

City of Greensburg, Indiana

Options for Funding Road Projects

Lincoln Street & Other Future Projects

June 10, 2008



Lincoln Street Project Cost

Water Line	Total Cost	Grant Funding	Local Funding
Construction	\$650,000	\$520,000	\$130,000
Engineering	69,500		69,500
Inspection	81,250	65,000	16,250
Subtotal	800,750	585,000	215,750
Other			
Construction	8,032,805	5,549,920	2,482,885
Engineering	1,698,000		1,698,000
Right-of-Way	1,725,000		1,725,000
Subtotal	11,455,805	5,549,920	5,905,885
Total	\$12,256,555	\$6,134,920	\$6,121,635

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Lincoln Street Project Cost - Local Share

Water Line	\$215,750
Other	5,905,885
Subtotal	6,121,635
Freeland Road Corridor Plan	190,900
Capitalized Interest	568,000
Debt Service Reserve	382,973
Underwriter's Discount (1.5%)	68,625
Cost of Issuance & Contingencies	120,273
Total Local Share	\$7,452,406

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Lincoln Street Project Project Funding

Borrow	\$4,575,000
Cash	
Costs already paid (1)	1,353,906
Cash balance applied (2)	893,300
2008 TIF Distribution	391,000
2009 TIF Spring Distribution	223,200
Interest Earned on Balances	16,000
Total Cash	2,877,406
Total Funding	\$7,452,406

(1) Based on March 20, 2008 Analysis.

(2) Maintains approximately \$775,000 in Cash balances.

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Lincoln Street Project Project Funding

Estimated Borrowing	\$4,575,000
Estimated Annual Payments (1)	\$385,000
Estimated Annual TIF Revenues	\$446,000
Coverage Ratio	115%

(1) Assumes Bonds paid from 2/1/2009 – 2/1/2031 at approximately 5.85%

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City of Greensburg Options for Borrowing Funds For Road Projects

- **Option 1 – City of Greensburg Bonds**
 - General Obligation Bonds
 - Results in new tax rate to pay bonds
 - Amount that can be borrowed is limited by State Constitution
- **Option 2 – Greensburg Redevelopment Commission Bonds**
 - Special Taxing District Bonds
 - Results in new tax rate, unless TIF revenues are available to pay bonds
 - Amount that can be borrowed is limited by state statute

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City of Greensburg Options for Funding Road Projects

- Question – What are the current debt limits? (1)

City of Greensburg	\$3,070,000
Less: Outstanding Debt	2,305,000
Remaining Debt Limit	\$765,000

Greensburg Redevelopment Commission	\$3,070,000
Less: Outstanding Debt	0
Remaining Debt Limit	\$3,070,000

(1) Based on Pay 2007 NAV

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City of Greensburg Options for Funding Road Projects

- How do you fund large road projects that cost more than the City's constitutional debt limit or the Redevelopment Commission's statutory debt limit?
- Structure the debt so it qualifies as a lease payment, not a bond payment.

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City of Greensburg Options for Funding Road Projects

- Question – How do you structure the debt so it qualifies as a lease payment?
- Answer –
 - 1) Create a leasing corporation.
 - 2) Create an agreement for the leasing corporation to build the road and lease it back to the City.
 - 3) Leasing corporation borrows money based on the City's promise to pay lease rentals.
- Note: If the Redevelopment Commission is building the road, the leasing corporation is called the Redevelopment Authority.

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City of Greensburg Options for Funding Road Projects

- Question – How do you structure the debt to reduce the chance of having property tax impact?
- Answer – In addition to pledging property taxes to pay the lease, pledge TIF revenues.

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City of Greensburg Options for Funding Road Projects

- Summary – Funding Lincoln Street
 - Need to construct project with limited or no tax impact.
 - Involve the Redevelopment Commission and use TIF dollars to fund project.
 - Proposed Lincoln Street project exceeds the debt limit.
 - Have to have the debt qualified as a lease.

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City of Greensburg How to Fund Future Projects

- As time goes on:
 - Assessed values go up, debt limits go up
 - Existing debt pays off, freeing up debt capacity
 - New growth in the TIF area could cause annual TIF revenues to grow
 - If not needed for other projects, TIF balances will grow

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City of Greensburg How to Fund Future Projects

- **Borrowing Options**
 - City General Obligation Bonds
 - Redevelopment Commission Special Taxing Unit Bonds
 - Lease
- **Payment Options**
 - Property tax
 - TIF

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Funding Future Projects

Current TIF Revenues

Beginning Cash Balance	\$ 775,000
Expected Net Annual TIF Revenues Assuming no growth	\$ 61,000

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Funding Future Projects

Illustration of TIF Revenues from Future Development

Captured Investment	Assumed Tax Rate	Estimated Tax Increment
\$25 Million	2.1991	\$550,000
\$50 Million	2.1991	\$1,100,000
\$75 Million	2.1991	\$1,649,000

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Funding Future Projects

Illustration of Options Assuming \$50 Million of New Development

Option 1 - Conventional Open Market Financing

Estimated Bond Size	\$9,240,000
Estimated Funds for Construction, Engineering, & Land	\$7,100,000

Option 2 - Developer Participates in Project Funding, Borrowing at market interest rates.

Estimated Bond Size	\$10,500,000
Estimated Funds for Construction, Engineering, & Land	\$9,160,000

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