

Financing Options for Local Government

IBB INDIANA
BOND BANK



Types of Borrowings

- *Equipment Leasing – lease purchase of essential equipment*
- *Tax Anticipation Warrants (Property Tax Funds) – cash flow or capital needs*
- *Long-Term Debt – construction needs*
 - General Obligation Bonds (GO)
 - Tax Increment Bonds
 - Revenue Utility Bonds
 - Other Revenue Bonds
 - Lease Financing (Building Corp)
- *Bond Anticipation Note – interim financing*
- *Fuel Budgeting*



Local Government Financing Options

- *Indiana Bond Bank – created by the General Assembly to assist local government in the process of issuing debt (IC 5-1.5)*
 - www.in.gov/bond
 - Exempts the need to bid the financing
 - Assists entities in the process of issuing debt
- *State Revolving Fund – assists to improve wastewater and drinking water infrastructure. Any project where there is an existing pollution abatement need is eligible for SRF funding.*
 - www.in.gov/ifa/srf
 - SRF loan is a fixed rate, 20-year loan
- *Indiana Finance Authority: www.in.gov/ifa*
- *Indiana Housing & Community Development Authority: www.in.gov/ihcda*
- *USDA-RD – assists small qualifying communities to improve the economy and quality of life in rural America, their programs include sewer and water projects www.rd.usda.gov*
 - *USDA Rural Development has a \$212 billion portfolio of loans. They will administer \$38 billion in loans, loan guarantees and grants through their programs in the current fiscal year.*
- *Grant Opportunities www.in.gov/ocra/stellar*
- *Local Government Unit issues debt on own*
 - Assemble financing team
 - May need competitively bid new issues



Members of the Financing Team

Issuer

A state, political subdivision, agency, authority or corporation that borrows through the sale of bonds or notes. The public entity is the “issuer” even in those cases where the actual source of the money to pay debt service is to be an entity other than the issuer.

Bond Counsel

A lawyer or law firm that delivers a legal opinion which deals with the issuer’s authorization to issue bonds and the tax-exempt nature of the bond. Bond counsel is retained by the issuer.

Local Counsel

Issuer’s lawyer.

Financial/Municipal Advisor

A consultant to an issuer of municipal securities who provides the issuer with advice with respect to the structure, timing, terms or other similar matters concerning a new issue of securities.

Underwriter/Banker

The securities dealer who purchases a bond or note issue from an issuer and resells it to investors.

Underwriter/Bank Counsel

Represents the underwriter or bank in a financing transaction.

Trustee Bank

A bank designated by the issuer as the custodian of funds and official representative of bondholders. Trustees are appointed to ensure compliance with the bond documents and to represent bondholders in enforcing their contract with the issuer.

Indiana Bond Bank as an Alternative




The primary mission of the Indiana Bond Bank is to assist local government or qualified entities with the process of issuing debt

Indiana Bond Bank Highlights







General Information


- Created by the General Assembly in 1984 (I.C. 5.1.5)
- Self-supporting quasi-governmental entity
- Seven member board governs the Bond Bank
- The State Treasurer statutorily serves as the Chair of the Board
- The Director of the Indiana Finance Authority statutorily serves as a board member
- The Governor appoints five members



Indiana Bond Bank Team

- **Ron Mangus**, Executive Director
- **Aaron Barnett**, Compliance Officer
- **Suzanne Hardy**, Office Manager
- **Matt Zimmerman**, Program & Marketing Director



Who is able to use the IBB & why?

We Serve	Why use the IBB...
Public School Corporations	Economies of scale
Cities	All inclusive rates
Towns	Exemption to bid financing
Counties	Known commodity
Public Libraries	Expertise of staff & professionals
Townships	
County Hospitals	
Redevelopment Districts	
Special Taxing Districts	
Public Universities	
Not-For-Profit Water Organizations	
Other Taxing Authorities	

See I.C. 5-1.5-1-8 for entire "qualified entity" list defined.



Equipment Leasing Summary


- Not considered debt
- Entity obtain lease financing with local bank
- Lease cannot be longer than useful life of equipment
- Limited role if any for financial advisor and counsel
- Equipment must be essential
- Subject to Annual appropriation
- Entity may need to competitively bid the acquisition of equipment (I.C. 5-22)
- Entity will need to competitively bid the financing (I.C. 5-22-7)



Examples of Essential Equipment

Equipment Leased

- Fire Trucks
- Police Cars
- Ambulances
- Tandem Trucks
- Computers
- Phone Systems
- Safety/Security Equipment
- 911 Emergency Equipment/Systems
- Garbage Trucks
- Snow Plows
- Sewer Vacs
- Radio Equipment
- Voting Machines
- Buses
- Portable Classrooms



HELP Program

Assists local government with essential equipment lease financing

- Lease-purchase of essential equipment
- Bond Bank exempts entity from bidding the financing (I.C. 5-1.5-8-3c)

Process for the HELP Program

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Credit Application

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Solicit bids from eight HELP providers


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Award lease to local bank

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Overview

- Since 1991
- Assisted over 200 communities
- Over \$220 million in equipment
- Eight program underwriters: Centier Bank, Crossroads Bank, Huntington Bank, J.P Morgan Chase Bank, Key Bank, PNC Bank, Regions Bank, US Bank



IBB's HELP Program

Advantages

- Eliminates need to bid financing (*I.C. 5-1.5-8-3c*)
- Competitive interest rates
- IBB assistance throughout financing process
- User friendly program
- One page application (submitted at any time)
- Lease assigned to local bank
- Title passes to entity at the conclusion of lease

HELP Activity



Fiscal Year *	# of Leases	Amount
2010	16	\$8,023,270
2011	14	\$5,479,923
2012	10	\$3,438,510
2013	13	\$2,923,250
2014	17	\$7,849,069
2015	22	\$8,500,825
2016 (Partial)	17	\$4,915,318

* Fiscal Year - July -June

Tax Anticipation Warrants




Tax Warrant – contractual assignment in the property tax or other revenues for a specific fund for the current year.

- Used as working capital until property taxes or other revenue is received
- Not subject to constitutional or statutory debt limits
- Payments due no later than the end of the year with certain exceptions
- Cash flow certificate

Tax Warrants should be competitively bid

- Cities (I.C. 36-4-6-20(b))
- Towns (I.C. 36-5-2-11(d))



2016 Advance Funding Program

Assists local government with cash flow needs

- Borrow against property taxes (schools can borrow against tuition support)
- Notes are repaid at year-end or end of June
- Funds available in January and June of each year

Process for the Advance Funding Program

Credit Application

Cash Flow Projections

Legal paperwork included in rate


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2016 Highlights

- 37 participants qualified entities
- \$74 million in notes
- \$34.4 million interim borrowing with 15 QEs
- All in QE rate of 1.15%
- Currently taking applications for Midyear

2017 Program Details

- Applications will be made available in early September
- Closings in late January 2017
- Interim funds available January 3rd



Advance Funding Advantages

Advantages

- Eliminates need to bid financing (I.C. 5-1.5-8-3(b))
- Competitive “all-in” interest rate
- IBB assistance throughout financing process
- User friendly program
- Detailed credit application
- Detailed cash flow (used as cash flow certificate)

Historic Pricing Trends (1 year maturing) Advance Funding Program



	Series 2011	Series 2012	Series 2013	Series 2014	Series 2015	Series 2016
Program Size in Millions	\$168	\$116	\$94	\$82	\$76	\$74
# of Participants	87	62	42	45	38	37
Entity Rate All Inclusive	1.31%	1.05%	.85%	.76%	.85%	1.15%

Community Funding Resource



- *New program under development*
- Applies to new money projects
- Not to exceed 10 years
- If a QE requests a second borrowing, the total amount outstanding cannot exceed \$2 million at any time
- Funds available each quarter
- Provides a new alternative for infrastructure financing



Community Funding Resource Types

- **General Objection (G.O.)**
 - Property Taxes

- **Revenue Bonds**
 - Water, Wastewater and Storm water Utilities
 - Income Tax
 - Other Revenue Streams

- *Applications will be available within the next month...*



Interim Financing

- ***Bond Anticipation Note (BAN)***
 - Interim financing for the construction period of a project
 - Taken out by permanent financing
 - A BAN can be placed with a local bank
 - IBB provides interim financing for the USDA-RD program through its Interim Loan Program



Interim Loan Program- USDA-RD Partnership

United States Department of Agriculture – Rural Development Interim Loan Program

- Approved by IBB Board on August 26, 2014
- Simple process – two page application
- Provides interim financing for entities that have received approval from USDA-RD construction projects during construction period
- Competitive interest rates – 1.95% last transaction



Process

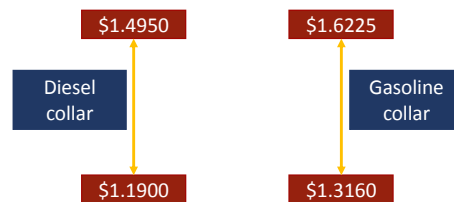
- Applicant submits two-page application
- Include USDA-RD Letter of Intentions
- Include take-out letters
- All approvals are in place for USDA-RD permanent financing



Fuel Budgeting Program (Costless Collar)



Fuel Budgeting Collars for 2016





Continuing Disclosure Overview

- The U.S. Securities Exchange Commission (SEC) regulates the purchasing and selling of municipal securities (bonds).
 - SEC Rule 15c2-12 generally prohibits underwriters from purchasing/selling municipal securities unless the issuer has committed to provide financial or operating data on a routine (usually annual) basis.
 - The rule also requires any final official statement to indicate any failure to comply (in all material respects) with any continuing disclosure undertaking/agreement in the last (five) 5 years.
- Entities should review any Continuing Disclosure Agreement/Undertaking (CDUA) for any public issued bonds. Generally speaking....
 - Financial, audit and statistical data will need to be filed on EMMA (www.emma.msrb.org) under each issue CUSIP or identifying number
 - Bond Bank assists its participating QEs with their continuing disclosure
 - Most entities use dissemination agent to assist them with their continuing disclosure

Contact Aaron Barnett at the Bond Bank if you have questions on continuing disclosure

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Opportunities for the IBB to assist local government





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