

MEMORANDUM

Date: July 11, 2014

To: Members of the Whiteland Town Council

From: Jim Higgins, London Witte Group

Re: Town's General Obligation Bonds/BANs of 2014 - Overview

Please allow this memo to provide you with a recap of my previous comments concerning the proposed General Obligation Bonds of 2014 for the Town of Whiteland.

The proposed ordinance that is before you for consideration authorizes the issuance of Bonds and Bond Anticipation Notes (BANs) in amounts not to exceed \$350,000 (Bonds) and \$305,000 for the BANs. The purpose of these obligations is to utilize the proceeds of the BANs to provide the local match and ease cash flow considerations for the Town's Round-a-bout and Signage Projects.

The plan of finance would be as follows:

- The Town passes the ordinance authorizing the issuance of the Bonds/BANs
- The Town proceeds with the issuance of the BANs to a local financial institution
 - For a period not to exceed five (5) years
 - As a "draw obligation" – so that the Town only draws fund as needed and incurs interest only for the amounts and time drawn
 - Is repayable, in whole or in part, at any time, without penalty
 - The principal on the BAN is payable from either the proceeds of the Bonds or any other legally available source of the Town
 - Interest on the BAN is payable from the Town's funds or could be payable from a draw on the BAN
 - A property tax can not be levied to pay the BAN (principal or interest)

The idea here is that the Town would:

- Be able to document that they have match funds (a requirement of the grants to be awarded)
- Would have access to funds to (i) provide the match dollars or (ii) assist in the cash flow – as the grant funds are reimbursement grants and the reimbursements typically take 30-45 days to process from the time a request is made.
- The Town could opt to use its funds first, this merely provides cash flow relief if needed.

- The BANs have a five (5) year maturity – so that the repayment of any BAN balance at the completion of the project – could be spread over future budgets:
 - The Town could spend \$300,000 in 2014/2015 or
 - The Town could spent roughly \$60,000 a year over 5 years and preserve the access to and flexibility with its cash flow

At the conclusion of the five (5) year BAN term, if there was a balance on the BAN remaining, The Town could either use existing funds to pay the remaining balance or issue Bonds. That determination would be based on the balance on the BANs and the cash position of the Town. For example, if the BAN balance was \$20,000 – the Town would most likely opt to pay the balance from existing funds, rather than issue a \$20,000 Bond. If the BAN balance was \$200,000, the Town may opt to issue a short term Bond and spread those payments out over 5 years (\$40,000 plus interest). Again, the idea is to provide the Towns with options and flexibility to meet this projects requirements and the all of the other (anticipated and unanticipated) needs of the Town.

To be clear about the property tax back-up associated with these obligations:

- Principal on the BAN is payable from:
 - Proceeds of the Bonds (if issued) or
 - Other legally available revenues of the Town (General, CCD, CCI, Riverboat, Rainy Day, MVH Funds)
- Interest on the BAN is payable from:
 - Funds legally available to the Town
 - A draw against the BAN
- Principal and interest of the Bonds (if issued) payable from:
 - Funds legally available to the Town or
 - A property tax levy (in the event that there are no available funds for the upcoming year)

The property tax levy is pledged for the Bonds so that an investor knows that the Town is committed to the repayment. It is easy for them approve and avoids the additional Due Diligence that would be associated with a specific revenue pledge (CCD or a specific fund). The fact that the Town elects to use other legally available revenues for the payment on the Bonds is of no real concern of the bondholder – they just want full and timely payment of what is owed them.

I hope this explanation helps as you consider the approval of the proposed bond ordinance. My apologies for not being able to attend the Council Meeting, as I will be in flight returning to Indianapolis on Monday evening.

c: Dennis Capozzi and Michelle Richards
 Stephen Watson
 Jim Gutting
 Jennifer Hudson