Turning the Page: Managing Public Library Projects, Debt Issuance and Tax Rates in the Tax Cap World

Indiana State Library
May 19, 2020
Discussion Topics

- Roles and Description of Project Finance Team
- Project Planning and Considerations
- Bond Structures & Types
- Legal Processes – Approval of the Bonds
- Sale of the Bonds and Post-Sale Activities
Learning Outcomes

• Participants will be able to identify members of the Project Finance Team (i.e. Working Group) and their roles in the financing
• Participants will be able to define the types of financings available to Libraries
• Participants will be able to develop and discuss a list of considerations when bonds are structured
• Participants will be able to summarize the process to gain approval for bonds
Just Like your GPS . . .

You'll need to pull back and look at the big picture and see how each turn gets you to your destination.
Roles and Description of Project Finance Team
You'll need some Keys

Cast of Characters – AKA the "Professionals"

- These are services therefore public bidding not legally required
- Make sure experience matches the needs of your project
- Talk with references (and other Libraries who have used them)
- Communicate upfront expectations of fees and expenses (when they are to be paid & the amount to be paid if the project fails)
Project Finance Team

- The Voters (?)
- Board of Trustees
- Library Director

- Architect
- Municipal Advisor
- Construction Supervisor
- Trustee Bank
- Local Attorney
- Political Consultant
- Bond Counsel
- Underwriter

Experience, Trust, Integrity, Reputation, Compatibility

May be slightly different depending on contracting method
Roles of the Team

**Architect**

Assists Library in assessing building needs; prepares schematic, design development and construction plans; provides construction estimates; coordinates construction bidding and serves as liaison between owner and contractor.

**Construction Supervisor**

Construction supervision may be provided by construction manager, clerk of the works, architect through extended services contract or Library personnel. Oversees the construction. If construction manager used, they review plans and provide estimates of construction cost and generally are used with multiple construction contracts instead of one general contractor.
<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Advisor</td>
<td>Structures financing; advises on bond size, interest rates, circuit breaker tax caps and term of repayment; assists with determining and presenting tax impact to Board and taxpayers; prepares official statement, assists in rating process and conducts sale. May also be called a municipal advisor.</td>
</tr>
<tr>
<td>Underwriter</td>
<td>Lowest bidder in a public bond sale or the investment banker hired to underwrite the bonds when a negotiated sale is used. Provides financial advisor and Library with information on both current market and estimated future interest rates. Recommends best timing for sale.</td>
</tr>
<tr>
<td>Trustee Bank</td>
<td>Bank used in a lease financing which holds bond proceeds in trust; invests proceeds; writes checks for expenditures when authorized; collects lease rental and pays bondholders.</td>
</tr>
</tbody>
</table>
Roles of the Team (Cont’d)

Local Attorney

Regular Library attorney who oversees preparation of resolutions of Library board and building corporation; coordinates legal publications; arranges for appraisal proceedings, if needed; obtains title insurance and acts as general legal advisor to Library.

Bond Counsel

Advises on correct procedures to follow; prepares financing timetable; drafts major documents; advises (with other team members) on strategy for successful petition/remonstrance or referendum; shepherds closing on bonds; reviews all proceedings and delivers bond counsel opinion that lease/bonds are valid and interest on bonds is tax exempt.
Project Planning and Considerations
A Map of the Stops Along the Way

WHAT is the Need --
HOW DO YOU DECIDE WHAT IS THE PROJECT?

Is the NEED tax management?

► Facility Assessment
Quality & Function of Facilities

Don’t let your rate drop!
A Map of the Stops Along the Way

HOW MUCH -- HOW DO YOU PLAN TO PAY & STRUCTURE THE PROJECT?

HOW MUCH WILL THE OPTIONS COST & WHAT TAX IMPACT

Hire a Financial Advisor and Bond Counsel

Working Group meets to develop Financing Structure & Timeline
Typically attended by: Director, Architect, Financial Advisor, Library Counsel and Bond Counsel.

Agenda: Planning of project options (including structure, timing, processes, estimated costs) to present to the Library Board and public.
Planning Questions

• What types of projects are being contemplated?
• Is the Library currently using Operating or Capital Projects funds for capital expenditures?
• How will the par amount be determined (a maximum amount or project driven)?
• Are there funds on hand that will be contributed toward the project?
• What is the existing debt structure of the Library?
• How will Circuit Breaker Tax Credits be impacted from the issuance of bonds?
• Who is the approving fiscal body? What is the political environment?
Project Scope

- Renovation of existing facilities
- Addition to existing facilities
- New construction
- Land acquisition and development
- Roofing
- HVAC
- Carpeting
- Computers (hardware only)
- Technology infrastructure

What is the useful life of the projects/improvements?

Is the Library currently using Operating or Capital Projects funds for capital expenditures?
Always talk about --

**TOTAL PROJECT COSTS** =

Hard Construction Costs +
Soft Construction Costs +
Costs of Issuing Bonds
<table>
<thead>
<tr>
<th>Hard Costs</th>
<th>Soft Costs (20%-30%)</th>
<th>Costs of Issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hard Construction</strong></td>
<td><strong>Soft Construction</strong></td>
<td><strong>Costs of Issuance</strong></td>
</tr>
<tr>
<td>Construction, i.e., “bricks &amp; mortar”</td>
<td>Architect</td>
<td>Financial advisor</td>
</tr>
<tr>
<td>Site work</td>
<td>Construction manager</td>
<td>Library counsel</td>
</tr>
<tr>
<td>Utility relocation</td>
<td>Printing of plans</td>
<td>Bond counsel</td>
</tr>
<tr>
<td>Contingency</td>
<td>Builder’s risk insurance</td>
<td>Title insurance</td>
</tr>
<tr>
<td></td>
<td>General conditions</td>
<td>Trustee/Registrar/Paying Agent bank</td>
</tr>
<tr>
<td></td>
<td>Equipment</td>
<td>Underwriter’s discount</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>Official statement</td>
</tr>
<tr>
<td></td>
<td>Land</td>
<td>Interest during construction</td>
</tr>
</tbody>
</table>
How to Size the Borrowing

Are there funds on hand that will be contributed toward the project?
Methods of Financing Library Projects

- Cash Funding
- Energy Savings Loan
- General Obligation Bonds
- Lease Rental Bonds
Debt Structuring

• Structure
  – Level: Same payments throughout repayment term, much in the same way your home mortgage is paid
  – Wraparound: Payments are increased as existing debt is repaid in an effort to maintain level payments for ALL outstanding debt

• Term
  – Maximum of 20 years
  – Should match the useful life of the projects/items that are being financed
General Obligation Debt Limit

Net assessed valuation  $566,700,000
Divided by 3  3
Times: 2% general obligation debt issue limit  2%

General obligation debt issue limit  3,778,000
Less: Outstanding general obligation debt  (1,250,000)

Estimated general obligation bonding capacity  $2,528,000

If the total project cost exceeds the debt limit, the bonds must be issued as Lease Rental Bonds.
Level Debt Structure

Drop In Debt Service Payments
Payments of approximately $250,000; Increase in payment of $50,000

Annual Debt Service Payments

Budget Year

- General Obligation Bonds of 2006
- First Mortgage Bonds, Series 2008
- First Mortgage Bonds, Series 2020

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039
Wraparound Debt Structure

Payments of approximately $400,000; No increase in annual total debt service
Tax Rate Management

Payments decrease by $150,000 in 2021

Look at decreases in debt payments as opportunities to issue debt with minimized tax impact

Annual Debt Service Payments

Budget Year

2019 2020 2021 2022 2023 2024 2025 2026

General Obligation Bonds of 2006
First Mortgage Bonds, Series 2008
Total Payments = $400,000
New Bonds issued in 2020 with NO anticipated tax increase
Caution: Be Wary of Letting Debt Payments Decrease!

### First Mortgage Bonds, Series 2008

### First Mortgage Bonds, Series 2021

### General Obligation Bonds of 2006

<table>
<thead>
<tr>
<th>Year</th>
<th>General Obligation Bonds of 2006</th>
<th>First Mortgage Bonds, Series 2008</th>
<th>First Mortgage Bonds, Series 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$250,000</td>
<td>$200,000</td>
<td>$0</td>
</tr>
<tr>
<td>2020</td>
<td>$250,000</td>
<td>$200,000</td>
<td>$0</td>
</tr>
<tr>
<td>2021</td>
<td>$250,000</td>
<td>$200,000</td>
<td>$0</td>
</tr>
<tr>
<td>2022</td>
<td>$250,000</td>
<td>$200,000</td>
<td>$0</td>
</tr>
<tr>
<td>2023</td>
<td>$250,000</td>
<td>$200,000</td>
<td>$0</td>
</tr>
<tr>
<td>2024</td>
<td>$250,000</td>
<td>$200,000</td>
<td>$0</td>
</tr>
<tr>
<td>2025</td>
<td>$250,000</td>
<td>$200,000</td>
<td>$0</td>
</tr>
<tr>
<td>2026</td>
<td>$250,000</td>
<td>$200,000</td>
<td>$0</td>
</tr>
</tbody>
</table>
Be aware of operating balance spend down and how that might affect issuance timing.
<table>
<thead>
<tr>
<th>Property Classification</th>
<th>Gross Assessed Value</th>
<th>Capped Percentage</th>
<th>Maximum Tax Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homestead</td>
<td>$100,000</td>
<td>1%</td>
<td>$1,000</td>
</tr>
<tr>
<td>Other Residential, Rental, Agricultural Land and Long-Term Care Facilities</td>
<td>$100,000</td>
<td>2%</td>
<td>$2,000</td>
</tr>
<tr>
<td>Business (Real/Personal)</td>
<td>$100,000</td>
<td>3%</td>
<td>$3,000</td>
</tr>
</tbody>
</table>
How are Tax Credits Funded?

• Credits are funded by a reduction in property tax revenues of all Taxing Units in proportion to their levy.
• Property tax rates may not be increased to offset the shortfall.
• Funds may not be borrowed to offset the shortfall.
Meet Joe Taxpayer
<table>
<thead>
<tr>
<th></th>
<th>$100,000 Home 1% Cap</th>
<th>$150,000 Home 1% Cap</th>
<th>$200,000 Home 1% Cap</th>
<th>2% Cap (rental, farm)</th>
<th>3% Cap (business)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>True Tax Value Homeowner/Taxpayer</strong></td>
<td>$100,000</td>
<td>$150,000</td>
<td>$200,000</td>
<td>$150,000</td>
<td>$150,000</td>
</tr>
<tr>
<td><strong>Less Current Homestead Deduction</strong></td>
<td>($45,000)</td>
<td>($45,000)</td>
<td>($45,000)</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Less Supplemental 35% Homestead Deduction</strong></td>
<td>($19,250)</td>
<td>($36,750)</td>
<td>($54,250)</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Less Mortgage Deduction</strong></td>
<td>($3,000)</td>
<td>($3,000)</td>
<td>($3,000)</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Net True Tax Value</strong></td>
<td>$32,750</td>
<td>$65,250</td>
<td>$97,750</td>
<td>$150,000</td>
<td>$150,000</td>
</tr>
<tr>
<td><strong>Divide by 100 = Net TTV per $100</strong></td>
<td>$328</td>
<td>$653</td>
<td>$978</td>
<td>$1,500</td>
<td>$1,500</td>
</tr>
<tr>
<td><strong>Times Estimated Tax Rate from All Taxing Units</strong></td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
</tr>
<tr>
<td><strong>Gross Tax Bill</strong></td>
<td><strong>$1,148</strong></td>
<td><strong>$2,285</strong></td>
<td><strong>$3,423</strong></td>
<td><strong>$5,250</strong></td>
<td><strong>$5,250</strong></td>
</tr>
<tr>
<td><strong>Max. Tax Bill Taxpayer Pays (TTV x __%)</strong></td>
<td><strong>$1,000</strong></td>
<td><strong>$1,500</strong></td>
<td><strong>$2,000</strong></td>
<td><strong>$3,000</strong></td>
<td><strong>$4,500</strong></td>
</tr>
<tr>
<td><strong>Less Tax Credit</strong></td>
<td>($148)</td>
<td>($785)</td>
<td>($1,423)</td>
<td>($2,250)</td>
<td>($750)</td>
</tr>
<tr>
<td><strong>Loss to Units</strong></td>
<td><strong>$148</strong></td>
<td><strong>$785</strong></td>
<td><strong>$1,423</strong></td>
<td><strong>$2,250</strong></td>
<td><strong>$750</strong></td>
</tr>
</tbody>
</table>
How are tax credits funded?

<table>
<thead>
<tr>
<th>Taxing Unit</th>
<th>Tax Rate</th>
<th>Levy Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>$0.3500</td>
<td>($14.80)</td>
</tr>
<tr>
<td>Township</td>
<td>0.0350</td>
<td>(1.48)</td>
</tr>
<tr>
<td>School</td>
<td>1.7500</td>
<td>(74.00)</td>
</tr>
<tr>
<td>Library</td>
<td>0.0525</td>
<td>(2.22)</td>
</tr>
<tr>
<td>City</td>
<td>1.3125</td>
<td>(55.50)</td>
</tr>
<tr>
<td>Total</td>
<td>$3.5000</td>
<td>($148.00)</td>
</tr>
</tbody>
</table>

Beginning in 2014, Non-Exempt Debt Funds will NOT receive Circuit Breaker Tax Credits to the extent there are unprotected funds available to absorb the Circuit Breaker Tax Credits.
Gross Tax Bill $1,148

$148.00 difference

Capped at $1,000

$100K Home

County
Budgeted $114.80
Receives $100.00

City
Budgeted $430.50
Receives $375.00

School
Budgeted $574.00
Receives $500.00

Township
Budgeted $11.48
Receives $10.00

Library
Budgeted $17.22
Receives $15.00

Gross Tax Bill $1,148

$148.00 difference

Capped at $1,000
Taxpayer / Voter Processes
Is it a "controlled project"?

Controlled Project =

• Project funded by bonds or a lease and will cost more than the lesser of:
  1) $5,350,950* or
  2) 1% of total gross assessed valuation (if at least $1,000,000)

  – Example:
    • Gross AV = $250,000,000
    • Controlled Project = $2,500,000

• *Indexed threshold: Increases in 2021 and beyond
<table>
<thead>
<tr>
<th>No Formal Power to Oppose</th>
<th>Subject to** Petition-Remonstrance</th>
<th>Subject to** Referendum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not a Controlled Project if lesser of:</td>
<td>More than the Non-controlled threshold up to the lesser of:</td>
<td>A) More than the lesser of:</td>
</tr>
<tr>
<td>i) $5,350,950 *or</td>
<td>i) $16,052,850*, or</td>
<td>i) $16,052,850* or</td>
</tr>
<tr>
<td>ii) 1% gross AV but not less than $1,000,000</td>
<td>ii) 1% of gross AV</td>
<td>ii) 1% of gross assessed valuation</td>
</tr>
</tbody>
</table>

B) If this controlled project + controlled project for which preliminary determination adopted within previous 365 days exceeds $25 million

Note: Library can “opt in” to proceed with referendum

* For projects financed in 2020
**Only if petition filed by the lesser of i) 500 or i) 5% of registered voters

Limits are expressed as total project costs (hard and soft construction, costs of issuance, capitalized interest and interest earnings
# Project Thresholds - Examples

<table>
<thead>
<tr>
<th>Library</th>
<th>Gross AV</th>
<th>Non-Controlled Not more than:</th>
<th>Subject to P/R Race</th>
<th>Subject to Referendum More than:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knightstown Library</td>
<td>$119,661,840</td>
<td>$1,196,618</td>
<td></td>
<td>$1,196,618</td>
</tr>
<tr>
<td>Hartford City Library</td>
<td>$205,663,700</td>
<td>$2,056,663</td>
<td></td>
<td>$2,056,663</td>
</tr>
<tr>
<td>Parke County Library</td>
<td>$1,046,154,490</td>
<td>$5,350,950</td>
<td>$5,350,951 - $10,461,544</td>
<td>$10,461,545</td>
</tr>
<tr>
<td>West Lafayette Library</td>
<td>$1,559,231,670</td>
<td>$5,350,950</td>
<td>$5,350,951 - $15,592,316</td>
<td>$15,592,316</td>
</tr>
<tr>
<td>Pendleton Library</td>
<td>$1,666,353,367</td>
<td>$5,350,950</td>
<td>$5,350,951 - $16,052,850</td>
<td>$16,052,850</td>
</tr>
<tr>
<td>Westfield Washington Library</td>
<td>$5,075,114,990</td>
<td>$5,350,950</td>
<td>$5,350,951 - $16,052,850</td>
<td>$16,052,850</td>
</tr>
</tbody>
</table>
## Thresholds Indexed Annually

<table>
<thead>
<tr>
<th>Growth Quotient</th>
<th>2018 Thresholds</th>
<th>2019 Thresholds</th>
<th>2020 Thresholds</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.40%</td>
<td>1% or $5,000,000</td>
<td>1% or $5,170,000</td>
<td>1% or $5,350,950</td>
</tr>
<tr>
<td></td>
<td>$10,000,000</td>
<td>$10,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td></td>
<td>$15,000,000</td>
<td>$15,510,000</td>
<td>$16,052,850</td>
</tr>
</tbody>
</table>

Growth Quotient Thresholds Indexed Annually.
"Subject to" Petition & Remonstrance or Referendum

Publish Notice of Hearings

1st Preliminary Determination Hearing

2nd Preliminary Determination (establishes maximum financing terms)

Publish Notice of Adoption (starts 30-day application period in which petition can be filed by the lesser of (i) 500 or (ii) 5% of registered voters)

If petition is filed: Library may run race/referendum or cease and treat the project as defeated

If petition is not filed: Library may move forward with project

Controlled Project Process
Petition & Remonstrance Process

1) Publish Notice of Hearings

2) Preliminary Determination Hearings – Maximum Financing Terms established

3) Publish Notice of Adoption of Preliminary Determination (Begins 30-Day application period in which 5% or 500 voters/taxpayer may file an application petition)

4) If application petition filed – Petition & Remonstrance Race must occur in order to move forward

5) Publish Notice of Applicability of Petition & Remonstrance Race
   – 30-day petition (in favor) & remonstrance (opposed) drive
   – Whichever side gets the most valid signatures wins
   – If remonstrators are successful: Project defeated for one year
1) Publish Notice of Hearings

2) Preliminary Determination Hearings – Maximum Financing Terms established

3) Publish Notice of Adoption of Preliminary Determination (Begins 30-Day application period in which 5% or 500 voters/taxpayer may file an application petition)

4) If application petition filed – Election must occur in order to move forward

5) Election Day:
   - Whichever side gets the most valid votes wins
   - If Library loses – project defeated for 2 years (unless petition filed)
Significance of a Referendum

- No formal Taxpayer Opposition
  - Debt within Tax Caps

- Project is SUBJECT TO Petition & Remonstrance Race
  - Debt within Tax Caps

- Project is SUBJECT TO Referendum
  - No Petition Received: Run and Win Referendum
    - Debt within Tax Caps
  - Petition Received: Debt Outside of Tax Caps
## Upcoming Elections

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary Election</th>
<th>General Election</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>May 2021 None</td>
<td>None</td>
</tr>
<tr>
<td>2023</td>
<td>May 2023 Primary Municipal Elections</td>
<td>Nov 2023 General Municipal Elections</td>
</tr>
</tbody>
</table>

*Check with your Clerk*

*Note Library may have to pay for polling places outside of municipal limits.*

No scheduled elections in 2021

Library pays for election
WHAT are the Options to Satisfy the Needs -- HOW DO YOU DECIDE WHAT IS THE PROJECT?

Evaluate OPTIONS to solve the Problems

- Stakeholder Group (All parts of community represented)
- Many Individual meetings to determine viability of options
Long Term Planning

- Ongoing Goodwill Campaign
- Libraries & Community are partners – DUTY to Communicate
- Develop a core group of volunteers and a communication network – politically connected – grow those connections
- Educate about the money and how you spend it – They need to know!
• Get community members into your Library!! Especially elected board members
• Create volunteer opportunities for senior citizens (or other groups)
• Provide news releases about “good news” and “events” at the Library
• The better citizens feel about public library, the more likely they will vote yes and trust you with their money
• Build a relationship with the politicians!!!!
<table>
<thead>
<tr>
<th>Date</th>
<th>Library Name</th>
<th>Result</th>
<th>Yes</th>
<th>No</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2011</td>
<td>Jasper Public Library</td>
<td>LOST</td>
<td>1,461</td>
<td>3,884</td>
<td>27% - 73%</td>
</tr>
<tr>
<td>May 2012</td>
<td>Hartford City Public Library</td>
<td>Withdrew Question</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May 2012</td>
<td>Johnson County Public Library</td>
<td>LOST</td>
<td>4,668</td>
<td>13,441</td>
<td>26% - 74%</td>
</tr>
<tr>
<td>November 2016</td>
<td>Jasper Public Library</td>
<td>WIN</td>
<td>4,652</td>
<td>3,368</td>
<td>58% - 42%</td>
</tr>
</tbody>
</table>
Rules & Restrictions

- After Preliminary Determination Hearing, Library cannot “promote” using:
  - Employees on the clock
  - Library facilities
  - Library funds

Note: Rules apply to Petition & Remonstrance Race, Construction Referendum, & Operating Referendum
Can't PROMOTE using:
- Person/Organization that has a contract "to provide goods and services" can't spend money to promote
  - Attorney, architect, construction manager or financial advisor for services provided may not spend money to promote.
Board’s Role in the Planning Process

• Political eyes and ears of the Library
• Strategically plan & participate in individual meetings with the centers of influence
• Honest disagreement and voicing concerns in a productive, respectful manner
• Identification of campaign organizers
• Identify the right project & process
Options to Discuss

- Multiple projects over time?
- Leases vs. general obligation bonds?
- Non-controlled or Controlled - Referendum vs. Petition-Remonstrance?
- Small projects with no taxpayer opposition?
- Short term plan vs. long term plan? (i.e. what if you lose?)

FACTORS:
Project & Financial need, construction efficiency, estimated cost, logistics & POLITICS!!
Method of Financing

- General Obligation Bonds
- Lease Bonds
Bonds subject to constitutional debt limitation

True Tax Value / 3 X 2% = debt limitation

Example: $900,000,000 / 3 X 2% = $6,000,000
General Obligation Bond Characteristics

- Library obligated to repay
- Must be competitively bid
- Fewer steps, quicker, cheaper
- Uses debt capacity (not there for emergency)
Leases

Leasing Corporation → Bonds → Library

Lease payments → Leasing Corporation

Bond Holders
Lease Characteristics

- No debt limit
- May be limited by market
- Takes more time
- More expensive

- May be negotiated or sold competitively
- Mortgage property
- Deal with another entity—Building Corporation
Elected Board Approval
<table>
<thead>
<tr>
<th>Elected Board Approval – Budget</th>
<th>50% or more of Library's assessed valuation is outside City/Town limits:</th>
<th>If more than 50% of Library's assessed valuation is within the City/Town limits:</th>
<th>If Library is in more than 1 county:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget is Greater than Growth Quotient IC 6-1.1-17-20.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Body with <strong>Binding Approval</strong></td>
<td>County Council</td>
<td>City/Town Council</td>
<td>County Council for the County in which most of the Library's assessed valuation is located</td>
</tr>
<tr>
<td>Balance in tax funds as of 12/31 = more than 150% of next year's budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Body with <strong>Binding Approval if approves resolution by 7/1 (after hearing &amp; notice)</strong></td>
<td>County Council</td>
<td>City/Town Council</td>
<td>County Council for the County in which most of the Library's assessed valuation is located</td>
</tr>
</tbody>
</table>
### Elected Board Approval – Bond Issue

<table>
<thead>
<tr>
<th>Approval of Bonds or Leases (not TAW's) IC 6-1.1-17-20.5</th>
<th>More than 50% parcels outside City/Town limits:</th>
<th>If 50% or more of parcels are within the City/Town limits:</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Library district assessed valuation is located entirely within City/Town</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Library originally established by City/Town</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If not A or B = All Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Body to Approve Issuance of Bonds</th>
<th>County Council</th>
<th>City/Town Council</th>
<th>City/Town Council</th>
<th>County Council</th>
</tr>
</thead>
</table>

Additional Appropriation Approval?
Sale of Bonds and Post-Sale Activities
Rating & Marketing the Bonds

• Prepare Offering Document
• Obtain a bond rating (if applicable)
• Determine method of sale (competitive or negotiated)
• Bond Closing
Preliminary Official Statement

• Disclosure document which is a marketing tool.
• Provides potential bond purchasers with information on project, bond structure, security, legal opinion, etc.
• Provides rating agencies with information on the Library’s background, history, finances, etc.
• Required for bond issues of $1 million or greater.
# Method of Sale

<table>
<thead>
<tr>
<th>Considerations</th>
<th>Competitive</th>
<th>Negotiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Security</td>
<td>General Obligation, other strong established revenue source (i.e. property taxes)</td>
<td>Speculative or less consistent revenues, complicated security</td>
</tr>
<tr>
<td>Rating</td>
<td>Typically higher ratings with stable or positive outlooks, sometimes non-rated</td>
<td>Typically lower rated, potentially with a weak outlook, may consider private placement</td>
</tr>
<tr>
<td>Issuer</td>
<td>More frequent issuer, general purpose municipal borrower</td>
<td>New or infrequent issuer, special purpose or conduit issuer</td>
</tr>
<tr>
<td>Issuer Characteristics</td>
<td>Stable financial/political condition, no legal issues affecting issuance of bonds</td>
<td>Experiencing financial/political or legal problems</td>
</tr>
<tr>
<td>Market Conditions</td>
<td>Stable, predictable market, high investor demand and light supply</td>
<td>Volatile or declining market, high levels of uncertainty</td>
</tr>
<tr>
<td>Bond structure</td>
<td>Level or flexible debt service, standard bond covenants</td>
<td>Complex wrap or coverage structure, unique bond covenants, or very small or large bond issue</td>
</tr>
</tbody>
</table>
## Method of Sale (Cont’d)

<table>
<thead>
<tr>
<th>Considerations</th>
<th>Competitive</th>
<th>Negotiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer Interest Rate Risk</td>
<td>Lower ordering period risk: The potential purchaser will submit a bid at interest rate levels at which they believe they can sell bonds. If, after the sale, they cannot sell bonds at those rates it does not affect how much the Issuer pays as interest rates are locked in at the time of the sale.</td>
<td>Risk in ordering period: If bonds do not sell at proposed interest rates then rates will need to be increased to meet the market. Conversely, if the bonds are oversold, interest rates may be lowered.</td>
</tr>
<tr>
<td>Underwriter Fees</td>
<td>Bidding determines fees (minimum bid requirement – normally 0.50% of borrowing amount)</td>
<td>Fee determined up front</td>
</tr>
<tr>
<td>Underwriter Risk</td>
<td>Potential for higher risk over negotiated because they are submitting a bid and do not have all bonds sold when doing so (thus, the fees may be higher on a percentage basis).</td>
<td>Underwriter will have more time prior to the pricing to work with potential investors meaning that all or a majority of the bonds could be sold by the end of the ordering period (thus, reducing underwriter risk). On the flip side, if bonds are not sold, an Underwriter may elect to “underwrite” a portion of the bonds or suggest an adjustment to interest rate levels to sell remaining balances.</td>
</tr>
<tr>
<td>Optionality for future refunding</td>
<td>No opportunity to discuss coupon structure with purchaser (although sale parameters could be included to account for this)</td>
<td>More discussion with Underwriter regarding coupon structure which has potential to allow for future refunding savings</td>
</tr>
</tbody>
</table>
Final Official Statement

• Finalize after bond sale
• Contains final interest rates and reoffering prices
• Includes bond rating information if applicable
• Distribute to winning underwriter within 7 days of sale
## Closing

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount</td>
<td>$6,375,000.00</td>
</tr>
<tr>
<td>Less Underwriter’s Discount</td>
<td>(68,932.40)</td>
</tr>
<tr>
<td>Plus Original Issue Premium</td>
<td>522,131.15</td>
</tr>
<tr>
<td>Total Wire Amount</td>
<td>$6,828,198.75</td>
</tr>
</tbody>
</table>

- **Deposit to Bond Interest Account** = $261,339.58
  - Used to pay principal & interest on the Bonds through 1/15/2012

- **Deposit to Bond Issuance Expense Account** = $65,000
  - Used to pay costs of issuance of the Bonds

- **Deposit to Construction Account** = $6,501,859.17
  - Used to pay contractors, architects, construction related costs, real estate & equipment

- **Transfer to Library** = $1,761,402.07 for purchase of property. Deposit in Library Construction Account to be used on the renovation of the high Library.

- **$418,896.85** - Used to pay off the Bond Anticipation Note on 3/1/2011
Arbitrage/Rebate

Arbitrage = Refers to the difference between the yield on the Bonds and the interest earned by investing the proceeds

Exceptions to the Rebate Requirement:

- **Small Issuer Exception** -- $5,000,000 or less in tax exempt borrowing annually

- **Two Year Spend Down Exception** –
  - 10% - 6 months
  - 45% - 1 year
  - 75% - 18 months
  - 100% - 2 years

If no exception met, rebate (if any) due 5 years after the closing
Thank you!

Ice Miller
LEGAL COUNSEL
Serving you as Bond Counsel:

Jane Herndon, Esq.
317.236.2437
Jane.herndon@icemiller.com

Ryan Fetters
317.465.1553
Ryan.fetters@bakertilly.com

Disclaimer: These materials are intended for general information purposes only and do not constitute legal advice. The materials should not be used or relied upon as a substitute for a review of applicable statutes, regulations, rulings and court decisions. The reader should consult legal counsel to determine how laws apply to specific situations. These materials were prepared in May 2020, and consequently will not reflect changes in law subsequent to that date. ©Ice Miller LLP 2020

Baker Tilly Municipal Advisors, LLC is a registered municipal advisor and wholly-owned subsidiary of Baker Tilly Virchow Krause, LLP, an accounting firm. Baker Tilly Virchow Krause, LLP trading as Baker Tilly is a member of the global network Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2020 Baker Tilly Virchow Krause, LLP.