



**Request for Information
Special Purpose Vehicle
Credit Enhancement Structuring**

Issue Date: Wednesday, September 11, 2019

Written Question Deadline: Monday, September 23, 2019

Responses Due: Monday, October 14, 2019 by 9:00 A.M. ET

All proposals are due to: bondbank@inbondbank.com

REQUEST



The Indiana Bond Bank (“Bond Bank” or “IBB”) desires to bring together a financing team to partner with the Bond Bank to manage future bond issuances utilizing the new credit enhancement tool (commonly referred to as “Special Purpose Vehicle” or “SPV”) created by the Indiana House Enrolled Act (HEA) 1473 (2019) and codified as IC 5-1.5-8-5.1.

GOAL



The primary considerations in selecting financing team members will be the ability of the prospective members to provide a proposed financing structure and financing strategy under this Request for Information (“RFI”) which maximizes the value of the SPV to Qualified Entities (“QE”) by providing material net present value savings compared to traditional financing options. IBB has provided two hypothetical QEs – “A-Rated QE” and “Unrated QE” – and certain factual assumptions to aid in your response.

BACKGROUND



The Bond Bank is a self-funded quasi-governmental entity (a separate body, corporate and politic) established by the Indiana General Assembly in 1984 (I.C. 5-1.5).

The Bond Bank is governed by a Board of Directors, which consists of seven members. The Treasurer of State and the Public Finance Director serve as members of the Board as part of their official functions. The remaining five members are appointed to three-year terms by the Governor. The Treasurer of State is statutorily appointed to serve as Chair of the Board.

The primary mission of the Bond Bank is to assist local government in the process of issuing debt. As of July 1, 2019, the Bond Bank has issued \$22.1 billion in bonds/notes and has approximately \$816 million outstanding. The daily operations of the Bond Bank are self-supporting. No financial assistance is provided by the State of Indiana.

The Bond Bank operates as a financing conduit. The Bond Bank purchases the bonds of various communities and in turn issues its own obligations in the financial markets. This pooling process allows local communities to realize certain savings that are achieved through the sharing of otherwise fixed costs and economies of scale. These savings are realized both in terms of dollars and through the streamlining of various procedures and related documents.

The purpose of the Bond Bank is to buy and sell securities and to make loans to QE. Pursuant to the *Indiana Code*, QE means:

- (1) A political subdivision (as defined in IC 36-1-2-13);
- (2) A state educational institution (as defined in IC 20-12-0.5-1(b));
- (3) A leasing body (as defined in IC 5-1-1-1(a));
- (4) A not-for-profit utility (as defined in IC 8-1-2-125);
- (5) Any rural electric membership corporation organized under IC 8-1-13;
- (6) Any corporation that was organized in 1963 under Acts 1935, c. 157 and that engages in the generation and transmission of electric energy;
- (7) Any telephone cooperative corporation formed under IC 8-1-17;
- (8) Any commission, authority, or authorized body of any QE;
- (9) Any organization, association, or trust with members, participants, beneficiaries that are all individually QEs;
- (10) Any commission, authority, or instrumentality of the state;
- (11) Any other participant (as defined in IC 13-11-2-151.1);
- (12) A charter school established under IC 20-5.5 (before its repeal) or IC 20-24 that is not a qualified entity under IC 5-1.4-1-10;
- (13) A volunteer fire department (as defined in IC 36-8-12-2); OR
- (14) A development authority (as defined in IC 36-7.6-1-8).

SPECIAL PURPOSE VEHICLE

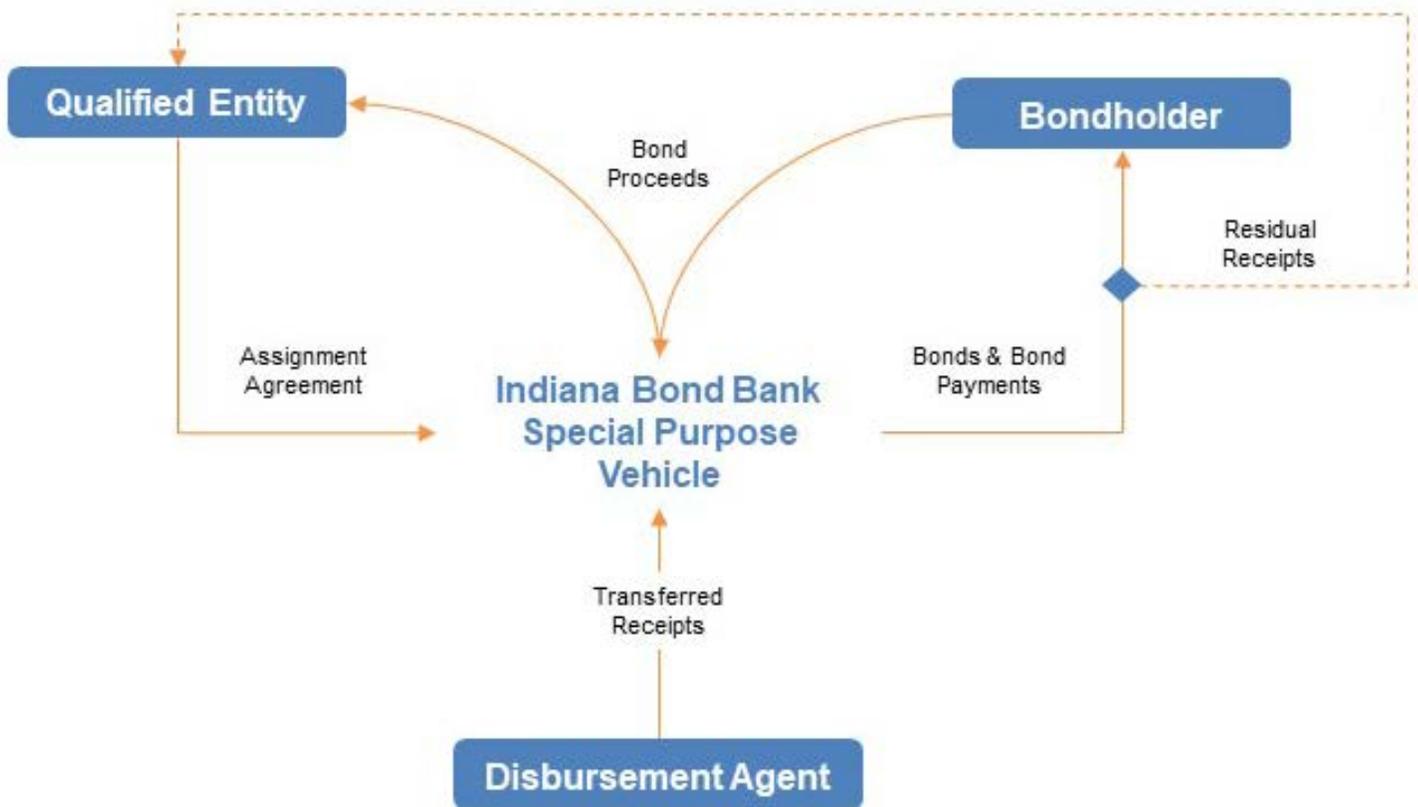


Beginning July 1, 2019, HEA 1473 authorizes the Bond Bank to create an SPV that will act as a credit enhancement tool for IBB QEs. The IBB created this tool for the purposes of (i) providing enhanced access to the capital markets and (ii) achieving a lower cost of borrowing for participating IBB QEs. The SPV was designed for, though not limited to, QEs that may not be publicly rated, have credit concerns, or have challenges accessing the capital markets through traditional bond issuance.

HEA 1473 (now I.C. 5-1.5-8-5.1) allows a QE to assign future tax or revenue receipts to be distributed by a state or local disbursement agent (“Transferred Receipts”) to the Bond Bank according to an Assignment Agreement. The Bond Bank in turn issues bonds that are secured by the SPV to which the Bond Bank deposits Transferred Receipts. Transferred Receipts not needed for debt service payments are remitted to the QE in accordance with the Assignment Agreement.

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DIAGRAM OF SPV



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RESOURCE HUB



IBB has identified the following resources to assist respondents in crafting a response that meets the “Goal” section of this RFI. IBB makes no warranty that the list is exhaustive; respondents are encouraged to identify other resources independently.

In no particular order:

- [IBB authorizing statute](#)
- [I.C. 5-1.5-8-5.1](#)
- The below rating criteria are available on the respective rating agencies’ websites with login credentials, or are available by request from IBB:
 - S&P Global Ratings – U.S. Public Finance: Priority-Lien Tax Revenue Debt
 - Moody’s Investors Service – US Public Finance Special Tax Methodology
 - Moody’s Investors Service – Bankruptcy Remoteness Criteria for Special Purpose Entities in Global Structured Finance Transactions
 - Fitch Ratings – U.S. Public Finance Tax-Supported Rating Criteria
 - Kroll Bond Rating Agency – General Revenue Bond Methodology
 - Kroll Bond Rating Agency – U.S. Special Tax Revenue Bond Methodology
- [IBB website, including pre-RFI release webinar slide deck and Q&A. All Q&A submitted related to this RFI will be posted to this website.](#)

ASSUMPTIONS



Respondents should embed the following assumptions into a proposed financing structure and strategy:

- Contemplation of two separate Bond Bank finance scenarios, including:
 - (1) a QE with an underlying credit rating of A (“A-Rated QE”) and
 - (2) a QE that is unrated and would not seek a rating when issuing debt (“Unrated QE”)
- Incremental issuance costs associated with the SPV equals \$250,000. (This does not include COI at the QE level);
- Project fund proceeds sized to the minimum level at which point the SPV produces material net present value savings in comparison to a traditional financing structure;
- Transferred Receipts will be the QE’s distributive share of Local Income Tax (LIT);
- QE does not have any outstanding debt secured by LIT; and
- Bonds will be sold through a negotiated public bond market deal

Any facts or matters not specifically listed in this “Assumptions” section may be treated by the respondent in a manner best suited to achieve “Goal” of this RFI.



RESPONSE GUIDELINES

1. **Firm Qualifications.** Please provide the following:
 - A. a 1-2 page overview of your i) firm or organization; ii) public finance department; and/or iii) municipal sales, trading and underwriting groups;
 - B. indicate whether there are any pending investigations of the firm or enforcement or disciplinary actions imposed on the firm within the last three years by the SEC or other regulatory bodies; and
 - C. specific examples of your firm’s experience with similar types of SPV structures and/or working with rating agencies to evaluate new structures or revenue sources.
2. **Structuring Proposal(s).** Please provide the following:
 - A. **Name of your structure(s).** (Will not factor into evaluation; for IBB tracking purposes. If submitting a different structure for both A-Rated QE and Unrated QE, please assign them different names).
 - B. **One sentence executive summary of the structure(s).**
 - C. **Visual or flowchart of the structure(s).**
 - D. **Detailed explanation of your structure(s), including the approach and methodology.** IBB will be looking for a section containing responses to the following questions:
 - i. What rating do you anticipate the hypothetical [A-rated or Unrated] transaction receiving under your structure, and from which rating agency(ies)?
 - ii. What debt service coverage requirements are assumed and recommended?
 - iii. What assumptions or requirements are embedded in your structure that may impact a rating of your structure and its value to a QE? Examples include additional credit enhancements required from IBB (e.g., insurance, credit facility, debt service reserve)
 - iv. What redemption provisions are assumed in your structure?
 - v. How, if at all, would your structure be affected by future pledges of the same revenue source by the QE?
 - E. **Wild Card?** Do you see your structure working for QE other than the A-Rated QE or Unrated QE (“Alternate QE”) hypotheticals we provided? If so, please describe the expected benefits to the Alternate QE.

3. Specific QE

Please indicate if your proposal considers a specific QE(s) that would benefit from the SPV structure.

4. Signed Certification Page

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



TIMELINE

Action	Date	Notes
Pre-RFI webinar	August 15, 2019	Slide deck, recorded webinar and written Q&A resulting from that webinar can be found at: http://inbondbank.com/credit-enhancements/
RFI released	September 11, 2019	
Written question deadline	September 23, 2019	<p>Questions concerning this RFI should be submitted via email no later than 5:00 p.m. ET on September 23, to bondbank@inbondbank.com.</p> <p>Please allow up to two (2) business days for a written response. Written questions and responses will be posted on the IBB website. Please do not contact IBB's professionals (Office of the Treasurer of State, Crowe LLP and Barnes & Thornburg LLP) regarding this RFI.</p>
Responses due	October 14, 2019	<p>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.</p> <p>Proposals must be received at the above location no later than the end of business, 9:00 a.m. ET, on October 14, 2019.</p> <p>IBB will acknowledge receipt of response via email.</p>
Interviews	November 13, 2019 (November 15 as back-up day)	<p>IBB anticipates conducting interviews with select respondents. Please hold these dates in case you are selected for an interview.</p> <p>IBB will contact respondents selected for an interview of the specific time, place, and procedure for the interviews, if applicable.</p>

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TERMS & CONDITIONS



- A. **Decision-Making.** IBB reserves the right to make any decision subsequent to this review, including but not limited to additional interviews, selection of a response, not selecting any response or selection of multiple responses or components of responses.
- B. **RFI Response and Confidentiality.** In accordance with Indiana Access to 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, IBB will make an independent determination of confidentiality, and may seek the opinion of the Public Access Counselor.
- C. **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 best serve the interests of IBB.
- D. **Costs.** IBB shall not be liable for any expenses incurred in the preparation of the proposals.
- E. **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.
- F. **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.

THANK YOU!



Thank you for choosing to invest your time on this request. The vision of a future in which our QE can dedicate more resources to pursuing their critical initiatives – and less on the financing of those initiatives – drives Team IBB daily. If you believe, like we, that a well-structured SPV has the potential to be a giant step toward realizing that vision for Indiana, we’d love to hear from you.

Best,

Mark J. Wuellner

CERTIFICATION



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: _____

Date: _____