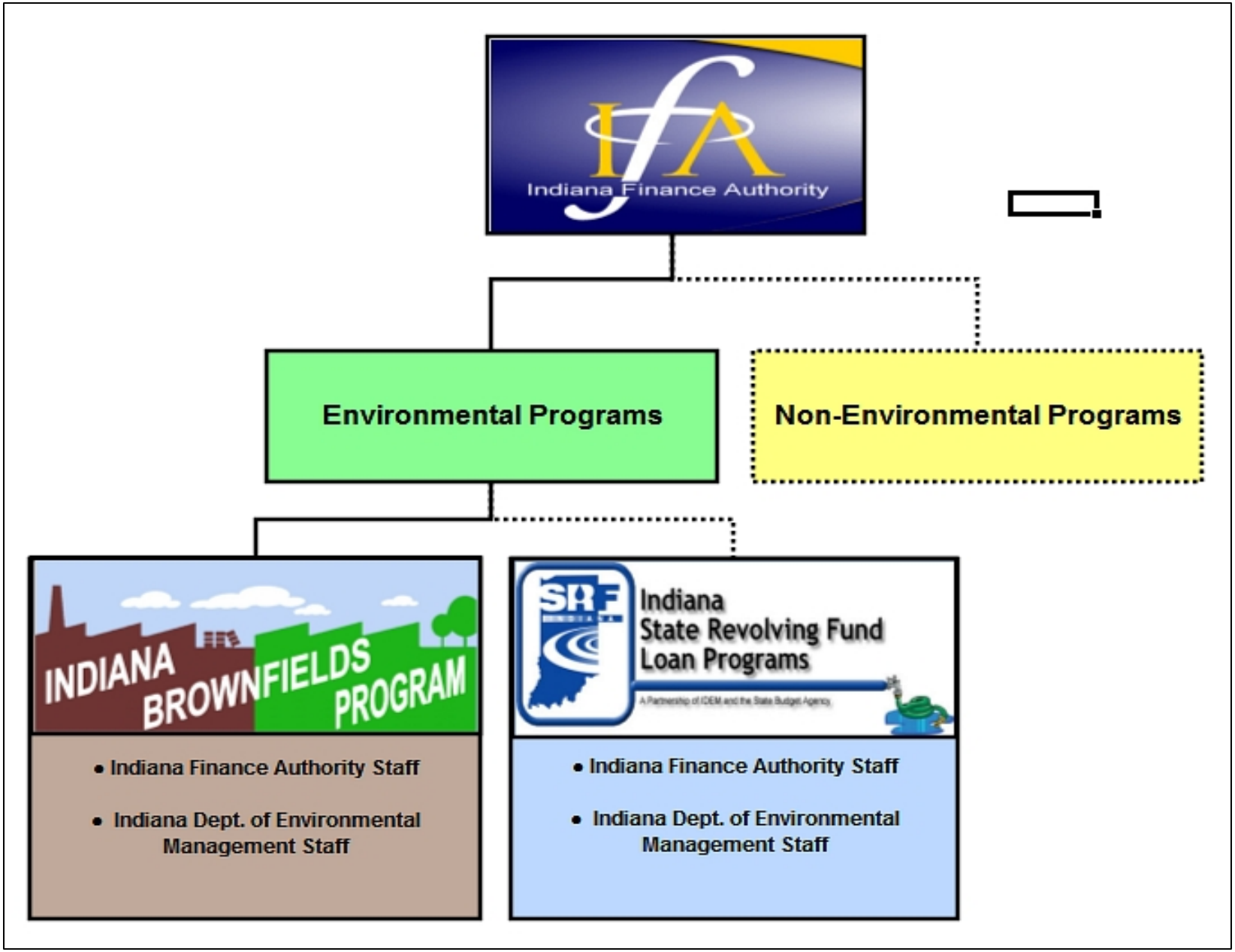
# Indiana Finance Authority Environmental Programs

Sustainable Infrastructure Forum

St. Louis, MO

November 13 & 14, 2007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# Methods of Financing Capital Projects

- Rates and charges (“pay as you go”)
- Cash on hand
- Revenue bonds
- General obligation bonds
- System Development Charge/Assessment
- Grants
- Low interest state loans

# Financing Utility Improvements Through Debt

- Buyers of long-term debt
  - Open market (public)
  - State Revolving Fund (“SRF”)
  - Local or State Wide Bond Bank
  - U. S. Rural Development
  - Other, local bank, etc.

# Financing Utility Improvements Through Debt

- Secured by net revenues of the system
- Utility property <u>not</u> mortgaged
- Does not count against city/town's debt limit – If applicable
- Can be issued in unlimited amounts (based on rate payers ability and willingness to pay)
- Usually not supported by property tax revenues
- Generally 125% coverage is required to make revenue bonds marketable
  - Revenue pledge not as secure as property tax pledge

# Possible Revenue Sources

- Traditional Utility Revenues
- Income tax
- Property tax
- Economic Development Tax
- TIF
- Gaming
- Local industry direct purchase

# System Development Charge Background

- A one-time charge billed to new customers (or developers) for the cost of their capacity
- Could also be billed to an existing customer if additional capacity is required
- Used to finance capital projects that expand system capacity

# Other Names for System Development Charges

- Connection charge
- Hook-on fees
- Tap fees
- Impact fees
- Capacity fees
- Availability fees
- Contribution fees

# Purpose of System Development Charge

- Have new development pay its own way
- Fund major system expansion
  - Generate sufficient cash to fund all, or at least a portion of, capital improvements
- Minimize debt
- More equitably recover capital costs
- Maintain cash reserves
- Reduce impact of growth on utility rates

# Available Grants

- U. S. Rural Development
- Federal Earmark / STAG
- HUD – Via State Authority
- EDA
- SRF - Limited

# SRF Interest Rates

- 3-tier structure based on User Rates and Median Household Income (MHI)
- SRF Program interest rate (“base rate”) is based upon 90% of the average 20-year Municipal Market Data (MMD) for a AAA-Rated Community
- Resets Quarterly

# SFY 2007 SRF Loan Program
# Quarterly Interest Rates

| State Fiscal Year (SFY)<br><br>By Quarter (Qtr) | User Rates:<br>>$50 for WW<br><br>> $45 for DW | User Rates:<br>$30 to $50 WW<br><br>$25 to $45 DW | User Rates:<br><$30 WW<br><br>< $25 DW |
|---|---|---|---|
| Tier III (MHI: under $33,669) | | | |
| 1st Qtr SFY 2007 | 2.70% | 2.95% | 3.45% |
| 2nd Qtr SFY 2007 | 2.40% | 2.65% | 3.15% |
| 3rd Qtr SFY 2007 | 2.26% | 2.51% | 3.01% |
| 4th Qtr SFY 2007 | 2.26% | 2.51% | 3.01% |
| Tier II (MHI: $33,670 to $41,566) | | | |
| 1st Qtr SFY 2007 | 2.95% | 3.20% | 3.70% |
| 2nd Qtr SFY 2007 | 2.65% | 2.90% | 3.40% |
| 3rd Qtr SFY 2007 | 2.51% | 2.76% | 3.26% |
| 4th Qtr SFY 2007 | 2.51% | 2.76% | 3.26% |
| Tier I (MHI: over $41,567) | | | |
| 1st Qtr SFY 2007 | 3.20% | 3.45% | 3.95% |
| 2nd Qtr SFY 2007 | 2.90% | 3.15% | 3.65% |
| 3rd Qtr SFY 2007 | 2.76% | 3.01% | 3.51% |
| 4th Qtr SFY 2007 | 2.76% | 3.01% | 3.51% |

*MHI = Median Household Income*

# SFY 2007 Loan Summary - Wastewater

| Applicant Name | Closing Date | Loan Amount | Estimated Open Market Interest Rate [1] | Estimated Open Market P & I | SRF Interest Rate | SRF P & I | SRF Savings |
|---|---|---|---|---|---|---|---|
| Churubusco | 31-Jul-06 | $840,000 | 5.00% | $1,348,075 | 3.70% | $1,203,559 | $ 144,517 |
| Tell City | 17-Aug-06 | $1,425,000 | 5.00% | $ 2,286,914 | 3.45% | $1,996,229 | $ 290,685 |
| Hartsville | 9-Oct-06 | $386,000 | 5.00% | $ 619,473 | 3.15% | $ 526,128 | $ 93,345 |
| Alexandria | 17-Nov-06 | $400,000 | 5.00% | $641,941 | 2.90% | $ 532,766 | $ 82,400 |
| Liberty | 27-Nov-06 | $5,600,000 | 5.25% | $9,178,656 | 2.65% | $7,286,670 | $1,891,986 |
| Mt Vernon | 29-Nov-06 | $400,000 | 5.25% | $ 655,618 | 2.90% | $ 532,766 | $ 122,852 |
| Columbia City | 15-Dec-06 | $6,928,000 | 4.50% | $10,651,959 | 2.90% | $9,227,514 | $1,424,444 |
| Union City | 15-Dec-06 | $1,720,000 | 5.00% | $ 2,760,345 | 2.85% | $2,280,273 | $ 480,072 |
| Indianapolis | 15-Dec-06 | $34,750,000 | 4.50% | $53,428,920 | 2.90% | $46,284,083 | $7,144,837 |
| Columbus | 15-Dec-06 | $27,449,000 | 4.50% | $42,203,466 | 3.65% | $39,152,947 | $3,050,518 |
| Centerville | 15-Dec-06 | $3,400,000 | 5.25% | $5,572,755 | 2.65% | $4,424,050 | $1,148,705 |
| Aurora | 15-Dec-06 | $4,000,000 | 5.25% | $6,556,183 | 2.65% | $5,204,764 | $1,351,418 |
| New Albany | 29-Dec-06 | $1,280,000 | 5.00% | $2,054,210 | 3.95% | $1,875,362 | $ 178,848 |
| Cloverdale | 31-Jan-07 | $720,000 | 5.00% | $1,155,493 | 3.95% | $1,054,891 | $ 100,602 |
| Wolcott | 30-May-07 | $688,000 | 5.25% | $1,127,663 | 4.39% | $1,047,757 | $ 79,906 |
| Greensburg | 30-May-07 | $8,500,000 | 5.25% | $13,931,888 | 4.39% | $12,944,673 | $ 987,215 |
| Hammond | 30-May-07 | $17,225,000 | 5.25% | $28,232,562 | 4.14% | $25,664,154 | $2,568,407 |
| | Total WW | $115,711,000 | | | | Total WW Savings | $ 21,140,757 |

*[1] Est. open market interest rate determined by applicant's financial advisor.*

# SFY 2007 Loan Summary - Drinking Water

| Applicant Name | Closing Date | Loan Amount | Estimated Open Market Interest Rate[1] | Estimated Open Market P & I | SRF Interest Rate | SRF P & I | SRF Savings |
|---|---|---|---|---|---|---|---|
| Patriot | 27-Aug-06 | $5,989,000 | 5.50% | $ 10,023,110 | 3.20% | $ 8,200,704 | $1,822,406 |
| Middlebury | 27-Aug-06 | $5,935,000 | 4.50% | $ 9,125,198 | 3.95% | $ 8,695,527 | $ 429,671 |
| Linden | 30-Oct-06 | $775,000 | 5.25% | $ 1,270,260 | 2.90% | $ 1,032,235 | $ 238,025 |
| Fort Wayne | 30-Dec-06 | $31,900,000 | 5.00% | $ 51,194,771 | 3.95% | $46,737,544 | $4,457,227 |
| Huntertown | 13-Dec-06 | $4,500,000 | 5.25% | $ 7,375,705 | 3.15% | $ 6,133,619 | $1,242,087 |
| Linden | 29-Dec-06 | $3,280,000 | 5.25% | $ 5,376,070 | 2.90% | $4,368,685 | $1,007,385 |
| Marshall | 29-Dec-06 | $297,000 | 5.25% | $ 486,797 | 2.40% | $ 377,444 | $ 109,353 |
| Brookston | 05/30/07 | $1,372,000 | 5.00% | $ 2,201,857 | 4.39% | $2,089,423 | $ 112,434 |
| Chalmers | 05/30/07 | $310,000 | 5.00% | $ 497,504 | 4.39% | $ 472,100 | $ 25,404 |
| Greensburg | 05/30/07 | $7,120,000 | 5.00% | $ 11,426,544 | 0.00% | $7,120,000 | $ 4,306,544 |
| | Total DW | $61,478,000 | | | | Total DW Savings | $ 13,750,536 |

2007 Grand Total DW & WW Loans: **$177,189,000**

Communities' Total Savings (SRF vs. Market): **$34,891,293**

*[1] Est. open market interest rate determined by applicant's financial advisor.*

# Contact

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