

CIFA SRF Workshop Leveraging 2.0 and Beyond

Presented By: Jeffrey R. Diehl, Executive Director & CEO

October 4, 2021

Background

- Rhode Island has managed leveraged SRF programs almost since inception
- In late 2020 we undertook a review of our Clean and Drinking Water SRF indentures and initiated a project to combine and simplify them
- The combined master trust indenture (MTI) is a natural progression and builds upon prior enhancement of moving from a reserve fund model to a cash flow model for leveraging purposes
- RIIB's technological transformation over the past 5 years enabled the adoption of the new MTI
- Execution of the new MTI was delayed due to market conditions and COVID

Combined Master Trust Indenture

- Since their inception, the two SRF programs operated under separate trust indentures
 - The indentures were used to pool credit and create a trust consisting of revenues or other assets pledged by the borrowers under each indenture
 - Each indenture allowed the Bank to issue and secure multiple and various obligations on a parity basis, but separately for each SRF
 - Specific loans were pledged to specific transactions
 - Limited or no capacity to modify pledged loans in the pools
- While the prior indentures were functional, they were out of step with SRF enhancements and relatively inflexible and inefficient
- The time was right for a new combined MTI

Goals of Deploying the MTI

- In broad strokes, we wanted:
 - Full integration of the two indentures into a single modernized document
 - Reduced costs through combined issuance and better market execution
 - Increased flexibility in managing the pledged loan pool
 - Maintain “AAA” rating – which was affirmed
 - Efficient cross-collateralization to further strengthen credit and provide common security for payment of debt service
 - Streamline program administration internally and with trustee
 - Update permitted investments to provide additional flexibility
 - Most importantly, provide greater efficiency and flexibility with combined debt issuances
 - Maintain the integrity of EPA SRF reporting requirements

Benefits of the MTI

- Greater flexibility and streamlined administration
 - Fewer accounts and fewer transfers
 - Increased flexibility to manage pooled loans
 - Combined coverage analysis
 - Fully combined default tolerance analysis
 - Fewer obligated borrowers – for disclosure purposes
- Able to bring to market larger bond issues
 - Enhanced investor interest
 - Pricing efficiencies
 - Economies of scale (e.g., one official statement)
- Address EPA's requirements for SWIFIA-issued loans
- Internalized the integrity of separate SRF reporting to EPA

Inaugural Sale

- The inaugural sale under the MTI
 - Issued \$126.7 million
 - Taxable advance refunding of select maturities from 11 series
 - 7 clean water and 4 drinking water
 - Reduced cost of issuance by over 13%
 - Issue was extremely well received in the market – oversubscribed by more than 4.5 times
 - All-In TIC 1.85% with average life a little more than 8 years
 - Produced cash savings for underlying borrowers of more than \$6.4 million

Contact Information

Jeffrey R. Diehl

Executive Director and CEO

jdiehl@riib.org

401-453-4430

www.riib.org