IBB | INDIANA BOND BANK

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# Community Funding Resource (CFR) Guide

The Indiana Bond Bank (IBB) Community Funding Resource (CFR) program provides local governmental units with a cost-effective, fixed-rate, tax-exempt financing tool for infrastructure and related projects. A Municipal Advisor is required to participate and will help you decide whether the CFR program fits your financing needs.

## Eligibility

### Eligibility Requirements

The CFR program is available to cities, towns, school corporations, townships, libraries, counties, and other local governmental units that meet the definition of a Qualified Entity, as defined under IC 5-1.5-1-8.

### Eligible Projects

The program is designed to finance essential public projects. Examples of eligible projects include:

- Construction of public buildings (e.g., fire stations, police stations, schools and school facilities)
- Public facility additions or rehabilitation projects
- Park and recreation facilities
- Publicly owned assets and infrastructure related to economic development projects
- Roads, bridges, sidewalks, and related infrastructure
- Municipal owned utility infrastructure projects

The CFR program finances new projects. It does not refinance or refund existing debt on a standalone basis, though on a case-by-case basis existing debt may be refunded as part of a new project financing.

## Financing Details

### Maximum Financing Term

The Bond Bank can finance projects with a term of up to 25 years through the CFR program. Terms exceeding 10 years may be subject to verification that the useful life of the financed asset equals or exceeds the requested borrowing term.

### Borrowing Limits

The Indiana Bond Bank generally limits total borrowing through the CFR program to $10,000,000 per borrower. If your request would exceed this amount, either through a new loan or in combination with an existing CFR loan or loans, please contact the IBB before submitting an application. There is no minimum loan amount.

### Eligible Revenue Sources

Entities can borrow against various revenue sources, including:

- Property taxes
- Utility revenues
- Income taxes
- Tax Increment Financing (TIF)

### Interest Rate

Interest rates will be fixed at pricing and set on a maturity-by-maturity basis. Bonds will be priced at par, with a separate fixed interest rate assigned to each maturity. Final rates will be determined and communicated to approved borrowers on the date of the IBB Board meeting immediately preceding the closing date.

Current indicative rates can be provided by request on a weekly basis.

### Program Participation Fee

The fee structure for participating in the CFR program is as follows:

- $25,000 for a term of 10 years or less and a par amount of $1 million or less
- $30,000 for a term of 10 years or less and a par amount over $1 million
- $35,000 for a term of more than 10 years
- **Note:** The fee is automatically withheld from proceeds at closing.

### Tax Status of Bonds

All bonds are issued on a tax-exempt basis, with proceeds utilized for purposes that are eligible for tax-exempt status.

## Credit Review and Security

### Review Process

CFR loan applications are reviewed by the Indiana Bond Bank and an external municipal advisor. During the review and due diligence process, key municipal credit and security metrics on the requested loan are evaluated and then assembled to create a credit review memo ("Review Memo"). A draft of the Review Memo is provided to the applicant's Municipal Advisor for review prior to finalizing. Once finalized, the Review Memo is provided and subsequently presented to the IBB Board of Directors during a monthly public board meeting, at which time the loan is approved or denied.

For bonds repayable from a general obligation (GO) property tax levy, a Debt Service Reserve Fund is not required.

While every loan, community, and application is unique, the IBB generally prefers to see the following loan characteristics and parameters if the bond will not be repayable from a General Obligation (GO) property tax levy:

**Revenue Bond Coverage**

The IBB will review the submitted pro forma for reasonableness and a coverage ratio of at least 1.25x annual debt service. A Debt Service Reserve Fund (DSRF) will be required.

**Property Tax Backup Structures**

For revenue bonds backed by property taxes, the following will be requested to ensure levy timing issues are avoided:

- Fund a DSRF at closing; or
- Agree to pre-fund the following year's debt service amount by August 1st (must set aside debt service for 12-month period starting the following July 1 through following June 30).

For loans that will be funded primarily by Local Income Tax (LIT) revenues with a property tax back-up:

- Every month as LIT revenue is received, transfer an adequate deposit into a dedicated debt service fund; and
- Agree to a minimum 1.5x coverage additional bonds test for any additional debt that will carry a LIT revenue pledge.

## Payment and Redemption Terms

**Principal & Interest Payments**

Debt service payments are due semi-annually to the Bond Bank trustee. It is preferred that semi-annual debt service payments be made between December 31 and February 1, and between June 30 and August 1. However, other semi-annual payment dates may be accommodated to comply with parity or other outstanding obligations.

The trustee will provide you with an invoice prior to payment due dates.

**Payment Method**

Debt service payments will need to be made electronically via wire transfer or ACH to the program trustee. Checks will not be accepted.

**Redemption Provisions**

Bonds issued through the CFR Program are subject to a 10-year non-call period. During this period the bonds may not be optionally redeemed (i.e., prepaid at the borrower's option) before the optional redemption date (the first date on which early redemption is allowed). The optional redemption date will be determined by adding 10 years to the closing date and rounding up to the next debt service payment date. On or after that date, a Qualified Entity may elect to redeem its bonds before the stated maturity date, with 60 days' written notice to the Bond Bank. The Bond Bank may, in its sole discretion, agree to a shorter non-call period in certain circumstances, if requested by a Qualified Entity.

Please note that any costs and fees incurred by the Bond Bank in connection with an optional redemption will be the responsibility of the Qualified Entity.

## Professional Assistance

### Requirement for a Municipal Advisor

A Municipal Advisor is required to participate in the CFR program. If you do not have a Municipal Advisor, please contact the Bond Bank for assistance. The Municipal Advisor will guide you through the process of determining if the Bond Bank is the best option for your particular financing needs, and if so, securing funding through the CFR program.

### Requirement for Bond Counsel

Bond Counsel is required for participation in the CFR program. If you do not have Bond Counsel, please contact the Bond Bank. Bond Counsel will prepare the necessary legal documents for your governing body to adopt as part of the CFR program.

## Financial Reporting and Continuing Disclosure Obligations

Entities will be expected to submit annual financial reports and audited financials to the IBB within 60 days of availability. The Bond Bank reserves the right to request additional financial information including any information in the format generally submitted to the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access (EMMA) system. If such continuing disclosure information is already being submitted to the MSRB by the borrowing entity, then this information should also be provided to the Bond Bank as it becomes available. Please carefully review any outstanding continuing disclosure agreements/undertakings. At closing, please consult with your Municipal Advisor or Dissemination Agent regarding your continuing disclosure obligations.

## Participation Process

### Timing and Deadlines

For details on application deadlines and funding availability, please visit https://www.inbondbank.com/services/public-project-financing/ or contact the IBB via email at bondbank@inbondbank.com.

As a general guide, completed applications are due approximately three weeks before the Board meeting at which they will be considered, and financings typically close about three weeks after Board approval. Specific dates vary, so please confirm the current schedule with the IBB.

An application will not be deemed received and complete by the application deadline unless all required materials have been submitted, including a draft bond ordinance or resolution provided for review prior to adoption by the applicant's relevant fiscal body.

All required approvals and any related objection or notice periods must be fully satisfied prior to the scheduled Indiana Bond Bank Board meeting at which the application is to be considered. If any procedural steps, statutory timelines, or other required actions will not be completed by the meeting date, the application will be deferred to the next Board meeting for consideration.

**Steps to Participate**

The CFR application packet contains step-by-step instructions for participation, which includes completing a credit application and obtaining necessary local approvals. A Municipal Advisor and/or Bond Counsel can assist with these steps, and the Bond Bank is available to provide additional support.

To receive a CFR packet or ask questions, please contact bondbank@inbondbank.com. An application can be downloaded at https://www.inbondbank.com/services/public-project-financing/.

**Additional Questions**

If you have additional questions about the program, please contact the Bond Bank at bondbank@inbondbank.com, or submit a question through the website at https://inbondbank.com/contact.