

Indiana Township Association

2017 Education Conference

“Investing, Financing and Purchasing Efficiently”

Capital Financing / Funding:

- 1) Pay-as-you go: (“Planning” to pay without debt, except short-term leases)
 - a. Cumulative Fire Building and Equipment Fund (Fire Capital Only)
 - i. IC 36-8-14
 - ii. Raises money outside the maximum levy
 - iii. Maximum rate \$.0333 per each \$100 of AV
 - iv. Money accumulates indefinitely
 - v. Can be used for capital expenditures only
 - vi. Can make cash purchases or lease purchases
 1. Indiana Bond Bank (IBB) Hoosier Equipment Lease Purchase (HELP)
 - a. Amortize 2-7 years based on estimated useful life
 - b. Please see IBB FAQ document for HELP
 2. Lease Purchase through local bank
 - a. Amortize less than 5 years, should be less than useful life
 - vii. Must be appropriated (Annual Budget or Additional Appropriation)
 - b. Rainy Day Fund
 - i. IC 36-1-8-5.1
 - ii. Subject to local restriction, can be used for any municipal purpose
 - iii. Can transfer up to 10% of total annual budget
 - iv. Money can accumulate indefinitely
 - v. Can be used for capital expenditures
 - vi. Must be appropriated (Annual Budget or Additional Appropriation)
- 2) Bank / Vendor loans: (When ongoing revenue streams are insufficient to fund capital needs)
 - a. Indiana Bond Bank (IBB) programs
 - i. Community Funding Resource (CFR)
 1. Typically, under \$2.0 million and amortization to 10 years
 2. Secure with new property tax (outside maximum) or other revenue
 3. Requires Municipal Financial Advisor and Bond Counsel
 4. Please see IBB FAQ document for CFR
 - b. Commercial bank loans
 - i. Public Works Loan IC 36-9-41
 1. Typically, under \$2.0 million and amortization to 10 years
 2. Must meet definition of “Public Works”, consult Legal Counsel
 3. Repay with new debt levy outside maximum levy
 4. Most likely requires Municipal Financial Advisor and Bond Counsel
 5. Subject to Bond Cap (1/3 of 2% of assessed value)
 - ii. Firefighting apparatus and equipment loan IC 36-8-13-6(Fire Capital Only)
 1. Amortization to 6 years

2. Financed through an Indiana financial institution
 3. Repay with new debt levy outside maximum levy
 4. Most likely requires Municipal Financial Advisor and Bond Counsel
 5. Subject to Bond Cap (1/3 of 2% of assessed value)
- c. Vendor funding
- i. Firefighting apparatus and equipment installment contract IC 36-8-13-5(Fire Capital Only)
 1. Typically, amortization to 6 years
 2. Typically, financed through vendor
 3. Secure with new property tax (outside maximum) or other revenue
 4. Most likely requires Municipal Financial Advisor and Bond Counsel
 5. Subject to Bond Cap, if secured by property tax
- 3) General Obligation (GO) bonds: (Typically for larger amount and or longer amortization)
- a. Bond cap calculations
 - i. Total property tax debt limited to 1/3 of 2% of assessed value
 - b. Amortization
 - i. Generally limited to 20 years
 - ii. Should be for no more than the estimated useful life
 - iii. Need to consider marketability and interest rate costs
 - c. Requires Municipal Financial Advisor and Bond Counsel
 - d. May involve underwriter, registrar, and or paying agent
- 4) Lease-rental purchase bonds (Building): (Typically when debt won't fit under bond cap or township does not want to tie up all its bond cap in a building)
- a. Use of Building Corporations
 - i. Building corporation is required to issue lease-rental bonds and is technically the issuer of the bonds so that the debt amount does not count against the township bond cap
 - b. Amortization
 - i. Should be for no more than the estimated useful life
 - ii. Need to consider marketability and interest rate costs
 - c. Requires Municipal Financial Advisor and Bond Counsel
 - d. May involve underwriter or placement agent, registrar, and or paying agent

NOTES: