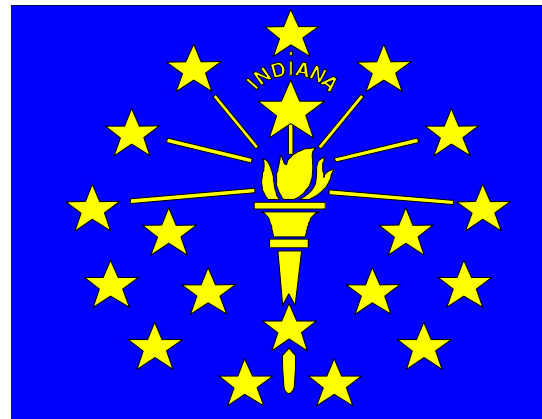




Indiana: Debt Overview



State Budget Committee- December 10, 2018

Dan Huge
Public Finance Director of the State of Indiana

June 30, 2018



Overview

- I. Debt Management Overview
 - A. Indiana Finance Authority
 - B. Public Finance Director
 - C. State of Indiana Credit Rating History

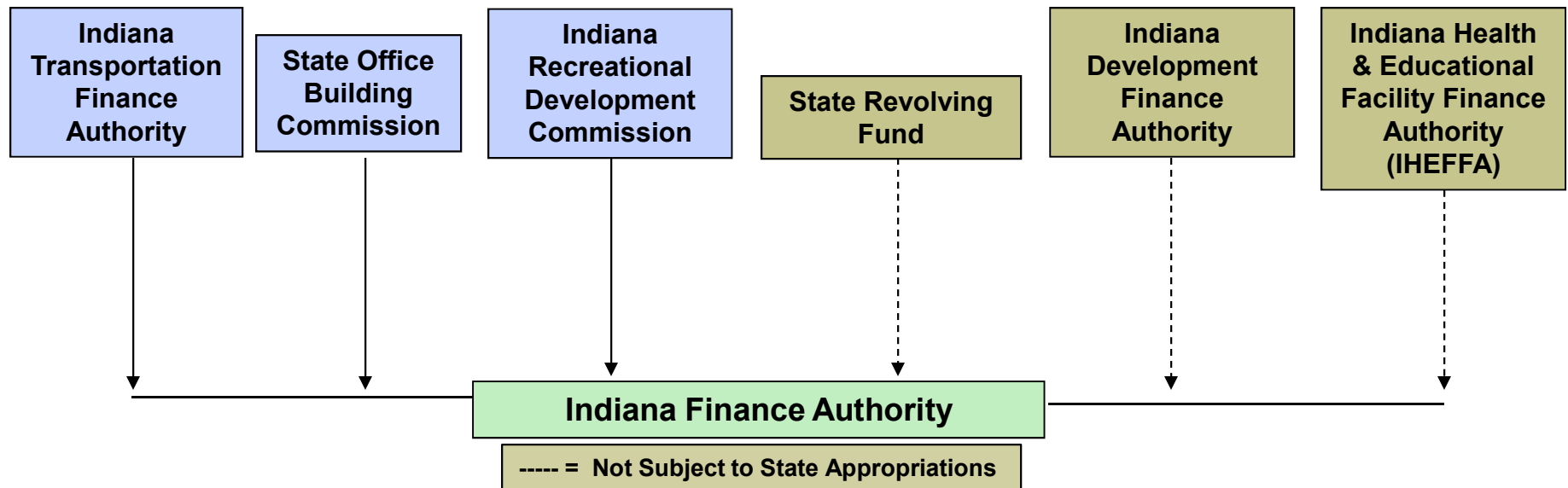
- II. Appropriation-Backed Debt
 - A. Debt Outstanding
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 - C. Debt Outstanding – Detailed Slides for each Issuing Entity

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A. Indiana Finance Authority

- ❑ In 2005, the Indiana General Assembly created the Indiana Finance Authority (“IFA”) to oversee State-related debt. The enabling legislation consolidated five previously separate entities into the new IFA as shown. In 2007, legislation also merged the IHEFFA into the IFA.



- ❑ The IFA issues debt on behalf of these six predecessor agencies and has managed their debt portfolios since 2005.
- ❑ The IFA also issues debt for special projects like the Stadium and Convention Center, Indiana State Fair project and Indianapolis Motor Speedway.



B. Public Finance Director

- ❑ During the 2005 General Assembly, the Public Finance Director was given statutory oversight of all state debt issuance and is the chief executive of the Indiana Finance Authority (IFA).
- ❑ Pursuant to this authorization and an Executive Order, the Public Finance Director has the following additional responsibilities:
 - Board member of the Indiana Bond Bank and the Indiana Housing and Community Development Authority.
 - Involved in the approval process for public university debt.
 - Involved in all debt issuances for the State Fair Commission, Ports of Indiana, and Indiana Secondary Market for Educational Loans.
- ❑ The ability of the Public Finance Director to monitor all debt being issued by state issuers enables consistent debt management across the State.
- ❑ The Public Finance Director is responsible for communication with rating agencies related to the State's credit rating.



C. State of Indiana Credit Rating History

□ Standard & Poor's

- **7/2008: AAA Stable**
- 1/2006: AA+ Stable
- 6/2005: AA Positive
- 1/2004: AA Stable
- 1/2002: AA+ Negative
- 12/1997: AA+ Stable

□ Moody's Investor Services

- **4/2010: Aaa Stable**
- 8/2006: Aa1 Stable
- 12/2001: Aa1 Negative
- 12/1997: Aa1 Stable

□ Fitch Ratings¹

- **4/2010: AAA Stable**
- 4/2006: AA+ Stable
- 5/2000: AA+

Credit Strengths of the State of Indiana

(As noted by the rating agencies in the 2013/2014 state ratings reports)

- Solid level of reserves provide financial stability
- Active budget management, demonstrated willingness to restrain spending during revenue downturn
- Low overall debt levels
- Economic base that has almost fully recovered from the impacts of the Great Recession

¹ Fitch Ratings only assigns an appropriation/lease credit rating. As a result, this rating is hypothetical.



II. Appropriation-Backed Debt

Appropriation-Backed Debt	
Issuing Entity	Debt Outstanding (as of 6/30/2018)
Transportation Finance Authority	\$933,650,000
Public University (Fee-Replaced) ¹	\$1,024,386,723
IFA-Stadium & Convention Center ²	\$1,000,615,000
Indiana State Fair ²	\$49,595,000
State Office Building Commission	\$310,141,287
Indiana Bond Bank (Moral Obligation) ³	\$212,978,908
Recreational Development Commission	\$14,595,000
Indianapolis Motor Speedway	\$85,690,000
IFA- EEC TIFIA Loan ²	\$147,597,417
Total	\$3,779,249,335

¹ Estimated.

² Backed by appropriations, but first paid by other revenue sources.

³ Not technically backed by appropriations, as it is a moral obligation to pay.

All numbers are rounded to the nearest USD



Appropriation-Backed Debt: Oversight

- ❑ Appropriation-Backed debt is approved by the General Assembly either by approval of the project or the source of funds used to finance the repayment of bonds issued.
 - Moral Obligation debt is reviewed by the Budget Committee and approved by the Budget Director.

Issuing Entity	Oversight
Indiana Transportation Finance Authority (now IFA)	IFA / Public Finance Director
Public Universities (Fee-Replaced)	Reviewed by the Budget Committee. Approved by the Budget Director and Public Finance Director.
Stadium and Convention Center (managed by IFA) ¹	IFA / Public Finance Director
State Office Building Commission (now IFA)	IFA / Public Finance Director
Indiana Bond Bank (Moral Obligation) ²	Reviewed by the Budget Committee and approved by the Budget Director. Public Finance Director on the board.
Recreational Development Commission (now IFA)	IFA / Public Finance Director

¹ Backed by appropriations, but first paid by other revenue sources.

² Not technically backed by appropriations, as it is a moral obligation to pay.



Indiana Transportation Finance Authority (ITFA) Projects [now IFA]

- ❑ IFA issues debt in partnership with the Indiana Department of Transportation to finance the cost of construction, acquisition, reconstruction, improvement, or extension of the State's public ways. However, no new debt has been issued since 2004.
- ❑ Payment is made on Highways and Bridges bonds primarily using State-appropriated gas tax dollars, among other resources.
- ❑ The Airport Maintenance Facility, formerly the United Maintenance Facility, is currently leased to other users.
- ❑ The Aviation Technology Center is a training center run by Vincennes/Purdue cooperative at Indianapolis International Airport. It was built in connection with the United Maintenance Facility for long-term worker training. These bonds were paid off in full during FY18.
- ❑ ITFA debt is 100% fixed rate.

Project	Debt Outstanding <i>(as of 6/30/2018)</i>
State Highways & Bridges	\$915,505,000
Airport Maintenance Facility	\$18,145,000
Aviation Technology Center	\$0
Total	\$933,650,000



Fee-Replacement Public University Debt

- ❑ Fee-replacement bonds are debt issued by universities, through which State-appropriations reimburse the universities for debt service.
- ❑ Fee-replacement bonds must be reviewed by the Budget Committee and approved by the Budget Director and Public Finance Director.
- ❑ Debt outstanding will continue to grow over the next year based on authorization of new projects that have yet to be financed.

University	Debt Outstanding* (as of 6/30/2018)
Indiana University	\$310,500,000
Ivy Tech College	\$211,345,000
Purdue University	\$165,648,192
Ball State University	\$140,220,000
University of Southern Indiana	\$65,925,000
Indiana State University	\$83,998,019
Vincennes University	\$46,750,512
Total	\$1,024,386,723



Indiana Stadium & Convention Center [debt managed by IFA]

- ❑ Stadium/Convention Center Construction Financing:
 - A majority of the interest rates on the Stadium & Convention Center have been fixed through swap agreements and fixed rate bonds.
 - Repayment sources are local food & beverage, hotel, rental car and admission taxes and Colts license plate fees.

Project	Debt Outstanding <small>(as of 6/30/2018)</small>
Lucas Oil Stadium	\$664,320,000
Convention Center	\$336,295,000
Total	\$1,000,615,000



State Office Building Commission (SOBC) Projects [now IFA]

- ❑ The IFA issues debt in partnership with multiple entities to finance or refinance the cost of acquiring, constructing, or equipping buildings and improvements, including:
 - Department of Administration
 - Family and Social Services Administration
 - Department of Corrections

Project	Debt Outstanding <small>(as of 6/30/2018)</small>
Wabash Valley Correctional	\$45,445,000
New Castle Correctional	\$45,105,000
Madison State Hospital	\$33,915,000
Logansport State Hospital	\$16,670,000
Evansville State Hospital	\$14,095,000
DOC Energy Cost Savings Leases	\$16,211,287
Neuro-Diagnostic Institute	\$138,700,000
Total	\$310,141,287

- ❑ The SOBC debt portfolio is currently 100% fixed rate debt.



Indiana Bond Bank Moral Obligation Debt

- The Indiana Bond Bank (IBB) provides assistance to local government in funding special projects through the use of bonds including:
 - Water & Sewer Systems
 - Capital Improvement/ Building Projects

- IBB's Special Program debt may form a Moral Obligation (M.O.) with the State of Indiana providing the issuing organization with more favorable financing terms.

- The State only serves as a backstop on M.O. debt if the primary repayment source and any additional safeguards (e.g. debt service reserve funds) fail. IBB has never had a Moral Obligation claim in its history.

Project	Debt Outstanding (as of 6/30/2018)
Hendricks County Hospital	\$84,055,000
City of Charlestown Sewer	\$2,840,000
Adams County Hospital	\$28,145,000
South Bend TIF Districts	\$16,635,000
Columbus Learning Center	\$13,435,000
East Chicago Building Facility Corp.	\$10,615,000
Fort Wayne Regional Public Safety Academy	\$9,825,000
City of Carmel Sewer	\$5,550,000
Carlisle Utilities	\$385,000
Other Issuances (including Pools)	\$41,493,908
Total	\$212,978,908



Recreational Development Commission (RDC) Projects [now IFA]

- ❑ The IFA issues debt in partnership with the Department of Natural Resources to finance or refinance the costs of the acquisition, construction, renovation, improvement or equipping of facilities for the operation of public parks.
- ❑ Payment of RDC bonds is made through fees generated by the operation of all state parks and other fees received related to park projects.
- ❑ Currently the RDC portfolio of debt is 100% fixed rate.

Project	Debt Outstanding <small>(as of 6/30/2018)</small>
Multi-Projects, Clifty Inn, Abe Martin, Prophetstown, Ft. Ben	\$12,950,000
Clifty Inn / Abe Martin	\$1,645,000
Total	\$14,595,000



Public Private Partnerships (P3's)

- ❑ IFA has entered into a P3 for East End Crossing (EEC) as an Availability Payment (AP) structure. The IFA provides two types of payments in this structure. Milestone Payments are made during construction and Availability Payments are made once substantial completion has been reached
- ❑ IFA executed a loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA) to pay the final portion of milestone payments
- ❑ EEC reached substantial completion in December 2016 and AP's have started in FY17. Each AP is adjusted both for an inflation component (increased) and performance standards (possibly decreased)

Project	Debt Outstanding <small>(as of 6/30/2018)</small>
IFA TIFIA Lease Appropriation Loan	\$147,597,417
EEC Private Activity Bonds (PABS)*	\$482,310,000
Total	\$629,907,417

*PABS technically are not IFA debt, but are treated as so by rating agencies that add P3 obligations to IFA totals to reflect the AP appropriation



III. Non-Appropriation-Backed Debt

Non-Appropriation-Backed Debt	
Issuing Entity	Debt Outstanding (as of 6/30/2018)
Indiana Bond Bank (Non-Moral Obligation) ^{1,2}	\$628,109,731
State Revolving Fund	\$1,321,950,000
Indiana Secondary Market for Educational Loans ¹	\$82,404,361
Public University (Non-Fee Replaced) ¹	\$1,581,589,663
Housing & Community Development Authority	\$424,768,892
Ports of Indiana	\$7,044,472
Total	\$4,045,867,119

¹ Estimated

² Excluding Pass Through Debt



Non-Appropriation-Backed Debt: Oversight

- ❑ Quasi agencies that issue debt, but rely neither on the full faith and credit of the State nor on a moral obligation.

Issuing Entity	Oversight
Indiana Bond Bank (Non-Moral Obligation)	Public Finance Director is on the Board
State Revolving Fund	IFA/Public Finance Director
Indiana Secondary Market for Educational Loans	IFA Assistance
Public University (Non-Fee Replaced)	Reviewed by the Budget Committee. Approved by the Budget Director and Public Finance Director.
Indiana Housing and Community Development Authority	Public Finance Director is on the Board
Ports of Indiana	IFA Assistance
Indiana State Fair Commission	IFA Assistance



IFA Brownfield Appropriations

- Use of State Fiscal Year (“SFY”) 14/15, SFY 16/17, and SFY 18/19 Appropriations
 - **Petroleum Orphan Site Initiative (POSI)**
 - ✓ SFY 14/15 appropriation enabled the IFA to create the Petroleum Orphan Site Initiative
 - ✓ Purpose of POSI is to address petroleum contamination on brownfield sites resulting from leaking underground storage tanks that cannot be addressed by the responsible party due to an inability-to-pay, bankruptcy, or other factors (orphan sites)
 - ✓ Appropriated funds are used for Site assessment, tank removal, and remediation
 - **Funding Summary**
 - ✓ All appropriations have been funded with transfers from the IDEM Excess Liability Trust Fund
 - ✓ \$3MM transferred for SFYs '14 & '15
 - ✓ \$2.91MM transferred for SFYs '16 & '17
 - ✓ \$3MM transferred for SFYs '18 & '19
 - **September 30, 2018 update** (first site approved in April 2014):
 - ✓ 57 sites approved for funding in 45 communities (39 counties)
 - ✓ \$11,359,363 has been obligated (127% of appropriated funds available through SFY19)
 - ✓ \$8,482,368 has been disbursed (67% of approved budgets)
 - ✓ Average project budget: \$198,851 (highest: \$804,483; lowest: \$22,245)
 - ✓ Closures: 22 No Further Action letters issued, 2 Site Status Letters issued, 5 NFAs in draft (42% of awarded sites)
 - 67 underground storage tanks removed, 4 closed in place
 - 7 fuel oil underground storage tanks removed
 - 3 hydraulic lifts removed
 - 20,871 tons of petroleum-impacted soil removed
 - 135,439 gallons of liquid/sludge removed
- SFY 20/21 appropriation is for \$2.5 million each year