,000,000 in construction loans to three communities, Cranston \$18M, Warwick \$7M, Woonsocket \$20M and NBC \$45M (Series 14A) from the CWSRF, a \$300,000 loan to the Town of Scituate, a \$300,000 loan to the Town of Westerly and a \$300,000 loan to the Town of North Kingstown from the CSSLP.

FY14:

A \$600,000 loan to East Smithfield District, FY14 DWSRF \$1,000,000 to Greenville Water District

FY13:

\$81,070,000 in construction loans to four communities NBC, Providence Water and RI Airport Corporation (Series13A) from the CWSRF, a \$300,000 loan to the Town of Tiverton, a 300,000 loan to the Town of North Kingstown and a \$300,000 loan to the Town of Charlestown from the CSSLP.

FY13:

A \$500,000 loan to Bristol County Water Authority, a \$227,000 loan to Smithfield, a \$25M loan to Providence Water Supply Board, a \$4.4M loan to the City of Woonsocket, a \$8,645,000 loan to the Pawtucket Water Supply Board and a \$31M loan to the City of Newport.

FY12:

\$55,795,000 in construction loans to five communities, NBC and Providence Water (Series 12A) from the CWSRF, a \$300,000 loan to the Town of Tiverton, a 300,000 loan to the Town of North Kingstown and a \$300,000 loan to the Town of Warren, from the CSSLP, and a \$150,000 loan to the Town of Coventry and a \$ 150,000 loan to the Town of Tiverton from the STILF.



FY12:

1 million to Bristol County Water Authority, 2 million to East Providence, \$7,485,000 to Pawtucket, \$53,100,000 to Newport, \$1,955,000 to Pawtucket (Series 12A), 1 million to Pascoag Utility District, 1.3 million to Portsmouth Water from the DWSRF.

FY12:

The Agency closed two conduit loans one to the City of Warwick for \$2,400,000 and one to the City of Newport for \$6,640,000.

FY11:

\$61,340,400 in construction loans to four communities and NBC (Series 11A) from the CWSRF, one \$100,000 loan to the Town of South Kingstown, a \$300,000 loan to the Town of Charlestown, a 300,000 loan to the Town of Gloucester and a \$300,000 loan to the Town of Bristol, from the CSSLP, one \$150,000 loan to the City of Warwick from the STILF.

FY11:

The Agency closed one conduit loan to the City of Newport for 10,345,000 and two Agency Loans one to the City of Newport for \$3,095,505 and the other to the Town of Lincoln for \$2,902,500.

FY10:

\$41,555,000 in construction loans to ten communities an NBC (Series 09A) from the CWSRF, one \$100,000 loan to the Town of North Kingstown, a \$300,000 loan to the Town of North Kingstown from the CSSLP, one \$150,000 loan to the Town of North Smithfield from the STILF and one \$ 150,000 loan to the Town of Portsmouth from the FPLR

FY10:

\$77,140,000 in construction loans to six communities and NBC (Series 10B) from the CWSRF.

FY09:

A \$300,000 loan to the Town of Charlestown from the CSSLP.

FY08:

\$52,071,454 in construction loans to ten communities and NBC (Series 07A) from the CWSRF, two \$300,000 loans to the Town of North Kingstown, a \$300,000 loan to the Town of South Kingstown, a \$300,000 loan to the Town of Coventry, a \$300,000 loan to the Town of New Shoreham and a \$250,000 loan to the Town of Johnston from the CSSLP.

FY08:

\$46,800,000 in construction loans to four communities from (Series 08) the DWSRF.

FY08:

The Agency made a \$12M conduit loan to the city of Warwick.

FY07:

\$64,663,000 in construction loans to eight communities and NBC (Series 06A) from the CWSRF, a \$300,000 loan to the Town of Charlestown, a \$300,000 loan to the Town of South Kingstown, a \$300,000 loan to the Town of Tiverton, and a \$300,000 loan to the Town of North Kingstown from the CSSLP.

FY07:

\$12,600,000 in construction loans to four communities from (Series 07A) from the DWSRF.

**FY06:**

\$57,479,000 in construction loans to nine communities and NBC (Series 05A) from the CWSRF, a \$300,000 loan to the Town of South Kingstown and a \$250,000 to the Town of New Shoreham from the CSSLP.

FY06:

\$338,500 loan to the Town of West Greenwich from the DWSRF.

FY05:

\$76,016,000 in construction loans to seven communities and NBC (Series 04A) from the CWSRF, a \$250,000 loan to the Town of Charlestown from the CSSLP. and a \$300,000 loan to the Town of Jamestown from the CSSLP.

FY05:

\$44,624,287 in construction loans to four water suppliers from the DWSRF.

FY04:

\$73,300,000 in construction loans to six communities and NBC (Series 03B) from the CWSRF, and a \$250,000 loan to the Town of Johnston from the CSSLP. The Agency also financed a \$7,719,000 conduit loan for sewer line force main & pump station improvements for the Town of West Warwick.

FY04:

\$47,189,000 in construction loans to five borrowers (Series 2004A) from the DWSRF. The Agency also financed a \$26,995,000 (Series 2003 A & B) conduit loan for the City of Pawtucket.

FY03:

\$93,600,000 in construction loans to three communities and NBC (Series 02B), \$20,923,000 in construction loans to the Town of West Warwick (Series 03A), and \$4,000,000 in direct loans to the Towns of Narragansett and South Kingstown for their share of the Rose Hill Landfill Superfund Site Cleanup from the CWSRF, and a \$300,000 loan to the Town of South Kingstown from the CSSLP.

FY03:

\$200,000 to Kingston Water District, \$2 million to the Providence Water Supply Board, \$300,000 to Prudence Island, and \$10,165,250 to the City of Woonsocket from the DWSRF.

FY02:

\$32,245,000 in construction loans to five communities (Series 02A), \$500,000 bridge loan to the Town of Jamestown, and a \$1,000,000 direct loan to the Town of Middletown out of the CWSRF, a \$250,000 loan to the Town of New Shoreham and \$300,000 loan to the Town of North Kingstown out of the CSSLP and a \$57,000,000 loan to NBC from the RIWPCRF.

FY02:

\$2.5 million to the Providence Water Supply Board from the DWSRF.

FY01:

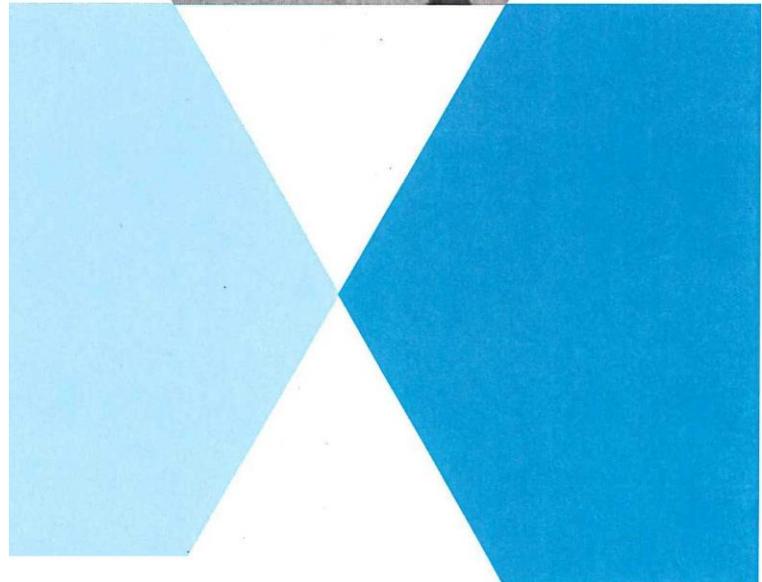
\$28.2 million in construction loans to two communities (Series 00A), and an \$800,000 bridge loan to the City of Newport from the CWSRF. And a \$250,000 loan to the Town of Gloucester out of the CSSLP.

FY01:

5.2 million to the Providence Water Supply Board and Shady Acres from the DWSRF.

FY00:

\$28.5 million in construction loans to six communities (Series 99C) and a \$255,000 loan to the Town of Westerly from the CWSRF.



FY00:

\$5.01 million to the Providence Water Supply Board and Shady Acres from the DWSRF.

FY99:

\$27.4 million in construction loans to the Town of Narragansett and NBC as part of the CWSRF (Series 99A) and \$75,000 to the Town of Smithfield for a Facility Plan Loan from RIWPCRF. The Agency also made its first CCSLP Loan to the Town of Charlestown in the amount of \$250,000. A \$16.8 million Water Pollution Control Subordinated Refunding Revenue Bonds Series 1999B. As an added benefit to our borrowers, the Agency, along with its advisors, reviewed its outstanding Bond Issues to determine which bonds, if any could be advanced refunded to create debt service savings to be passed on to the Agency's borrowers. In FY99, the Agency sold \$16.8 million in clean water bonds to refinance portions of the Series 92 and Series 94 outstanding bonds. The interest savings will be passed on to the borrowers in those series, based on borrowers' allocable share of amount refunded. The savings will be applied as credits against the original debt service schedule of each original loan.

FY98:

\$11.4 million in construction loans to two communities from the CWSRF and \$100,000 to the Town of Bristol for a Facility Plan Loan from the RIWPCRF. The Agency also had a \$28,495,000 conduit financing for the Privatization of the City of Cranston Wastewater Treatment Facility.

FY97:

\$18.57 million in construction loans to two communities and NBC from the CWSRF.

FY96:

>7.1 million in construction loans to four communities (Series 95) from the CWSRF.

FY95:

A \$12 million conduit financing for the Providence Water Supply Board from the DWSRF.

FY94:

\$24.56 million in construction loans to four communities and the NBC (Series 94) from the CWSRF.

FY93:

\$36.61 million in construction loans to six communities and the NBC (Series 93) from the CWSRF.

FY92:

\$23.58 million to seven communities and the NBC (Series 92) from the CWSRF.



Newport/Broadway at Farewell Street/Courthouse Street/
Washington Square



Newport/Fifth Element After



Newport/Hazard House After