

Funding and Finance *Purdue Road School*

March 6, 2012

Indiana Bond Bank

www.in.gov/bond

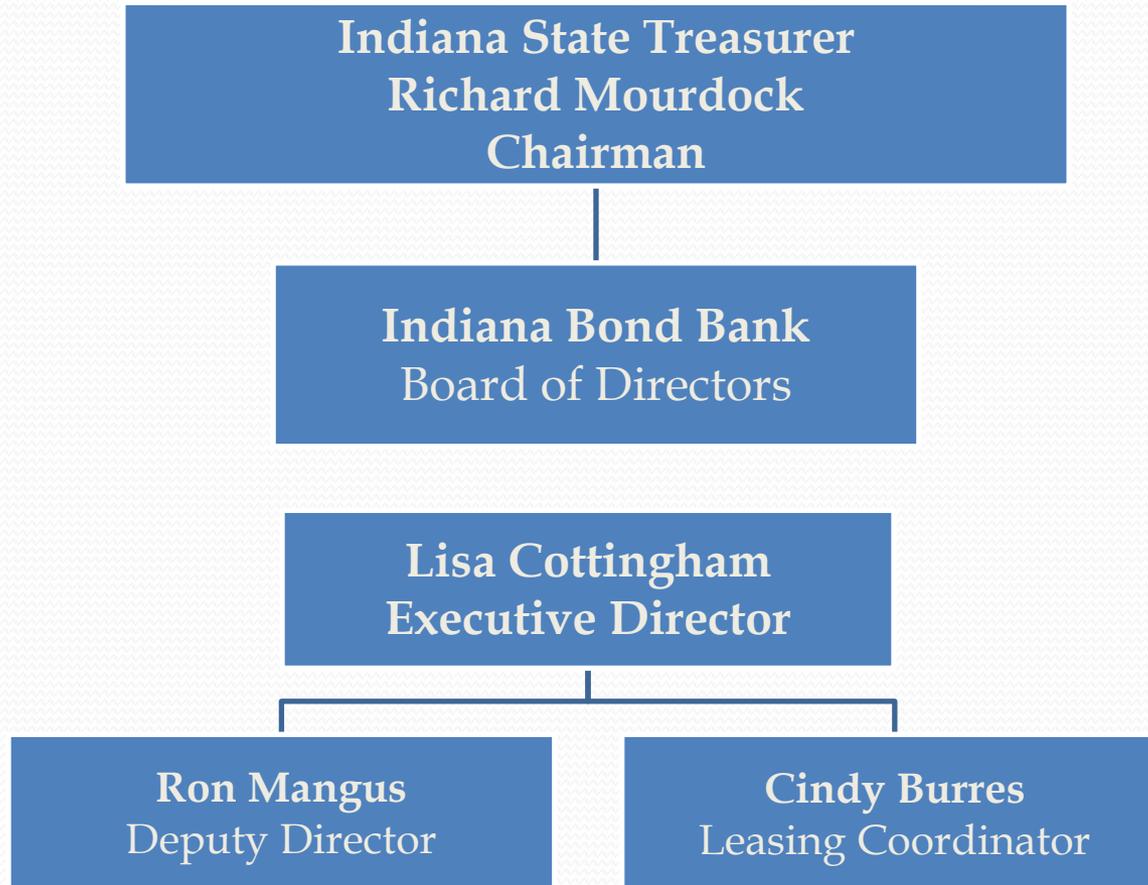
Mission

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

Structure

- ❖ Created by the Indiana General Assembly in 1984; Indiana Code 5-1.5
- ❖ Self-supporting quasi-governmental entity
- ❖ A seven member board governs the Bond Bank
- ❖ The State Treasurer statutorily serves as Chairman of the Board
- ❖ The director of the Indiana Finance Authority statutorily serves as a board member
- ❖ The Governor appoints five board members

Organization



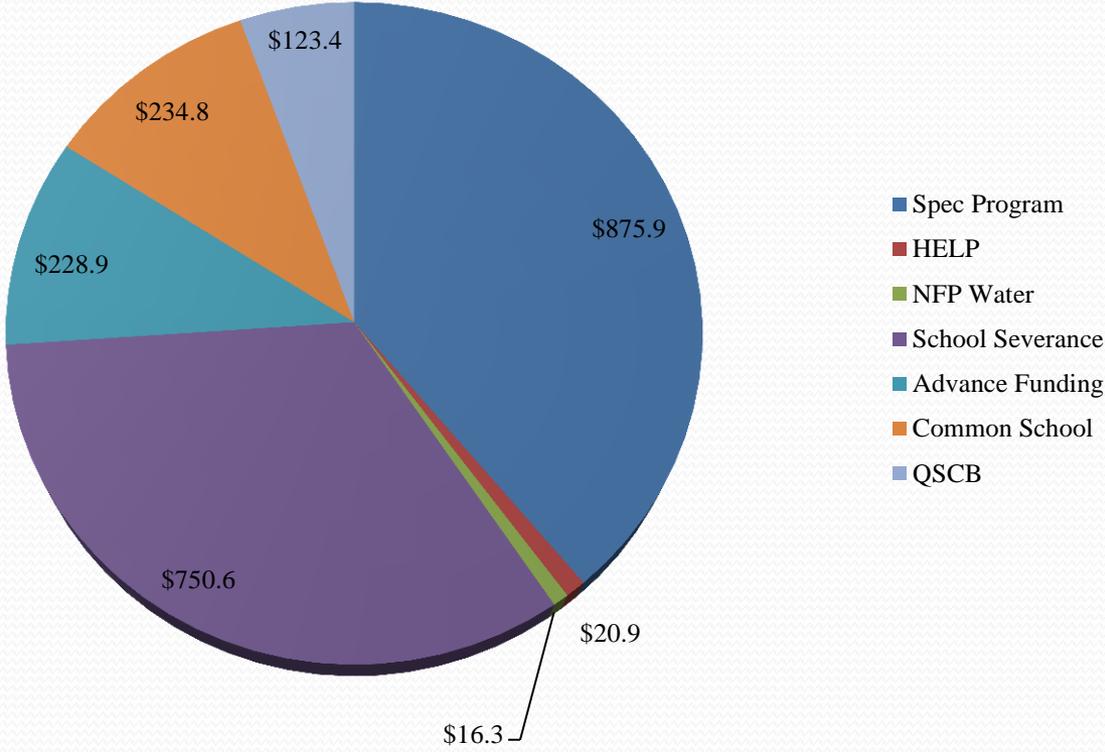
Debt Issuance

- ❖ Indiana Bond Bank has issued \$20.01 billion in bonds/notes since its inception
 - ❖ \$1.99 billion outstanding
- ❖ Financing Conduit for qualified entities only
- ❖ The Bond Bank purchases bonds and notes from communities and in turn sells its own obligations to the open market
- ❖ The pooling process allows communities to realize savings that are achieved by sharing of fixed costs and economies of scale

Activity

| Fiscal Year | # of Issues | Amount |
|-------------|-------------|-----------------|
| 2005 | 10 | \$1,151,790,000 |
| 2006 | 13 | \$ 822,565,000 |
| 2007 | 4 | \$785,945,000 |
| 2008 | 7 | \$1,378,970,000 |
| 2009 | 13 | \$1,696,373,000 |
| 2010 | 11 | \$893,861,704 |
| 2011 | 7 | \$524,264,923 |

IBB Outstanding Debt



Programs

- ❖ Hoosier Equipment Lease Purchase Program (HELP)
- ❖ Advance Funding Program
- ❖ Pool Program
- ❖ Other Programs
- ❖ Fuel Budgeting Program

HELP Program

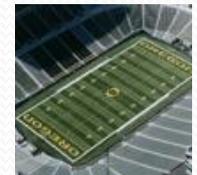
- ❖ Lease essential equipment
- ❖ Competitive interest rates
- ❖ Repayment flexibility
- ❖ Do not need to bid financing
- ❖ Title to asset passes to entity upon completion of lease term

HELP Overview

- ❖ Since 1991
- ❖ Assisted over 200 communities
- ❖ Over \$197 million in equipment
- ❖ Five program underwriters

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
- ❖ Book Mobiles
- ❖ And much more...



HELP Fiscal Year Analysis

| Fiscal Year * | Amount closed |
|---------------|---------------|
| 2006 | \$ 10,369,221 |
| 2007 | \$ 9,064,113 |
| 2008 | \$ 6,429,905 |
| 2009 | \$ 4,755,968 |
| 2010 | \$ 8,023,270 |
| 2011 | \$ 5,479,923 |
| 2012 ** | \$2,052,286 |

* Fiscal Year = July 1-June 30

** Through February 2012

Advance Funding Program

- ❖ Cash flow financing for QEs
- ❖ Provides funds to entities with financial commitments between property tax distributions
- ❖ Bond Bank's 'signature' program
- ❖ 2012: 62 participants for \$116 million
- ❖ 2012 rate: 1.05% (all-in)

Historic Pricing Trends (1 year Maturities)

Advanced Funding Program

| Series | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------|-------|-------|-------|-------|-------|-------|
| Program Size in Millions | \$460 | \$522 | \$357 | \$297 | \$168 | \$116 |
| # of Participants | 114 | 119 | 122 | 120 | 87 | 62 |
| Entity Rate All Inclusive | 3.68% | 2.39% | 1.79% | 0.98% | 1.31% | 1.05% |

Types of Long-term Debt Financing

- ❖ Revenue Bonds
 - ❖ Coverage of at least 125%
 - ❖ Revenues available to pay debt service must be at least 125% of Maximum Annual Debt Service
- ❖ General Obligation Debt
 - ❖ Property Taxes used for repayment
- ❖ Building Corporations – Lease revenues

Pool Program Overview

- ❖ Long Term Debt Program
- ❖ Typical Uses
 - ❖ Construction of Essential Use Facilities
 - ❖ Acquisition/Improvement/Expansion:
 - ❖ Utility systems
 - ❖ Building projects
- ❖ Assisted over 200 communities
- ❖ Issued pooled debt of over \$440 million

Pool Program Advantages

- ❖ Utilize Bond Bank experience in issuing debt
- ❖ Reduced cost of issuance
- ❖ Flexible Terms: 7 to 30 years
- ❖ Projects over \$150,000

Economic Benefits for Using the Pool Program

- ❖ Qualified Entities (QE) gain access to capital markets
- ❖ Economic savings by issuing bonds using IBB's higher credit rating
- ❖ Estimated annual savings for each QE range from \$5,000 - \$10,000 on million dollar bond issues
- ❖ Savings based upon QE underlying credit rating and other factors

Other Programs

- ❖ Qualified School Construction Bond (QSCB) Program
 - ❖ Authorized by American Recovery Reinvestment Act
 - ❖ Interest on the bonds is paid by the IRS (up to certain limits)
 - ❖ \$123.4 Million Outstanding
 - ❖ 56 schools participating
- ❖ School Severance Bonds
- ❖ Common School Fund

Fuel Budgeting Program

- ❖ Use as a budgeting tool to guard against rising fuel prices
- ❖ Allows smaller entities to pool their fuel budgets to create an effective hedge size (42,000 gallons/month)
- ❖ Share program costs for cost efficiency
- ❖ Participants are Schools and 2nd class cities



Questions?

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