



**Request for Interest
USDA Rural Development Interim Loan Program Financing
Solutions**

Issue Date: Tuesday, October 9, 2018

Responses Due: Friday November 2, 2018 by 4:00 P.M. EDT

All proposals are due via e-mail to: mwuellner@inbondbank.com

Request

The Indiana Bond Bank (“Bond Bank” or “IBB”) requests responses from prospective firms to partner with the Bond Bank to serve as purchaser, underwriter, or placement agent for its Interim Loan Program (“ILP”) operated in partnership with the United States Department of Agriculture – Rural Development (“USDA-RD”).

The Bond Bank encourages respondents to consider creative options that would enhance the ILP and the ILP financing structure while continuing to meet the ILP requirements outlined below.

USDA-RD Program Information

The Bond Bank has partnered with the USDA-RD to provide interim financing to local units of government and non-profit water corporations that fall under the IBB definition of Qualified Entities (“QEs”), as defined by Indiana Code 5-1.5-1-8, and who have been approved for long-term financing and participation in the USDA-RD’s Water and Environmental Program (“WEP Program”) or the USDA-RD’s Community Facilities Direct Loan & Grant Program (“CmF Program”) (together “Permanent Financing Program”). USDA-RD allocates approximately \$40 million annually to Indiana for the Permanent Financing Program.

The WEP Program provides funding for improvements to rural wastewater and drinking water utility systems owned and operated by cities, towns, other governmental units or not-for-profit utilities having or serving a population of 10,000 or less, by providing long-term low-interest loans to such cities, towns, governmental units and not-for-profit utilities.

The CmF Program serves rural areas including cities, townships and towns of populations of no more than 20,000 residents. The CmF Program proceeds can be used for the purchase, construction, and/or improvement of essential community facilities (excluding private, commercial or business undertakings), the purchase of equipment, and related project expenses. The CmF loan program provides low-interest rate loans to eligible participants.

Pursuant to regulations applicable to the USDA-RD, prior to the closing of any USDA-RD long-term loan in excess of \$500,000 through the Permanent Financing Program, any city, town, governmental unit or not-for-profit utility seeking to participate in the Permanent Financing Program is required to obtain interim financing for the construction of the improvements to its wastewater and drinking water utility system from commercial sources, so long as such funds can be borrowed at reasonable rates on an interim basis for the construction period. IBB is the interim financing provider for Indiana.

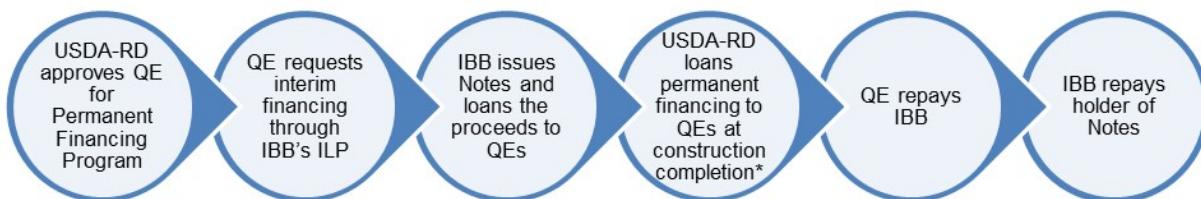
Current ILP Structure

Qualified Entity

All credit analysis of each respective QE is provided by the USDA-RD for inclusion in the Permanent Financing Program and includes extensive review of not only financing components but also includes environmental and project-related reviews, review and approval of project plans and specifications, and approval of construction bid documents. Such reviews and construction bidding are completed prior to the IBB’s involvement. All QEs approved for participation in the Permanent Financing Program are eligible for interim financing through the Bond Bank’s ILP, subject to the IBB’s receipt of the QE’s authorizing documents and a commitment letter from USDA-RD. USDA-RD will only provide its commitment letter once the QE has completed all necessary legal steps including licenses, permits and any other governmental approvals required prior to closing of the long-term loan through the Permanent Financing Program, as outlined in the Letter of Conditions provided by USDA-RD to the QE.

Program Structure

The ILP notes issued by the IBB (“IBB Notes”) have been issued on a taxable basis and been purchased by the Office of the Treasurer of the State of Indiana (“TOS”) and typically structured as one-year notes, with par amounts typically at \$10 million or less. The IBB Notes have been callable at any time, in whole or in part, to align with the varying QE long-term take out dates. The IBB Notes may be structured as pooled financings and include one or more QEs. Each underlying QE obligation is structured based on the earlier of its assumed construction completion date, or the closing date on the USDA-RD long-term loan (for projects with a grant funding component). QEs may express their intent to participate in the ILP at the beginning of each month, subject to agreement from USDA-RD that a QE has completed all necessary approvals, received bids for the project within budget, and the QE is ready for construction financing. QEs wishing to participate must be cleared by USDA-RD to proceed with interim financing and file a Notice of Intent to Participate with the IBB at least 10 days prior to the IBB’s monthly closing date. Once USDA-RD provides the permanent financing, proceeds of the permanent financing are used to repay the IBB. Subsequently, the IBB pays the principal and interest due on the IBB Notes. Neither the IBB Notes nor the QE notes are secured by a debt service reserve. The IBB Notes are not secured by the moral obligation of the State of Indiana.



*Could be earlier if USDA-RD has also awarded grant funding to the project.

Interest Rates

The interest rate charged by the TOS to the IBB is equivalent to the current tax-exempt AAA Bloomberg Valuation (“BVAL”) benchmark yield curve or the Thomson Reuters Municipal Market Data (“MMD”) tax-exempt AAA yield curve (“Bond Bank Rate”). For example, if the maturity of the IBB Notes is due in one year, the IBB’s Notes would bear an interest rate equivalent to either the current one-year MMD or BVAL rate. The interest rate of the underlying QE obligations is equivalent to the Permanent Financing Program interest rate determined by the USDA-RD (“QE Rate”) and is typically set 6 to 8 quarters in advance of need for interim financing. In addition, each QE participating in the ILP is required to pay \$20,000 to offset costs of issuance and/or difference between the Bond Bank Rate and QE Rate.

IBB ILP Policies

IBB calls your attention to the following elements of ILP, which exist as matter of IBB policy (rather than regulation, e.g.).

- A. Eligibility for participation in the ILP is contingent only upon (1) the IBB receiving the USDA-RD’s commitment letter and (2) the QE securing all legal steps and governmental approvals regarding the project and financing. In other words, QEs are not required to provide additional information (such as historical rates and charges, net revenues, etc.) to the IBB to determine eligibility for, participation in, or interest rate within ILP.

- B. As a policy decision of Bond Bank, the interest rate for each underlying QE equals the long-term take out interest rate for the Permanent Financing Program which is set by the USDA-RD at the time funds are obligated for a QE. Such Permanent Financing Program interest rates may be based on median household income levels. Examples of the most recent rates can be found on the USDA website [here](#) and [here](#).
- C. QEs wishing to participate must be cleared by USDA-RD to proceed with interim financing and file a Notice of Intent to Participate with the IBB at least 10 days prior to the IBB's monthly closing date.

Your Proposals/Ideas

The IBB encourages ideas about how IBB meets the construction financing needs of QE participating in the WEP and CmF programs.

1. Firm Overview

Provide a brief overview of your i) firm or organization; ii) public finance department; and/or iii) municipal sales, trading and underwriting groups (2 pages or less).

2. Firm's Ideas on Structure of Financing

Please provide a detailed explanation of your approach or methodology and proposed structure of the ILP. Proposals should include your pricing methodology. Please include both the expected basis point spread and index. IBB encourages including a visual or flowchart of your structure, if your structure lends itself to one.

If your proposal includes any changes to any "IBB ILP Policies" listed in the preceding section, please discuss what policies you propose changing, and how such changes might benefit the QE.

3. Firm Experience

Please provide your experience working with entities or projects involving either the USDA-RD and/or the Bond Bank and experience purchasing or selling short-term obligations and with pooled financings.

4. Proposed Fee Schedule

Please provide the amount of the total bank fee or underwriting spread (in dollars/\$1,000) which would be required if your firm is selected as Purchaser, Underwriter or Placement Agent. These numbers will be considered as a fixed "bid" and will constitute one of the criteria for selection. State the basic financing assumptions on which these are predicated and factors that would affect this quote. Do not provide ranges as the high figure of any range will be recorded as your response. The proposed fee should include costs of bank, underwriter's or placement agent's counsel.

5. Additional Information

Provide additional information that demonstrates your firm's ability to directly purchase, structure, market and/or sell the IBB Notes. This information may include a summary of recent transactions, case studies or unique structuring ideas, but should be brief in its nature.

6. Signed Certification Page

Please include in your submission a signed copy of the last page of this RFI.

Proposal Submission

To be considered for selection, proposers must submit a complete signed response to this RFI. All responses must be provided via email to bondbank@inbondbank.com.

Proposals must be received at the above location no later than the end of business, 4:30 p.m. (Eastern Daylight Time), on Friday November 2, 2018.

After a review by the IBB and its financing team of the written proposals, the IBB reserves the right to conduct interviews but is not required to do so. Respondents selected for an interview will be notified of the specific time, place, and procedure for the interviews, if applicable.

Questions concerning this RFI should be submitted via email no later than noon on Friday, October 19, 2018, to Mr. Mark Wuellner at the email address provided. Please allow up to two (2) business days for a response. Written responses will be provided by email and posted on the IBB website. Please do not contact IBB's professionals (Crowe LLP and Barnes & Thornburg LLP) regarding questions concerning this RFI.

Proposal Submission Terms & Conditions

A. RFI Response and Confidentiality

Respondents are advised that materials contained in proposals are subject to the Indiana Access to Public Records Act and may be viewed and/or copied by any member of the public, including news agencies and competitors. In accordance with said Public Records Act I.C. 5-14, respondents claiming a statutory exception to the Indiana Public Records Act must place the putatively confidential documents in a sealed envelope clearly marked "Confidential" and must indicate on the outside envelope of their proposal that confidential materials are included and specify which statutory exception provision applies. If a public records request is made under APRA, IBB will make an independent determination of confidentiality, and may seek the opinion of the Public Access Counselor. Prices are not considered confidential information.

B. Discretion in Determining Deviations and Compliance

IBB reserves the right to determine which of the proposals have met the minimum qualifications expressed in this RFI. IBB shall have the sole right to determine whether any deviation from the requirements of this RFI is substantial in nature, and IBB may reject unacceptable proposals. In addition, IBB may reject in whole or in part any and all proposals, may waive minor irregularities, and may negotiate with responsible respondents in any manner deemed necessary to serve best serve the interests of IBB.

C. Costs

IBB shall not be liable for any expenses incurred in the preparation of the proposals.

D. Notification

IBB is not required to furnish a statement of the reason(s) why a proposal was not deemed to be the most advantageous nor will it be required to furnish any information regarding this RFI other than the original solicitation document.

E. Ethical Compliance

By submitting a proposal, the respondent certifies that it shall abide by all ethical requirements that apply to persons who have a business relationship with IBB.

**INDIANA BOND BANK
CERTIFICATION OF RESPONDENT**

I hereby certify that the information contained in these qualifications and any attachments is true and correct and may be viewed as an accurate representation of proposed services to be provided by this organization. I acknowledge that I have read and understood the requirements and provisions of the RFI and agree to abide by the terms and conditions contained herein.

I, (name) _____, am the (role) _____ of (firm) _____ named as the respondent herein, and I am legally authorized to sign this and submit it to the Indiana Bond Bank on behalf of said organization.

Signed: _____

Name: _____

Title: _____

Date: _____