

City-County Council of the City of Indianapolis
and of Marion County, Indiana
**Administration and Finance
Committee**

Proposal 226, 2020
IndyRoads Special Ordinance
New Money Bonds and
Refunding Bonds

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August 18, 2020



Proposal 226, 2020

- Approves the issuance of Bonds by the Metropolitan Thoroughfare District (MTD) for:
 - **\$50 million** in new money bonds for 2021 transportation infrastructure projects (the third series of \$120 million approved in 2018)
 - Up to **\$145 million** in refunding bonds to refinance all or a portion of the City's callable outstanding IndyRoads bonds
 - Per statute, the MTD has twice the debt capacity of the City
- The legal source of security for the bonds will be a levy of a special benefits tax – however, like the Flood Control bonds, DPW expects to make debt service payments from appropriations from existing wheel and excise taxes and State gas tax distributions
 - If existing funds are sufficient, no tax will not be levied
 - Based on 2019 revenues of \$70.3 million, available funds should be 4.9 times debt service

Background

- In August 2018, the Bond Bank and DPW presented to this committee a plan to issue **\$120 million** in bonds over three years for long-term transportation projects.
- Proposal 326, 2018 was recommended "do pass" by this committee by an 8-0 vote and approved unanimously by the full Council.
- As planned, the City issued:
 - **\$30 million** in bonds in December 2018 for 2019 projects;
 - **\$40 million** in bonds in September 2019 for 2020 projects.
 - The City, acting through the MTD, intends to issue the final **\$50 million** in bonds in 2020 for 2021 projects.

Transportation Improvement Program

INDIANAPOLIS

DEPARTMENT OF PUBLIC WORKS

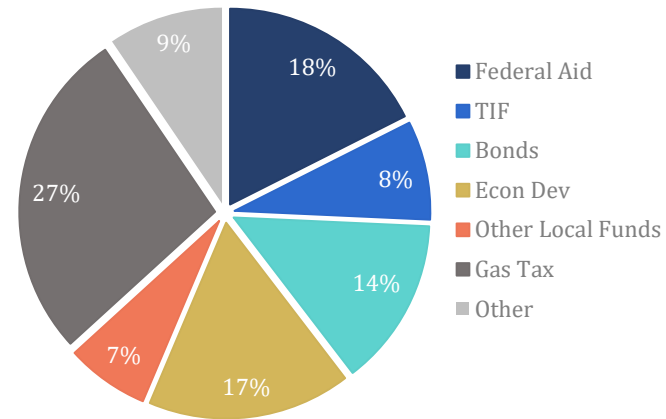
2020 - 2024 Funding Sources

DPW Capital Program	2020	2021	2022	2023	2024	TOTAL
Funding Sources						
LRS Construction Neighborhoods	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 25,000,000
MVH Construction Neighborhoods	\$ 22,187,100	\$ 22,187,100	\$ 22,187,100	\$ 23,750,000	\$ 25,000,000	\$ 115,311,300
Gas Tax Funding	\$ 27,187,100	\$ 27,187,100	\$ 27,187,100	\$ 28,750,000	\$ 30,000,000	\$ 140,311,300
City Cumulative - Transportation	\$ 560,000	\$ 560,000	\$ 560,000	\$ 560,000	\$ 560,000	\$ 2,800,000
County Cum - Streets	\$ 4,800,000	\$ -	\$ -	\$ -	\$ -	\$ 4,800,000
Parking Capital	\$ 3,242,080	\$ 5,442,080	\$ 3,000,000	\$ 4,000,000	\$ 4,000,000	\$ 19,684,160
New Bonds (\$120M)	\$ 7,544,059	\$ 50,000,000	\$ -	\$ -	\$ -	\$ 57,544,059
Old Bonds	\$ 13,876,643	\$ -	\$ -	\$ -	\$ -	\$ 13,876,643
New Funding COIT Money		\$ 8,000,000	\$ -	\$ -	\$ -	\$ 8,000,000
Other Local Funds	\$ 30,022,782	\$ 64,002,080	\$ 3,560,000	\$ 4,560,000	\$ 4,560,000	\$ 106,704,862
Community Crossings Grant	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
MultiModal	\$ 300,000	\$ 178,738	\$ 178,738	\$ 178,738	\$ 178,738	\$ 1,014,952
LPA Federal Aid	\$ 26,898,889	\$ 29,262,229	\$ 17,430,000	\$ 15,280,415	\$ 1,444,500	\$ 90,316,032
Indianapolis Neighborhood Infrastructure Program (INIP)	\$ -	\$ 4,522,250	\$ 2,000,000	\$ 2,000,000	\$ 4,000,000	\$ 12,522,250
IndyGo Project Costs	\$ -	\$ 2,000,000	\$ 1,680,000	\$ 4,253,680		
DMD/Economic Development	\$ 37,808,974	\$ 26,404,700	\$ 9,300,000	\$ 12,770,565		
Tax Increment Financing	\$ 5,000,000	\$ 9,240,000	\$ 9,240,000	\$ 9,240,000	\$ 9,240,000	\$ 41,960,000
PPP/Grant/Donation	\$ 2,685,845	\$ 20,678,207	\$ -	\$ -	\$ -	\$ 23,364,051
External Funds	\$ 72,693,707	\$ 93,286,123	\$ 40,828,738	\$ 44,723,398	\$ 15,863,238	\$ 267,395,204
Funding Sources Total	\$ 129,903,589	\$ 184,475,303	\$ 71,575,838	\$ 78,033,398	\$ 50,423,238	\$ 514,411,366
Expenditures	\$ 132,547,953	\$ 191,987,606	\$ 75,175,561	\$ 90,200,839	\$ 54,340,715	\$ 544,252,674
Funding Sources - Expenditures	\$ (2,644,364)	\$ (7,512,303)	\$ (3,599,723)	\$ (12,167,441)	\$ (3,917,477)	\$ (29,841,308)

Types of Projects Funded:

- Curbs, sidewalks, ADA ramps – useful life 50 years
- **Bridge** rehabilitation and replacement – useful life 50 years
- **Street** rehabilitation and construction – useful life 30 years

Sources of Capital Program Funding 2020-2024



2020 IndyRoads Financing Plan

Series 2020 Bonds

- Provide **\$50 million** in new money bonds for 2021 planned road and street infrastructure projects
- Issue up to **\$145 million** in refunding bonds to refinance \$104.36 million in existing IndyRoads revenue bonds for economic savings
- Maximum maturity **January 2042**, maximum interest rate **6.0%**
 - Based on today's rates, expect close to a 2.0% interest rate
 - Expect final debt service payment in FY 2040

2020 Refunding Bonds

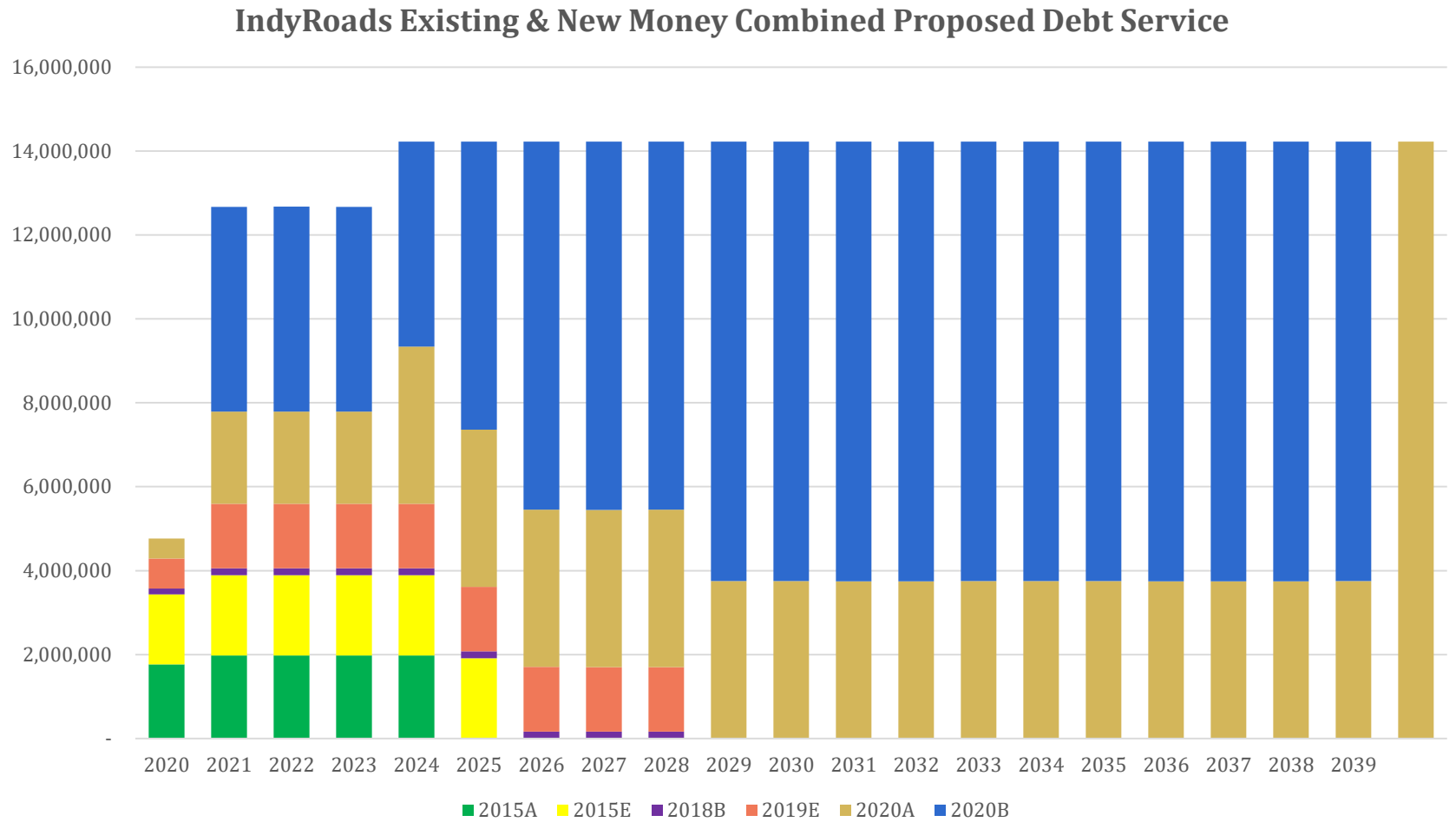
- Anticipate refunding of all callable portions of the existing IndyRoads Revenue bonds
 - 2015A, 2015E, 2018B, and 2019E
- Refinancing meets Bond Bank Refunding Policy of minimum 3% PV savings. Current financing plan **estimates \$5.4 million in PV savings (5.2%)** as of 8/5/2020. This translates to about \$335 thousand available for additional capital projects every year through maturity.
- About \$30 million in noncallable bonds outstanding will not be refinanced
- \$145 million refunding approval includes flexibility to refinance all existing callable IndyRoads debt, with a cushion for market fluctuations

Debt Service

- Combined level Debt Service for all related debt, including any unrefunded IndyRoads Revenue bonds
- First three years: payments approx. \$12.7 million per year
 - Beginning 1/1/25: payments approx. \$14.2 million per year
- 2019 distributions totaled \$70.3 million, debt service coverage will remain very strong at 4.9x annual debt service payments after issuance of Series 2020 Bonds
- Anticipated to be paid from existing wheel and excise taxes and State gas tax distributions (Local Roads and Streets and Motor Vehicle Highway), thereby avoiding the need to levy the special benefits tax

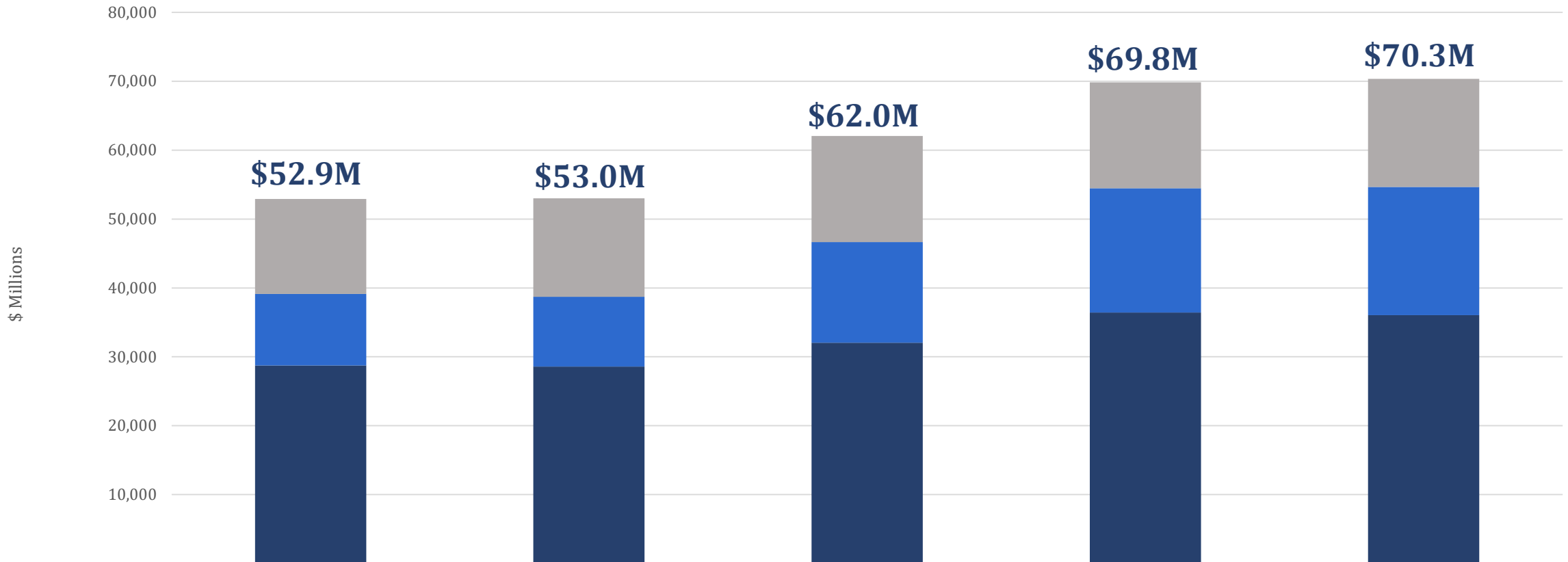
Proposed IndyRoads Debt Service

- Initially lower debt service in first 3 years to allow for 'COVID' Impact
- Overall level debt service of \$14.2M
- Weighted average life of all Roads debt: 11.6 years – shorter than if no refunding occurs



Historical Revenues Used to Pay Debt Service

2015 - 2019 Historical Transportation Revenues

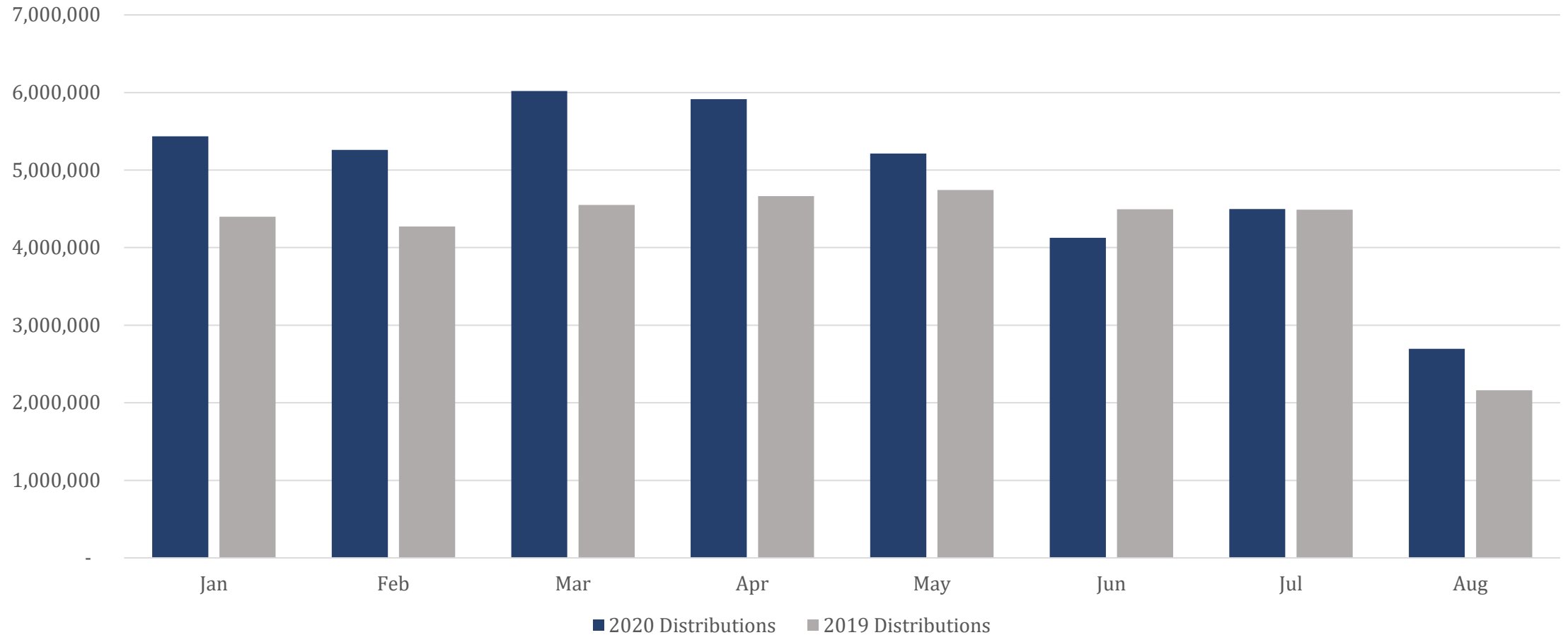


	2015	2016	2017	2018	2019
Wheel and Excise Surtax	13,776	14,311	15,415	15,354	15,664
LRS	10,401	10,114	14,612	18,038	18,627
MVH	28,732	28,588	32,033	36,431	36,043

Source: 2020 IndyRoads CDUA, 2019 City-County CAFR, 2019E IndyRoads Official Statement

MVH & LRS Collections Remain Resilient

2020 vs. 2019 MVH & LRS Gas Tax Distributions



Source: Office of Finance and Management Monthly State Distribution data

Metropolitan Thoroughfare District

What is the Metropolitan Thoroughfare District?

- Metropolitan Thoroughfare District (MTD) is a special taxing district created by I.C. 36-9-6.5
- MTD covers all of Marion County and is governed by the Board of Public Works
- The MTD's purpose is to finance road and street improvements through the issuance of bonds
- Such bonds are issued by the MTD "in the name of the City" per IC 36-9-6.5-9, but such bonds are obligations of the MTD, not the City

Why Use the MTD to Issue the Series 2020 Bonds?

- The MTD is purposed specifically to finance road and street improvements.
- Because MTD bonds are obligations of the MTD and not the City, such bonds count toward a statutory debt limit applicable only to the MTD, thus providing more flexibility for IndyRoads funding.
- Issuing new money bonds and refunding bonds through the MTD will provide the City additional flexibility in issuing future debt.

How Will the Series 2020 Bonds be Paid?

- Special Ordinance Proposal 226, 2020 will approve the use of a special benefits tax levy, however, the existing revenue streams will be appropriated in the City's annual budget to the MTD in an amount sufficient to pay debt service on the bonds.
- Historical revenue streams are projected to have at least 4.9x coverage against debt service for all outstanding IndyRoads bonds, thus no special benefits tax will be levied.

Credit Ratings

Key Ratings for the City

Credits	Revenues	Moody's	S&P	Fitch
City's General Obligation	Property Taxes	Aaa	AA+	AAA
City's Moral Obligation	Mostly TIF-backed	Aa3	AA-	AA
IndyRoads	Wheel and Gas Tax	Aa2	AAA	--
Stormwater District	Stormwater Fees	--	AAA	AA+

Kroll Rating Agency rated City's G.O. debt AAA with a stable outlook

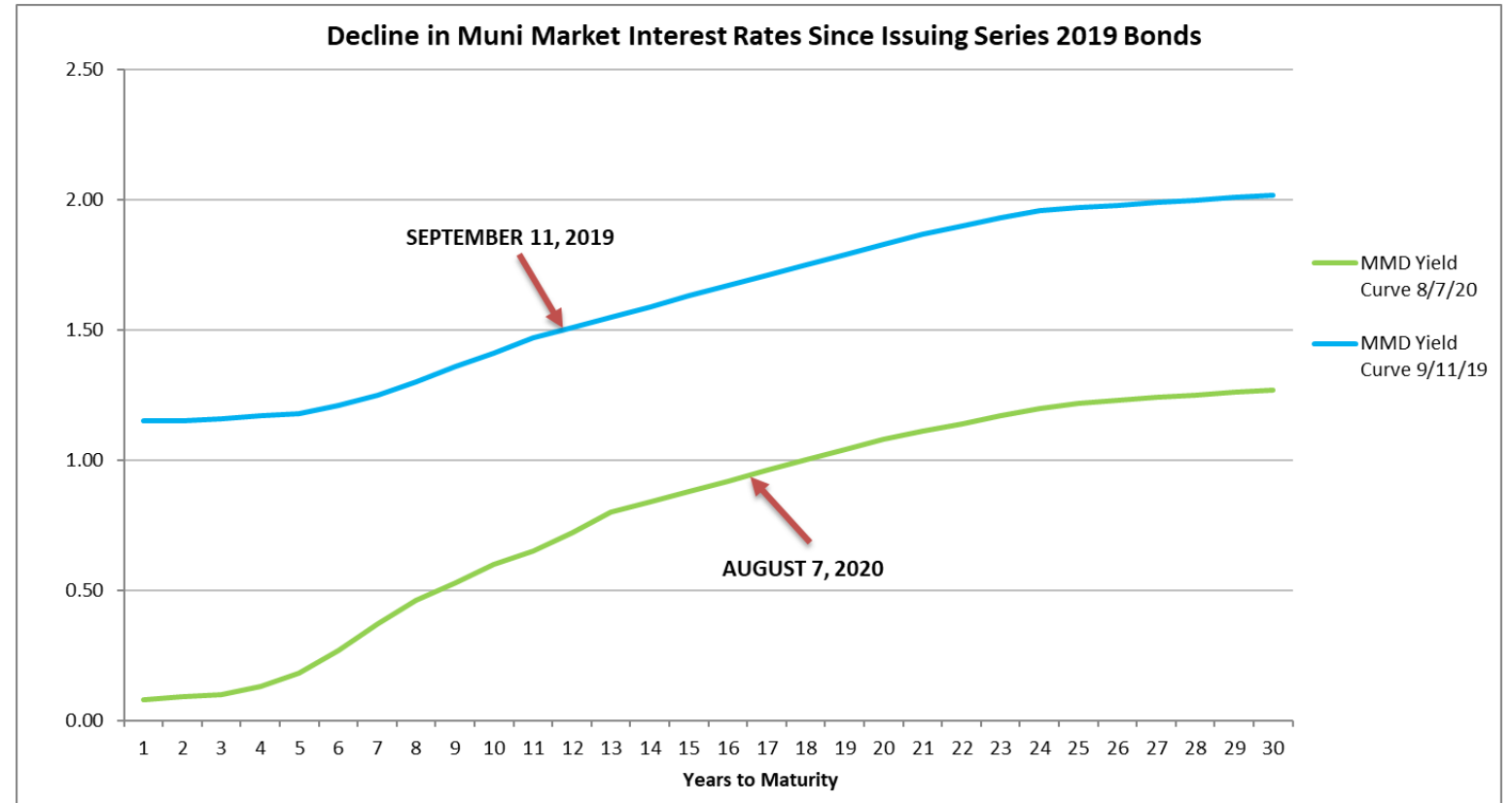
Current IndyRoads Ratings:

- S&P rated the 2019E Bonds as **AAA Stable**.
 - *"Tax bases are very deep, broad, diverse, and support strong revenue performance that has demonstrated low volatility."*
 - *"Very strong coverage (pro forma maximum annual debt service [MADS] above 4.5x) that we anticipate will remain very strong despite additional borrowing plan over the next few years..."*

Market Update

Muni Benchmark Interest Rates

- Municipal interest rates hit record lows on Friday 8/7 as strong demand from investors continues to support the capital markets
- Municipal Bond Funds have reported net inflows for 12 straight weeks
- Taxable rates continue to remain low as the Fed intends to keep interest rates near zero following its most recent meeting



Timeline

- **August 12, 2020:** Board of Public Works adopted Preliminary Determination to Issue Bonds and Declaratory Resolution
- **August 13, 2020:** Public Works Council Committee Meeting
- **August 17, 2020:** Bond Bank Board Meeting Approval
- **August 18, 2020:** Administration & Finance Council Committee Meeting
- **August 26, 2020:** Board of Public Works public hearing and adoption of Appropriation and Confirmatory Resolutions
- **Sept 14, 2020:** Full Council Final Approval
- **Late-September:** Bond Pricing
- **Mid October:** Closing

Tentative and subject to change

Series 2020 IndyRoads Financing Team

- Sycamore Advisors (WBE) – Financial Advisor
- Dentons Bingham Greenebaum – Co-Bond Counsel
- MWH Law Group (MBE) – Co-Bond Counsel
- Citi – Senior Managing Underwriter
- Siebert Williams Shank (MBE & WBE) – Co-Managing Underwriter
- Schiff Hardin – Underwriter's Counsel



Proposal 226, 2020

Questions & Answers



The Indianapolis Local Public Improvement Bond Bank