

The Mid-Ohio Regional Planning Commission

Options in Capital Asset Financing

January 22, 2019



Mid-Ohio Regional
Planning Commission

The Mid-Ohio Regional Planning Commission

Opening

Susan Tsen

Director of Finance/Assistant Dir of Operations



Mid-Ohio Regional
Planning Commission

Housekeeping

MOFA

CPE Credit

Facilities

The Mid-Ohio Regional Planning Commission

Welcome

**William Murdock
Executive Director**



Mid-Ohio Regional
Planning Commission

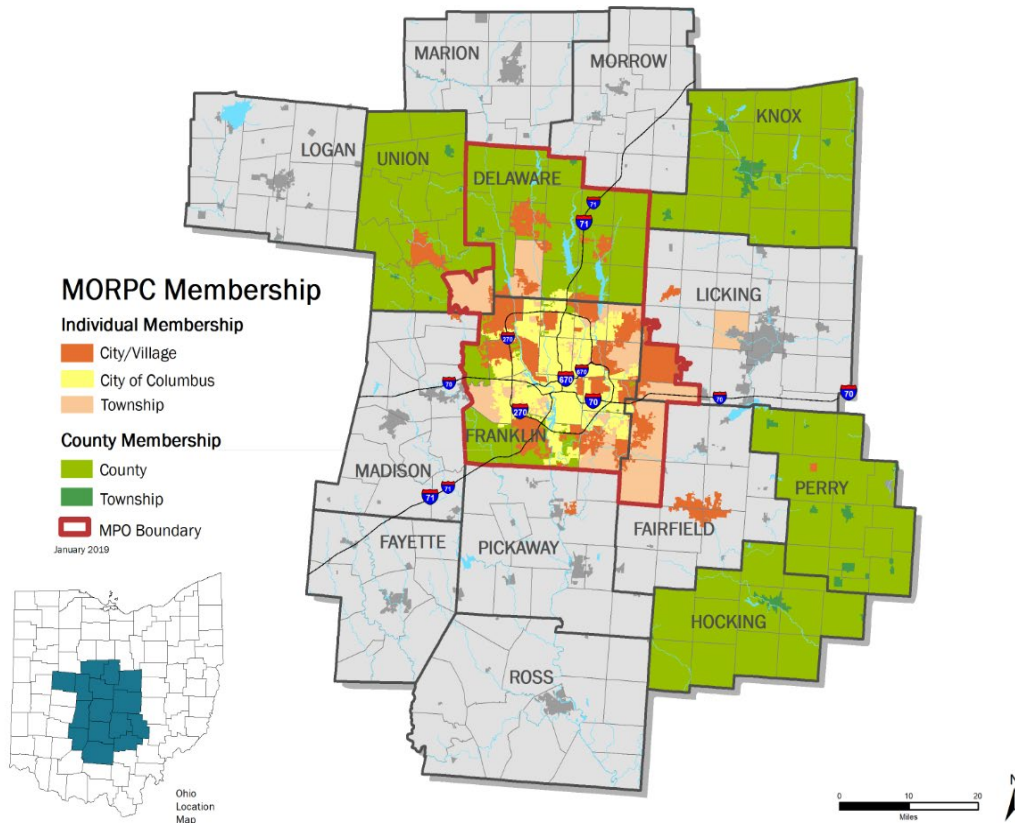


Welcome to MORPC!

Name

Community

Role



Transportation & Funding

Energy & Air Quality

Planning & Environment

Regional Data & Mapping

Sustainability

Public Policy

Mid-Ohio Regional Planning Commission Presents



We welcome Public Service Officials from Villages, Townships, Cities and Counties in the Northwest Central Ohio Communities located in Marion, Logan, Madison (North), Union, Delaware (West), and Franklin (Northwest portion) Counties as well as our partners in transportation & community planning.



REGIONAL COLLABORATION NW

Date: Tuesday, January 29, 2019

Time: 3 p.m. to 4:30 p.m.

Location: Liberty Township

7761 Liberty Rd., Powell, Ohio 43065

Welcome & Introductions

- MORPC-updates
- SE Studies & Plans
- Infrastructure Projects & Community Planning



No charge to attend.
RSVP at Eventbrite.

For more information:
Contact Eileen Leuby
Membership Services
Coordinator
614.233.4135
eleuby@morpc.org

Positive Workplace Cultures in Local Government

Thursday, February 14, 2019

11:30 a.m. Network; 11:45 a.m. Lunch

Location: MORPC



Featured speaker: Cheryl Mueller, President & Managing Principal for the Columbus and Dayton regions of HORAN. A leading advisor in employee benefits and financial services, HORAN was named one of the 2018 Healthiest 100 Workplaces in America and a certified Great Place to Work!



****NEW**** Learn about the future of local and regional transportation
Spring 2019 Fridays March 1,8,15,22,29

Central Ohio is growing – so is the insight2050 Academy!

We invite elected and appointed officials from Central Ohio communities, to join engineers, transportation officials, and other advocates of transportation options. It will showcase the experiences of Central Ohio communities that have adopted, or are developing, complete streets policies.

To learn more, visit:

getinsight2050.org

Or contact:

Brian Williams

bwilliams@morpc.org

614.233.4187

STATE OF THE REGION 2019

SAVE THE DATE



MID-OHIO REGIONAL
MORPC
PLANNING COMMISSION

PLANNING TODAY.
TRANSFORMING TOMORROW.

MORPC's **State of the Region** luncheon brings together our region's and state's top political, business, and civic leaders to celebrate community accomplishments.

Make sure to save the date on your calendar. We will be announcing our exciting keynote speaker and opening registration soon!

For State of the Region sponsorship opportunities, contact [Amanda McEldowney](#) at 614.233.4112.

April 2019

18

Greater Columbus
Convention Center
400 North High St.
Columbus, OH 43215

11 a.m. Networking
11:30 a.m. - 1 p.m. Program

MORE INFO



New brand coming out!



William Murdock
wmurdock@morpc.org
Phone: 614.233.4101

111 Liberty Street, Suite 100
Columbus, Ohio 43215

www.morpc.org



The Mid-Ohio Regional Planning Commission

Options in Capital Asset Financing

January 22, 2019



Mid-Ohio Regional
Planning Commission

Panel



Tim Fisher
Manager Government Affairs
Council of Development Finance Agencies (CDFA)
tfisher@cdfa.net



Michael DiPerna
Founder/President & CEO
DiPerna Financial Advisors
mdiperna@dipernafinancial.com



David Tiggett
Director
KeyBanc Capital Markets
david.tiggett@key.com

Options in Capital Asset Financing



Tim Fisher
Manager Government Affairs
Council of Development Finance
Agencies (CDFA)



Mid-Ohio Regional
Planning Commission



www.cdfa.net

Unlocking Bond Financing in Central Ohio



Presented By
Tim Fisher, Manager Government Affairs
Council of Development Finance Agencies
tfisher@cdfa.net
www.cdfa.net



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What is Development Finance?

- Development finance is the efforts of local communities to support, encourage and catalyze expansion through public/private investment in physical development/redevelopment and/or business/industry.
- It is the act of contributing to a project/deal that causes that project/deal to materialize in a manner that benefits the long term health of the community.





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What Does DF Include?

- Debt, equity, credits, liabilities, remediation, guarantees, collateral, credit enhancement, venture/seed capital, early stage, workforce, technical assistance, planning, short-term, long-term, incentives, gap, etc.
- Proactive approaches that leverage public resources to solve the needs of business, industry, developers and investors.





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Why is DF Important?

- Businesses need working capital and the ability to invest in themselves
- Developers need assistance to achieve an acceptable ROI
- Communities need infrastructure and amenities
- Citizens need opportunities for advancement – jobs, small business, education, etc.
- Regions need economic prosperity





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Development Finance Agency (DFA)

- Development finance agencies (DFAs) can be either public or quasi-public/private authorities that provide or otherwise support economic development through various direct and indirect financing programs.
- DFAs may issue tax-exempt and taxable bonds, provide credit enhancement programs, and offer direct lending, equity investments, or a broad range of access to capital financing mechanisms.
- DFAs can be formed at the state, county, township, borough or municipal level and often times have the authority to provide development finance programs across multi-jurisdictional boundaries.

DFA Examples

- Industrial development authorities, boards or corporations
- Economic development authorities, corporations or councils
- Special purpose authorities (port, transportation, parking, development, energy, air, water, infrastructure, cultural, arts, tourism, special assessment, education, parks, healthcare, facility, etc.)
- Local and community development authorities, corporations or institutions
- Departments of development or commerce and finance authorities, divisions, or departments within state and local government
- Business development corporations, centers or districts
- Development and redevelopment authorities, commissions or districts



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High Impact DFA

- Every state has authorizing language to allow for the creation of the DFAs
- DFAs that are able to manage and implement a variety of toolbox programs are considered “high performing”
- For those communities that do not have the means or capacity to create a high performing DFA, partnerships are critical





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Landscape of Tools – 100s of Them

Tax Incremental
Finance

Microlending

New Markets
Tax Credits

504 Loans

Municipal
Bonds

Grants

EB-5

Collateral
Support

Linked Deposit
Programs

Impact
Investing

Community
Reinvestment Act

Revolving Loan
Funds

Historic Tax
Credits

Seed & Venture
Capital

Property Assessed
Clean Energy

Special
Assessment

501(c)3 Bonds

Industrial
Development Bonds

Credit
Enhancement

Mezzanine
Funds

Tax Abatements

Economy, Environment & Equity

- Many roadblocks to supporting sustainable development including
 - **Credit quality** – borrowers, project, community
 - **Disinvestment** – crumbling infrastructure, stressed workforce
 - **Environmental challenges** – blight, contamination
 - **Costs** – sustainability is expensive
 - **Resistance** – equitable development is threatening to many
 - **Rebounding economy** – easier paths to success (short lived as they may be)

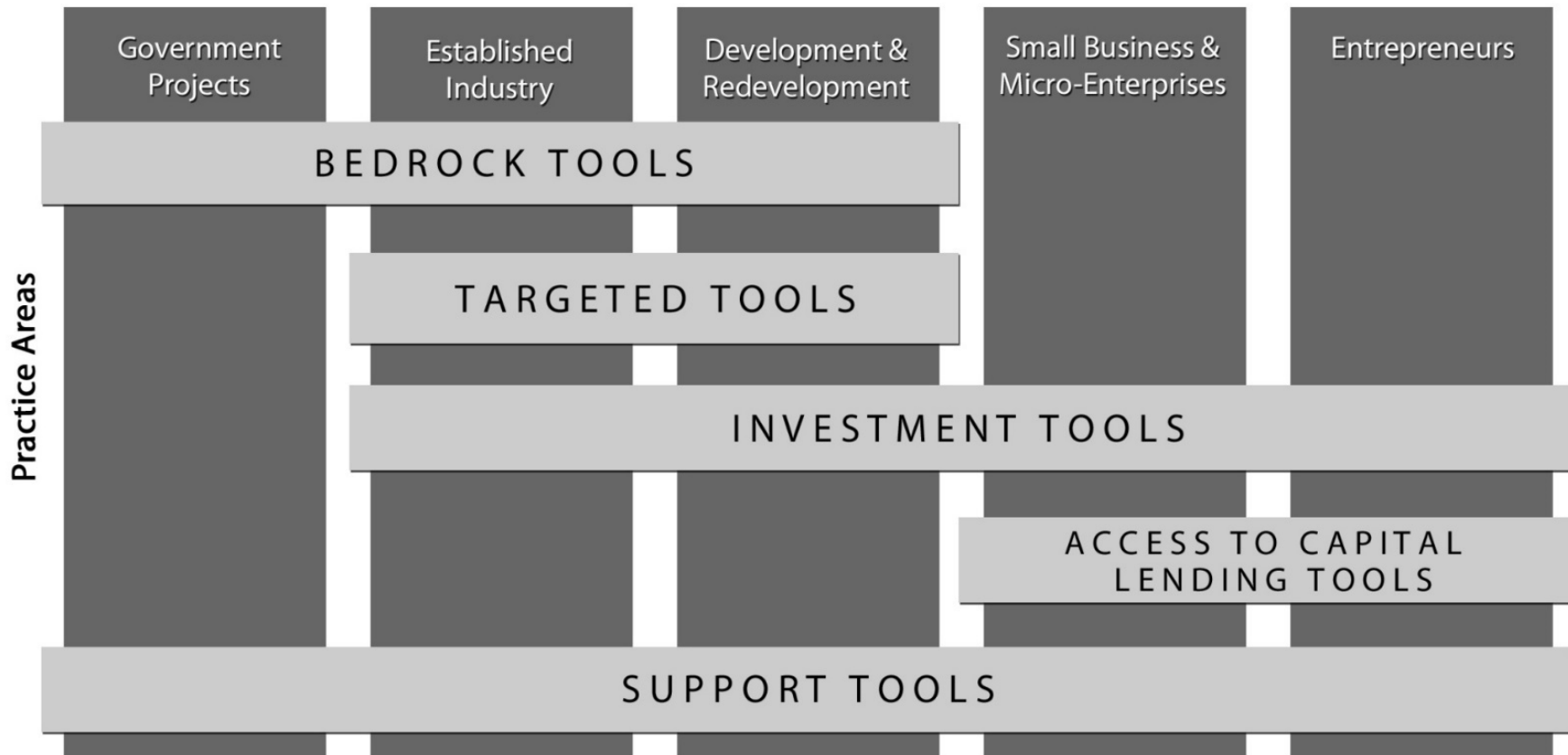
Economy, Environment & Equity

- How do we address these roadblocks?
 - **Analytics** – What is the cost of doing development in the old manner and how can we monetize the savings to be sustainable?
 - **Scope** – What problem are we trying to solve and can that problem be solved with a wider scope? One-offs hurt progress.
 - **Local Initiative, Wide Support** – How do we engage the local community to not only support equitable development but to also invest in it? And, how do we get larger players (private entities) to foot the bill?
 - **Leverage** – Using small public dollars to leverage large private investment



Development Finance **SPECTRUM**

Types of Financings



From the *Practitioner's Guide to Economic Development Finance*



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The Toolbox & Financing Spectrum

5 Practice Areas

Practice Area 1: Bedrock Tools

Bonds and the Basics of Public Finance

Practice Area 2: Targeted Tools

Tax Increment Finance, Special Assessment Districts, Government Districts, Project Specific District Financing & Tax Abatements

Practice Area 3: Investment Tools

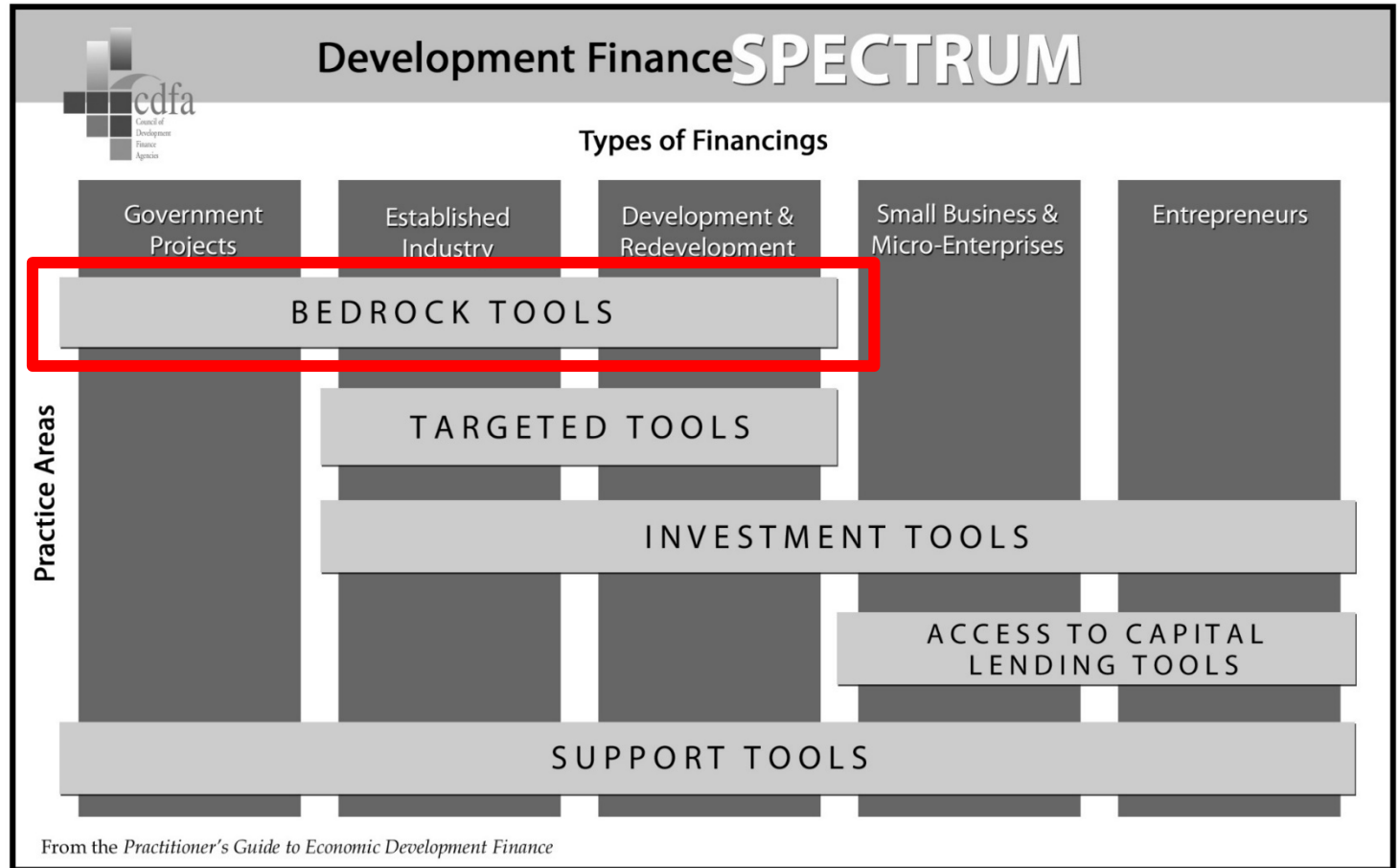
Tax Credits, EB-5

Practice Area 4: Access to Capital Lending Tools

Revolving Loan Funds, Mezzanine Funds, Loan Guarantees and Microenterprise Finance, Seed & Venture Capital

Practice Area 5: Support Tools

Federal Funding





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Bonds

- Bond use dates back over 100 years with the tax reform act of 1986 shaping today's use
- A bond is a loan. A loan is a promise to pay
- Units of government (called issuers) borrow routinely in the tax-exempt bond market by pledging revenues to pay back the bonds (loans)
- Investors (bond buyers) buy these loans and are afforded exemption from income tax on interest income on these investment
- Government (GO) Bonds are tax-exempt, used for public projects
- Private Activity Bonds (PABs) are tax-exempt, utilized for economic development



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What do Bonds Finance?

- Roads, bridges, sewers, water treatment plants, dams
- City halls, prisons, schools, hospitals, libraries, YMCAs, museums
- Parks, swimming pools, community centers, universities,
- Stadiums, theaters, music halls, clinics
- Recycling plants, energy generation facilities, solar fields
- Small manufacturing facilities, first-time farmers, non-profits, affordable housing
- And much more



Simplified Process

1. Issuer identifies a project and determines if it qualifies for tax-exempt financing
2. Counsel and underwriters prepare documents, legal opinions and offering statements to price and sell bonds in capital markets
3. Underwriter places (sells) bonds to investors (bond buyers) in capital markets raising cash for project
4. Issuer pledges revenues (taxes, fees, appropriations, proceeds, etc.) to pay back bond buyers (i.e. loan)

Note:

Issuer and borrower are not always the same entity. (i.e. conduit bonds)



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Simplified Process

1. Bond (loan) is paid back over course of time with both regular principle and interest payments
2. Trustee acts as fiduciary agent on behalf of bond holders (bond buyers) and manages payments
3. Under certain scenarios, issuer may refinance issuance at a later date
4. Bond holder (bond buyer) receives relief from federal/state income taxes on interest earnings on bonds

Types of PABs

- **Exempt Facility Bonds** – Can be used for airports, docks, wharves, mass-community facilities, etc.
- **Qualified Redevelopment Bonds** – Infrastructure projects that do not meet the requirements of GOs may qualify for tax-exemption if they meet several tests of "qualified redevelopment bonds;" e.g., proceeds used for redevelopment purposes in designated blighted areas, etc.
- **Qualified 501(c)(3) Bonds** – Bonds used to finance projects owned and used by 501(c)(3) organizations. Two types - hospital bonds and nonhospital bonds
- **Qualified Exempt Small Issues** – IDBs for qualified manufacturing projects including purchase, construction, extension and improvement of warehouses, distribution facilities, industrial plants, buildings, fixtures and machinery.
- **Aggie Bonds** - Support beginning farmers and ranchers with eligible purchases of farmland, equipment, buildings and livestock.
- **Other Revenue Bonds** – Allow revenue-generating entities to finance a project and then repay debt generated revenue. Toll roads and bridges, airports, seaports and other transportation hubs, power plants and electrical generation facilities, water and wastewater (sewer).



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Why Communities Use Bonds?

- Opportunity to invest in projects and businesses and the ability to influence ROI in development projects
- Easy to promote and monitor with performance measures
- Low cost and secure source of support to industry
- Can issue on conduit basis without backing (IDBs)





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Why Industry Uses PABs?

- Lower interest rates (conventional loans vs. tax-exempt)
- Tax-exempt status to buyers of bonds – attractive
- Lower cost to borrower
- Cheaper money (but not free)





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Important Players

- **Issuers** – 55,000+ nationwide, must have authority to issue
- **Bond Counsel** – legal public finance experts
- **Underwriters** – sells and/or places the bonds in market
- **Trustee** – fiduciary agent for the bondholders
- **Investors** – those who actually purchase the bonds
- **Financial Advisor** – independent reviewer for issuer
- **Rating Agencies** – independent credit review entities



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Notes on PABs

- Market forces at play – when traditional interest rates are low, bond use tails off, when traditional interest rates go up, bond issuance tends to go up
- Need good bond counsel on transactions – don't risk an issuance going taxable if it is not a qualified PAB
- Many rules and regulations – learn the programs before making any determinations

Colorado Housing & Finance Authority

[about chfa](#) [contact chfa](#) [for participating lenders](#) [for investors](#) [careers](#)



financing the
places where
people live
and work



CLOSURE // CHFA will close at Noon on Wednesday, January 27, 2016 for our Annual All Staff meeting. We will resume normal business hours on Thursday, January 28.

homeownership

Make your dreams of
homeownership come true with

rental housing

Let CHFA help you build and

business lending

Get capital to grow your business.

current customers

home mortgage customers



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Colorado Housing & Finance Authority

loan programs

CHFA works with lenders to help businesses finance owner-occupied commercial real estate acquisition, renovations, and equipment purchases.

Our fixed rate loans and lower equity requirement give you the stability to grow your business.

tax exempt bonds

Manufacturing businesses and nonprofits can take advantage of low interest rate financing available for real estate that tax exempt bonds help make possible.

Click below to access the bond programs for:

- ❖ Manufacturers
- ❖ Nonprofits

access to capital

Take your business to the next level using CHFA's access to capital programs. Acquire additional collateral to secure financing with our Cash Collateral Support program.

Or use our credit reserve programs to connect with lenders actively serving small business customers.

new markets tax credits

New Markets Tax Credits (NMTCs) are an economic development tool designed to encourage private investment in underserved communities.

Make a difference in a local low income community by using this flexible financing tool to locate or expand your business in the area.

fresh food financing fund

The Colorado Fresh Food Financing Fund (CO4F) generates jobs and access to healthy food in underserved Colorado communities by financing grocery stores and other forms of healthy food retail.

resources

CHFA partners with the lending community and economic development professionals to help your business succeed.

Check out these resources if you are looking for more information about small business finance or how to grow your business.



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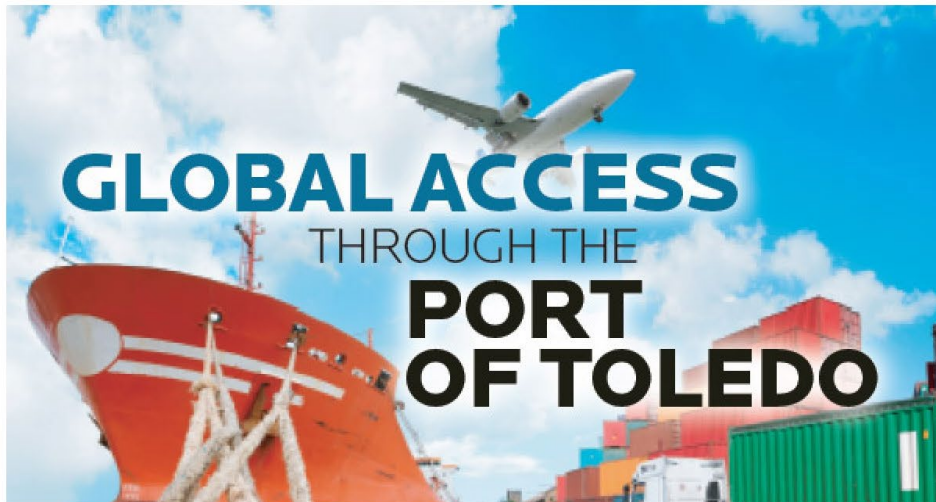
Toledo-Lucas County Port Authority



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THURSDAY, JANUARY 28, 2016

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The Great Lakes Seaway Partnership Press Release - November cargoes reflect diversity



2016 Toledo Air Show



The Great Lakes Seaway Partnership Press Release - General Cargo shipments dominate Seaway traffic in June

TWITTER NEWS

Tweets

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 **Toledo Port Auth.**
@TLCPA

26 Jan

Staying warm this winter? Visit



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Toledo-Lucas County Port Authority

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CONTACT

For Finance inquiries:

Laurie Cantrell or Joe Bajas

One Maritime Plaza

Suite 701

Toledo, OH 43604-1866

Phone: 419.243.8251

Fax: 419.243.1835

For media inquiries and additional information, please contact:

FINANCING SERVICES

BETTERBUILDINGS NORTHWEST OHIO ENERGY EFFICIENCY FINANCING

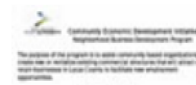
INNOVATIVE FINANCING PROGRAMS

The Toledo-Lucas County Port Authority has developed a national reputation for innovative business financing, assisting over 340 economic development projects representing a total investment of more than \$1.9 billion while helping to create and retain nearly 18,500 jobs.

Financing Options include:

- Fixed Interest Rate Revenue Bonds
- Infrastructure Financing
- Conduit Revenue Bonds
- Ohio 166 Regional Loan Program
- U.S. Small Business Administration 504 Loan Program

INITIAL PROJECT INFORMATION FORM



Initial Project Information forms are needed to determine whether a project meets the requirements of any of the Port Authority development financing programs. Initial Project



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St. Louis Economic Development Partnership

ST. LOUIS ECONOMIC DEVELOPMENT PARTNERSHIP

serving st. louis city and county

The new reality of a shared vision...

314.615.7663

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Real Estate & Community Dev.

World Trade Center St. Louis

STLVentureWorks

Business Finance

ST. LOUIS ECONOMIC DEVELOPMENT PARTNERSHIP

St. Louis, Missouri is the place to grow your business. From the spark of an idea to a thriving enterprise, we have the diverse talent, tools and drive to help you grow and prosper. St. Louis Economic Development Partnership, formerly St. Louis County Economic Council, serves St. Louis City and County, marking a new era of collaboration in economic development.



An Accredited Economic Development Organization

NEWS & EVENTS

< January 2016 >

Su	M	Tu	W	Th	F	Sa
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10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
				31		

IN THE NEWS

- St. Louis has a banner year for attracting venture capital
- Watlow plans \$30 million expansion
- Six Reasons Why Immigrants Should Head To St. Louis

CLICK HERE FOR

- St. Louis Promise Zone
- City/County Strategic Plan
- View our RFP/RFQs

2016 ANNUAL MEETING

May 19

RADICAL³¹⁴



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St. Louis Economic Development Partnership

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The new reality of a shared vision...

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LOANS AND BONDS

BIG ON IDEAS BUT SHORT ON FUNDING?

The Business Finance Division provides expert advice and finance solutions to help grow your business. Whatever your needs, our professional staff can assist you in determining which loan is best for you.

CONNECT WITH Resources

Connect with the resources that make a difference and drive results for your company. Our finance team are an integral and innovative part of the small business financing process. Offering flexibility, convenience and competitive pricing, our financing options include loans, bonds and private equity that range from \$500 to \$12,500,000.

Product and Service	Details	Amount	Term
SBA 504	Financing term capital for job creation, expansion, equipment for fixed assets, such as real estate and vehicles.	Up to \$5 million	10 years
SBA 7(a)	Use the SBA 7(a) loan program to fund working capital, inventory, equipment, real estate, and other business needs.	Up to \$5 million	10 years
St. Louis County Bonds	A low-cost long-term program for municipalities to purchase fixed assets such as water and sewer systems and other infrastructure.	Up to \$100 million	20 years
St. Louis County Bonds	Financing for economic growth, expansion or development without adding new debt.	Up to \$100 million	20 years
St. Louis County Bonds	Use the SBA 504 loan program to fund working capital, inventory, equipment, real estate, and other business needs.	Up to \$5 million	10 years
St. Louis County Bonds	Use the SBA 7(a) loan program to fund working capital, inventory, equipment, real estate, and other business needs.	Up to \$5 million	10 years

Small Business



St. Louis County Bonds

The St. Louis County Bonds program is designed to provide financing for small businesses. The program is designed to provide financing for small businesses. The program is designed to provide financing for small businesses.

St. Louis County Bonds

Participating lenders are required to provide financing for small businesses. The program is designed to provide financing for small businesses. The program is designed to provide financing for small businesses.

How it works



Fixed-Asset Loans

- SBA 504 Loan Program
- BOOST Loan Program

Tax-Exempt Loans, Bonds

Private Equity Investment

- Regional Growth Capital

Specialty Business Loans

- Contractor Loan Guaranty
- Brownfields Cleanup Loan
- Micro loan
- St. Louis County Recycling Loan
- STL VentureWorks Revolving Loan



Chester County (PA) Economic Development Council

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Chester County Economic Development Council

[Services](#) [Key Industries](#) [Invest in CCEDC](#)



\$188,033,655
Secured in public financing for local projects

Mike Longobardi represents the County's investment in the development of the Mike Longobardi Women for Health Center



Mike Longobardi representing the County's investment in the development of the Mike Longobardi Women for Health Center



Mike Longobardi representing the County's investment in the development of the Mike Longobardi Women for Health Center

Assisted
578
dislocated workers

Mike Longobardi representing the County's investment in the development of the Mike Longobardi Women for Health Center



Mike Longobardi representing the County's investment in the development of the Mike Longobardi Women for Health Center

2014-15
**ACCOMPLISHMENTS
& Events**



\$22,843,611
Invested
by seven tech companies on
research, development, testing &
validation



Trained
1,252
Employees
from 253 companies at an average cost of
\$487/person

Available Online - The 2014-2015 Annual Review



3,380
Youth
received financial aid for summer activities



Mike Longobardi representing the County's investment in the development of the Mike Longobardi Women for Health Center



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Community Development



Mike Longobardi representing the County's investment in the development of the Mike Longobardi Women for Health Center

THE CCEDC CAN HELP YOU



Start
Your Business



Finance
Your Business



Grow
Your Business



Develop
Your Workforce



Attract
Businesses

Your Business

Your Business

Your Business

Your Workforce

Businesses



Inject capital into your business

Victory Brewing Company - Downingtown, Pa

Questions?

Sherwood Robbins, 610.321.8241
srobbins@seedcopa.com

CONTACT

A CCEDC Initiative



A CCEDC affiliate program specializing in SBA 504, 7A, and USDA financing for small businesses. >

Take the Next Step in Building your Business

Low-interest debt financing and creative debt restructuring have always been core competencies at CCEDC. Over the course of its 50-plus year history, CCEDC has closed over \$2 billion in loans utilizing federal (SBA 504 and 7a), state (PIDA, SBFF, MELF, Tax-exempt) and local loan programs. With an experienced, eight-person lending department, the CCEDC utilizes professional expertise to design loan packages and blend various funding programs together to offer clients a customized, business-specific funding structure.

CCEDC's SBA Certified Development Company affiliate, [South Eastern Economic Development Company of Pennsylvania](#) (Seedcopa), has evolved to become the statewide leader in SBA lending. Seedcopa has become the largest SBA 504 lender in Pennsylvania serving companies throughout the state as far north as Pike County and as far west as Dauphin and York Counties. In addition, Seedcopa recently became a Lender Service Provider (LSP) providing SBA 7a processing and packaging services to 12 regional bank partners.

Related Programs & Resources:

[Site Selection >](#)

[Tax-Exempt Financing >](#)

[Agriculture Financing >](#)

[SBA Financing >](#)

News

August 2013

Seedcopa was awarded \$2,000,000 in funds by the Commonwealth of Pennsylvania Department of Community and Economic Development as part of the State Small Business Credit Initiative (SSBCI) program established by the Federal Jobs Act of 2010. These funds are being used by Seedcopa to establish a direct loan fund to enhance its current government [...]

Case Studies

Communications Test Design, Inc. (CTDI)

Appeeling Fruit, Inc.

Walmoore Holsteins Inc.

[See all Case Studies >](#)



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Thank You!

Tim Fisher, Manager
Government Affairs
tfisher@cdfa.net

Toby Rittner, DFCP
President & CEO
trittner@cdfa.net

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Options in Capital Asset Financing



Michael DiPerna
Founder/President & CEO
DiPerna Financial Advisors



Mid-Ohio Regional
Planning Commission

State Infrastructure Bank Loan Program

Can Finance: Roads; Lighting; Bridges; Airports; Rail; Parking Facilities

- 3% fixed interest rate;
- Loan terms up to 20 years;
- Amounts up to \$2,500,000;
- First year interest free;
- Second year interest can accrue;
- Eligible Borrowers are Political Subdivisions;
- Various repayment streams are acceptable;
 - Non-Tax revenues: gas tax collections; parking revenues; TIF.
- Must provide a secondary repayment source;

Projects

- Hamilton Rd. (S Curve)
- City of Dublin (33/270 exchange)
- West Broad St. (Reconstruction)
- Rickenbacker Intermodal



DiPerna Advisors

Tax Increment Financing (TIF)

Can Finance: Roads; Water; Sewer; Lighting; Parking Facilities ; Signalization

- Redirect increased property taxes from new private development to finance public improvements;
- TIF revenues (payments in lieu of taxes) assigned by taxing authority to Bond Trustee;
- Qualified public improvements
- Up to 30 years;
- Create a minimum payment concept to maximize leverage of TIF payments;

Bond Sale Challenges

- GO-backed; LOC backed; Stand-alone rating; Developer buys bonds;

TIF Projects

- Vision – Hilliard (roads, lighting and signals)
- One Neighborhood (parks, fencing and improvements)
- Battelle (parkland)
- Harrison West (roads, parks and improvements)



DiPerna Advisors

Property Assessed Clean Energy (PACE)

Can Finance: Energy Efficiency Improvements – Windows; HVAC Installation; Boilers; Roofs

- Created in 2011;
- Allows for creation of an Energy Special Improvement Distract (ESID);
- Allows a Special Assessment to be placed on the property;
- Assessment equals debt service over the term of the debt;
- Tax collection process through county;
- Why is this important:
 - Allows under utilized property to be rehabilitated;
 - PACE can not be accelerated;
 - Increases loan to value;

Columbus Projects

- PNC Tower – Downtown
- Long St./ Front – Brad DeHays
- Wasserstrom HQ
- Dublin Office Buildings
- Worthington Hills Country Club
- Trinity Lutheran Seminary



DiPerna Advisors

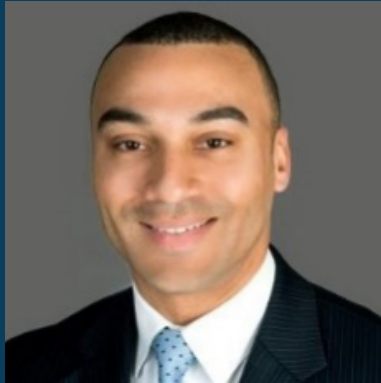
Columbus – Franklin County Finance Authority Central Ohio Regional Bond Fun

Can Finance: Public Improvements or Private Assets

- Rated A - by S&P Global
- \$1,000,000 - \$7,000,000
- Public Infrastructure – Up to 30 years
- Corporate assets; 15 to 20 years
- Long-term/Fixed rate
- Can purchase TIF/NCA/PACE Bonds



Options in Capital Asset Financing



David Tiggett
Director
KeyBanc Capital Markets



Mid-Ohio Regional
Planning Commission

“Things you should know about issuing debt”

David C. Tiggett

KeyBanc Capital Markets Inc.

Public Finance Investment Banking

A Presentation to the Mid-Ohio Regional Planning Commission on 1/22/2019

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Theory of Public Finance of Capital Projects

➤ Why do communities issue debt?

- ✓ Costs are too high for cash payment of a project
- ✓ Spread the cost of a project over current and future generations
 - Benefits are spread over several generations - - costs should be as well
 - One generation should not subsidize the next
- ✓ Payments should equate to useful life of assets or less

- ✓ Example of public purposes for which debt is issued:
 - Building schools – both for K-12 and higher educational institutions
 - Road projects – new roads and highways as well as maintenance on existing roads
 - Public power projects
 - Sewer & Water and other utilities
 - Economic Development

Types of Bonds

➤ General Obligation

- ✓ Obligations of a community backed by the property tax base of that community
- ✓ May be self-supporting OR paid by either income tax or some clearly defined revenue stream
- ✓ Issuer must always have the millage set aside to make debt payments
 - But not levy the millage unless, and until, the revenue stream or other resources can not support debt

➤ Conduit Bonds

- ✓ Issuer enters into an arrangement with a private conduit borrower in which the bond proceeds are loaned to the conduit borrower and the conduit borrower repays the loan to the issuer.
- ✓ For most conduit bonds, although the governmental issuer of the bonds is legally obligated for repayment, that obligation usually is limited to the amounts of the loan repayments from the conduit borrower.
- ✓ If the conduit borrower fails to make loan repayments, the governmental issuer typically is not required to make up such shortfalls.
- ✓ Thus, unless the bond documents explicitly state otherwise, investors in conduit bonds should not view the governmental issuer as a guarantor on conduit bonds.

Types of Debt Issued

➤ General Obligation (GO) Bonds

- ✓ Backed by property taxes of community
 - Income taxes may pay for debt service and thus the millage is not levied
- ✓ Subject to constitutional / statutory limitations

➤ Revenue Bonds

- ✓ Completely self-supporting
- ✓ Backed by a particular source of revenue

Types of Revenue Bonds:

- Income Tax Bonds
- Sales Tax Bonds
- Utility Bonds

➤ Certificates of Participation (COPs)

- ✓ Secured by the revenue stream of the lease payments; subject to annual appropriation

Constitutional Limitations – GO Debt

➤ Indirect Debt Limitation

- ✓ Ten-mill limitation based on total outstanding debt service
 - Maximum aggregate to be levied on any single piece of property
 - “Inside” millage must first be used for the payment of debt service on unvoted GO debt of the subdivision

- ✓ Limited Tax General Obligation (LT GO) – UNVOTED
 - Allows for the raising of property taxes up to the “Ten-mill” limitation

- ✓ Unlimited Tax General Obligation (UT GO) – VOTED
 - Allows community to levy taxes on property sufficient to support debt service

- ✓ Exclusions
 - Revenue bonds and notes

Statutory Limitations – GO Debt

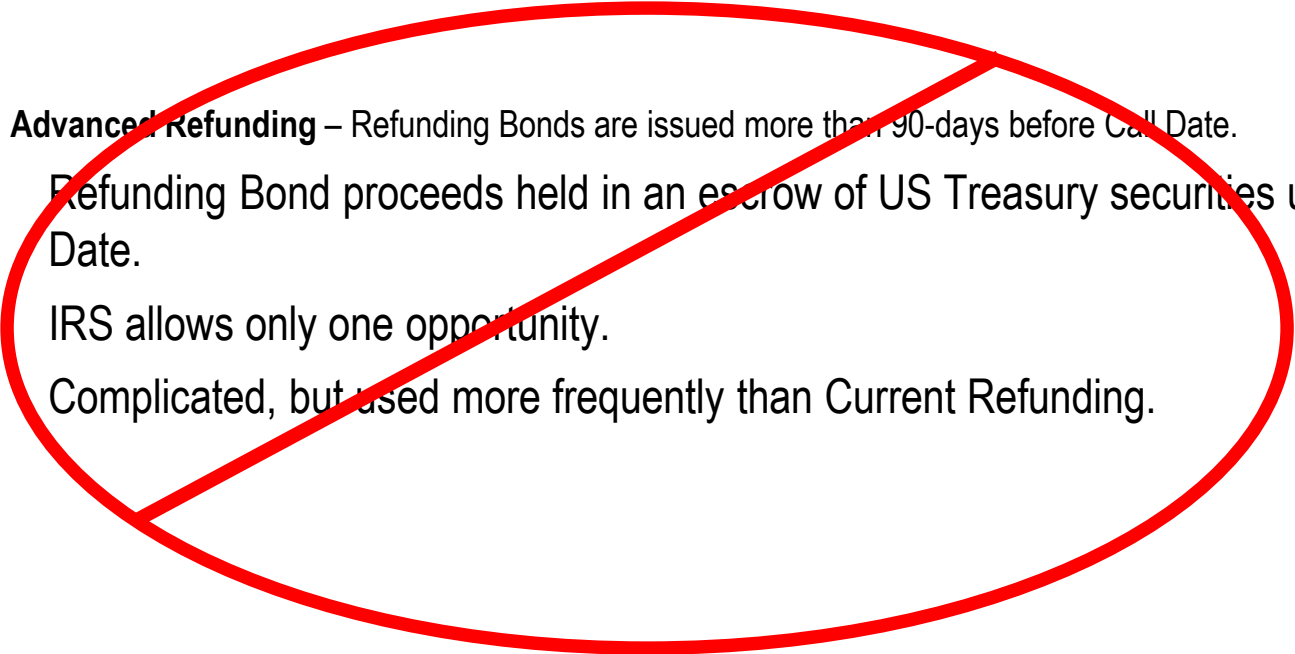
➤ Direct Debt Limitation

- ✓ Based upon the value of all property in the community as listed and assessed for taxation
 - Unvoted GO debt – may not exceed 5½%
 - Voted AND unvoted GO debt – may not exceed 10½%
- ✓ Exempt Debt – Debt not included in the direct debt limit calculation
 - Self-supporting GO debt, i.e. revenues from the facilities financed are sufficient to pay applicable operating and maintenance expenses and related debt service and other requirements
 - Bonds issued in anticipation of the collection of special assessments
 - Revenue bonds
 - Note issues in anticipation of the collection of current revenues or in anticipation of the proceeds of a specific tax levy
 - Notes issued for certain emergency purposes
 - Bonds issued to pay final judgments

Recent Municipal Market Changes

1. **Current Refunding** – Refunding Bonds are issued within 90 days of Call date.

Rule of Thumb is to refund if present value of savings is at least 3% of principal being refunded

2. **Advanced Refunding** – Refunding Bonds are issued more than 90-days before Call Date.
 - Refunding Bond proceeds held in an escrow of US Treasury securities until Call Date.
 - IRS allows only one opportunity.
 - Complicated, but used more frequently than Current Refunding.
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Debt Issuance Process

Underwriter - Investment Bankers

- Perform due diligence on disclosure
- Provide financing plan assistance
- Provide rating agency & bond insurer preparation assistance
- Provide investment advice and advance refunding services

Sales Force – Market the Bonds

Issuer (Official Statement)

- Approve bond legislation
- Assist with preparation of disclosure data
- Develop financing plan
- Make rating & insurance presentations (if applicable)
- Make bond payments

Bond Counsel (Legal Opinion)

- Prepare bond resolution
- Provide Official Statement/disclosure preparation assistance
- Prepare various deal related legal documents
- Provide legal opinion to investors

Rating Agencies / Bond Insurers (Rating / Insurance Policy)

- Review credit worthiness of the Issuer
- Rating agencies issue bond rating
- Insurance companies insure issue (if economically beneficial)

Investors

- Purchase bonds
- Receive interest and principal payments from paying agent

Paying Agent / Registrar (P&I Payments)

- Authenticate bonds
- Receive interest and principal payments from Issuer
- Make interest and principal payments to investors

Municipal Advisor

- Provides financing options
- Guidance on rating strategy/preparation
- Provides financial analysis
- Reviews bond documentation
- Provide pricing guidance and review
- Provide legal opinion to investors

Recent Municipal Market Changes

The tax reform bill of late 2017 has many potential effects on the refinancing options for issuers. Below are options for refinancing bonds.

Issuing Taxable Debt

- Taxable bonds are exempt from federal tax law, therefore a taxable refinancing is not subject to the “one advance refunding” rule, like a tax-exempt issuance. This option would allow issuers to execute an advance refunding and secure interest savings on bonds that can only be currently refunded or were advance refunded.

Option 1

Refund outstanding debt on a taxable basis. Taxable bonds are exempt from federal tax laws.

Current Refunding with Forward Option

- Using a forward option, an issuer can execute a refinancing outside of the traditional 90 day time frame for a current refunding. Under this option, an issuer would price their debt a number of months in advance, and close within 90 days of the call date of the refunding opportunity. Typically, for each month between pricing and closing, issuers will have to pay investors between 5-10bps in extra yield.

Option 2

Execute a current refunding months before the call date, but close within 90 days of the call date.

Current Refunding

- The tax-reform bill eliminated advance refundings, but maintained the legality of current refundings; the major distinction between the two is that current refundings occur within 90 days of a call date. Going forward, we expect to see optional redemption dates of fewer than 10 years from the original dated date.

Option 3

Refund outstanding debt within 90 days of the call date

Credit Rating Process

Bond Rating Services

		Moody's Investors Service	STANDARD & POOR'S	FitchRatings
(Lower Interest Rates)	Best Quality	Aaa	AAA	AAA
	High Quality	Aa1	AA+	AA+
		Aa2	AA	AA
		Aa3	AA-	AA-
	Upper Medium Grade	A1	A+	A+
		A2	A	A
		A3	A-	A-
	Medium Grade	Baa1	BBB+	BBB+
		Baa2	BBB	BBB
		Baa3	BBB-	BBB-

Credit Rating Process

- Inform Agency of Upcoming Sale
- Provide Necessary Information
 - Financial Statements, Budgets, Audits, POS
- Analyst Performs Review
- Issuer Financing Team Interaction with Analyst
 - Presentation or Conference Call
 - Follow-up Questions and Clarifications
- Credit Committee Presentation
- Rating Determination & Issuer Credit Report

Rating Factors

1. Demonstrate your ability to manage District finances
 - Show non-traditional sources of liquidity, if any
 - Establish Board policy for end-of-year carryover balance
2. Describe the ongoing efforts to maintain voter support for levies
 - Emphasize the quality of the educational “product” provided
3. Demonstrate your ability to manage through demographic changes
 - Provide examples of enrollment projection and tracking systems, including examples of projections from previous years compared with actual results
 - Provide copies of capital facilities planning materials, and describe planning process
 - Describe communications with major developers, commercial taxpayers and County Auditor
4. Maintain an ongoing and consistent relationship with the rating analysts

Rating Factors

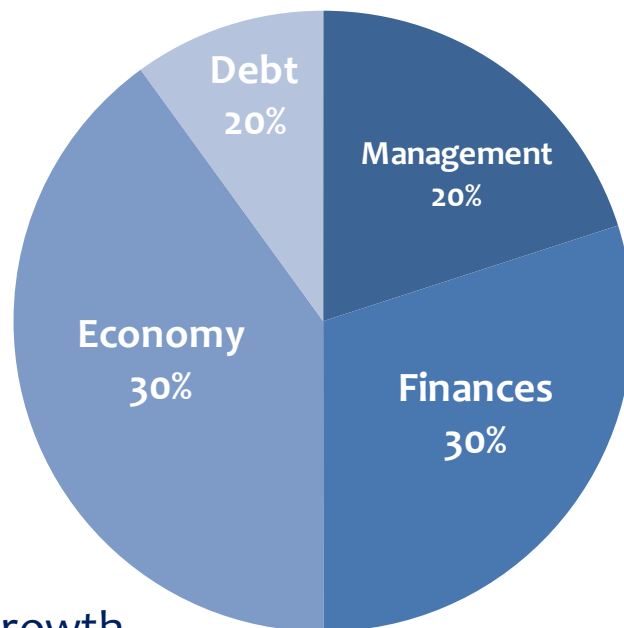
Four Primary Credit Factors¹

Debt

- Amount outstanding as % of full valuation
- Structure and composition
- Other long-term commitments

Economy

- A.V. and historic growth
- Diversity of economy, taxpayer concentration
- Unemployment rates, median income



Management

- Financial planning and budgeting
- Realistic assumptions
- Policies and historical performance
- Timely disclosure

Finances

- Multiyear financial trends
- Available cash on hand
- Operating flexibility to raise revenue or cut expenditures
- Budget predictability

¹ Moody's Investors Service

THANK YOU!

David C. Tiggett

Director – Public Finance
KeyBanc Capital Markets
David.Tiggett@key.com
(614) 460-3463

Q & A



SUSAN TSEN

stsen@morpc.org

Phone: 614.233.4138

EILEEN LEUBY

eleuby@morpc.org

Phone: 614.233.4135

111 Liberty Street, Suite 100
Columbus, Ohio 43215

www.morpc.org

