



ADDENDUM NO. 1

Questions and Answers

Addendum to the Indianapolis Bond Bank RFP-CJC-2017-005

Request for Proposals

*\$20 Million Short Term New Money Financing Services for
the Indianapolis-Marion County Community Justice Campus*

Published: August 15, 2017

Introduction and Disclaimer

In August 3, 2017, the Indianapolis Local Public Improvement Bond Bank issued a Request for Proposals pertaining to services for a *\$20 Million Short Term New Money Financing Services for the Indianapolis-Marion County Community Justice Campus* (Bond Bank RFP-CJC-2017-005).

As stated in Section 3.3, questions regarding this RFP were required to be submitted via email before August 11, 2017 at noon EDT.

This addendum serves as official answers to the questions submitted over email.

Extended Deadline

Proposals must be submitted by **Friday, August 18, 2017 at 5:00 PM EDT** in electronic PDF form via electronic mail to André Zhang Sonera at andre.zhangsonera@indy.com with reference to **[Firm's Name] | Indianapolis Bond Bank RFP-CJC-2017-005** in the subject line of the electronic mail.

Questions and Answers

Are all portions of Local Option Income Tax (e.g. \$266 million in FY16) pledged toward the Notes or is there some portion that is to be used for specific purposes such as public safety, etc.?

City-County Council Resolution 10, 2017 (Proposal 17-175) pledges "local option income tax revenues" of the City and County, not a portion of such revenues.

According to the 2016 CAFR, there does not appear to be any other debt secured by a pledge of Local Option Income Tax, please confirm that this is correct and if any debt with this pledge has been or is anticipated to be issued in 2017.

Per the City, there is no other debt secured by a pledge of Local Option Income Tax and there is no current intent to issue other debt in 2017 secured by a pledge of Local Option Income Tax.

Are there any plans to issue parity debt while the subject Notes are outstanding?

The City reserves the right to utilize issuance of this or other short-term financing options, secured by the same Local Option Income Tax pledge, during the construction period.

Are there any legal or any other limitations to pledging the Local Option Income Taxes to the debt obligations?

At this time, other than the constitutional debt limitation, there are no known legal limitations on the pledge of Local Option Income Tax to the proposed 2017 notes.

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Will the repayment of the note or commercial paper from the pledged Local Option Income Taxes be subject to appropriation by the City-County Council?

The repayment of the Notes is not subject to annual appropriation by the City-County Council.

Have the Local Option Income Taxes been pledged for the repayment of any other notes, bonds or debts?

No.

What is the estimated timeline and details of entire project (total cost, source of funds, when construction will begin/end)?

Current projections estimate the start of construction in 4Q 2018 with a total project cost of \$571 million and project completion in mid-2021. The City-County Council has not yet authorized either the larger project funding or the legal source of security, although a Local Option Income Tax pledge has been discussed. The City has identified sufficient sources of funds within the current FY2017 Budget to fund the projected annual lease payments for the entire project cost.

Is the intent for the initial \$20 million to be repaid with a Bond issuance and the Local Option Income Tax is more of a secondary source of repayment?

While the City-County Council pledged City and County Local Option Income Tax to repayment of the \$20 million Bonds without reference to a larger project, if the larger project moves forward and is ultimately approved by the City-County Council, the Bond Bank intends to issue long-term debt to take out the \$20 million Bond issue.

If so, when is the estimated bond issuance, shortly before construction begins?

This has not been determined.

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Will the bonds of the construction portion of the Project also be secured by Local Option Income Tax?

See response above.

Please provide a 5-year history of Local Option Income Tax revenues and a 3-year projection.

A four-year history and two-year projection (2013 to 2018) of Local Option Income Tax revenues is attached. For internal budgeting purposes, OFM (Office of Finance and Management) utilizes a 3% to 3 ½% growth rate for projecting future Local Option Income Tax revenues. (See Exhibit A).

Is Local Option Income Tax repeatable or does it sunset? If so, when and/or how?

The Local Option Income Tax statute may be amended by the Indiana General Assembly. As currently written, IC 6-3.6-6-3 and 6-3.6-6-5 prohibit taxing units from reducing the proportional allocation of Local Option Income Tax for a particular year below what is necessary for the payment of debt service in that year on bonds, leases or other obligations for which Local Option Income Tax has been pledged.

Are Local Option Income Tax revenues securing any other debt obligations? If so, what and how much?

See response above.

Are there any limitations or Additional Bonds Tests on the Local Option Income Tax security?

The City has not previously done a financing secured principally by Local Option Income Tax revenues so an additional Bonds Test and an Indenture have yet to be developed.

Has any Local Option Income Tax secured debt been issued that is rated? If so, which series?

No.

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Please provide a status of the environmental work/remediation that is ongoing at the planned site for the Project.

Citizens Energy Group, which is the current owner of the site, entered into a Voluntary Remediation Agreement with the Indiana Department of Environmental Management (“IDEM”) in 2005 under VRP #6050203. During that time, Citizens has conducted numerous environmental investigations and several interim measures across the site.

Is the site fully remediated? If not, what is the timeline, estimated cost and source of funds for this effort?

Citizens submitted a Remediation Work Plan (“RWP”) for the site on July 31, 2017, which IDEM is working toward approving by the end of the year. The RWP contains a summary of these prior activities and those proposed by Citizens to achieve closure of the site. The RWP and all other documents submitted to IDEM by Citizens for the site are available on IDEM’s online Virtual File Cabinet (www.vfc.idem.in.gov).

Please provide a potential draw schedule for the drawdown bond/commercial paper program.

The draw schedule for the \$20 million Bond was attached to the RFP – no further information is available.

Are you able to provide a breakout of the prior 5 years of City income tax revenues, broken down by component tax? If that is unavailable are you able to provide a breakdown of the Local Option Income Tax alone?

See above.

Does the 4% max rate noted in Appendix A, Section 2 apply to default rates as well?

No. The City will consider reasonable proposals for addressing this in the unlikely event of default.

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Similarly, would the 4% max rate noted in Appendix A, Section 2 apply to the eventual open market financing noted in Section 1.2 of the RFP? Has the Indianapolis Bond Bank decided if that open market financing will be done on a negotiated or competitive basis?

Currently it only applies to the \$20 million Bond issue. The Bond Bank has not yet made a recommendation and the City Council has not yet authorized a larger financing.

In the RFP it refers to taskforce recommendations and this new money request being part of the larger Community Justice Campus project. As we look ahead, and if any decisions have been made there, what type(s) of additional financing needs are anticipated for the Community Justice Campus project? Could there be a need for additional bank loans? Would eventual bond issuances be done competitively or negotiated?

No decisions have been made on these issues.

In regards to the Commercial Paper transaction option, will this CP program be tax-exempt?

Based upon information to date, counsel has determined this will be tax-exempt transaction.

Would the Bond Bank be able to provide an estimated draw schedule for the Community Justice Campus project?

No, because this financing only contemplates up to \$20 million for planning, design, and professional costs. Therefore, the design work and construction schedules are yet to be completed.

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The resolution states that the par amount will not exceed \$20 million but the draw schedule included shows a cumulative cash flow of \$20.9 million. Could you please clarify?

The draw schedule is preliminary and the final draw schedule will not exceed the \$20 million authorized by the Council. The \$20.9 million figure includes a contingency amount.

Can you please confirm that the issue is tax-exempt?

Based upon information to date, counsel has determined this will be tax-exempt transaction.

How certain is the draw schedule? Does the Bond Bank anticipate making any principal or interest payments on the draws during the 2-year period?

The draw schedule is preliminary but fairly accurate; the Bond Bank anticipates making interest payments on the Notes while they are outstanding.

Can you provide a report to show the history or projections of the COIT revenue and any parity debt that may be outstanding?

There is no parity debt outstanding. Please see above responses and Exhibit A for a Local Option Income Tax history.

If Local Option Income Tax are insufficient to cover debt service is anything else being pledged for repayment on the proposed facilities?

No.

Is there currently any other debt outstanding secured by Local Option Income Tax?

No.

Is there any limitation on how much debt that can be issued secured by Local Option Income Tax?

At this time, other than the constitutional debt limitation, there are no known legal limitations on the pledge of Local Option Income Tax to the proposed 2017 notes.

Can projections of expected Local Option Income Tax collections over the life of the facility be provided?

2017 and 2018 projections are included with this response.

Can the Statement of Conflict of Interest and the Statement of Disclosure responses be included within an appendix and not count towards the page limit?

Yes.

What is the nature of the “Local Option Income Tax?”

See above and responses below.

What is the basis of the revenue?

LOIT or “Local Income Tax” is an income tax-based revenue stream, authorized by the Indiana statute and applicable to all Indiana municipalities. The statute establishes the maximum rate and the local county income tax council establishes the local rate. In the case of Marion County, the City-County Council serves as the local income tax council.

How is it collected/flow of funds?

LOIT is collected from personal income tax returns filed in arrears, processed and collected by the State of Indiana Department of Revenue.

Does it sunset?

No.

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What is the timing of collection – monthly, quarterly, or semi-annually?

Collection is quarterly for individuals and corporations paying quarterly and otherwise annually.

What is the mechanism for changing the tax rate? Will the city pledge a rate covenant to maintain the tax rate at a specified minimum level during the term of the loan?

The rate can be changed by the local government but not below a level sufficient to pay debt service on outstanding bonds. The Indiana General Assembly can make changes to the state statute governing Local Option Income Tax.

Please provide history and projections for the pledged revenue stream.

See Exhibit A.

In the event of a default, can the rate exceed 4%?

See above.

Is the revenue currently pledged for any other obligations? If so, how much? Can it be pledged to future obligations while the notes are outstanding? If so, is there a limitation on how much additional debt can be issued supported by the revenues?

No. Yes, it can be pledged to future obligations while the Notes are outstanding. It is expected that the issuance of further debt would be subject to an Additional Bonds test.

In addition to the pledge of local option income taxes, can proceeds held in the Planning and Design Cost Account also be pledged to secure the notes?

No.

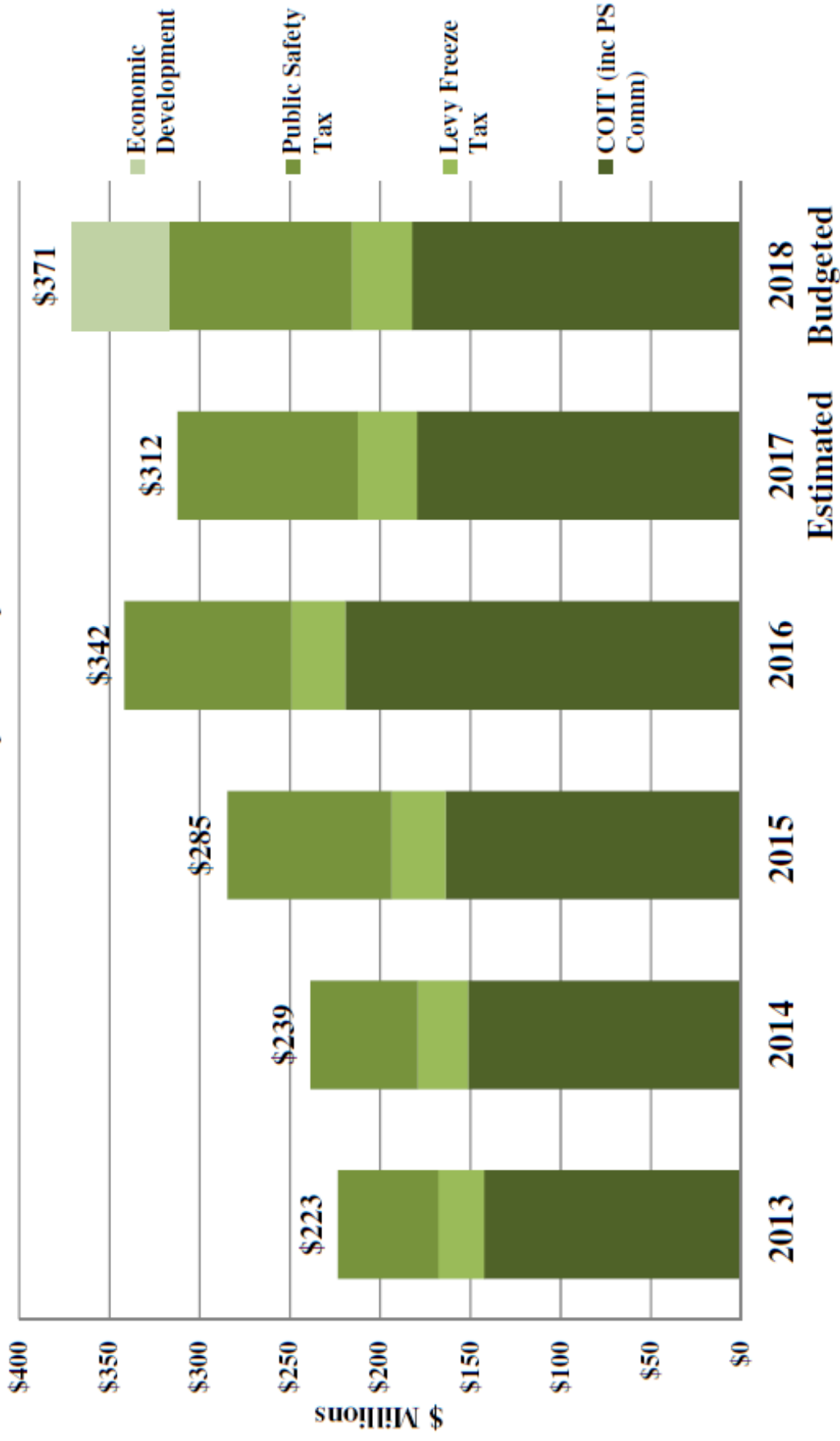
ADDENDUM NO. 1

EXHIBIT A

City of Indianapolis Income Tax Revenue

Income Tax Revenue

Consolidated City/County Units



*2016 includes \$52.9M one-time supplemental distribution.

*2018 includes a new income tax rate for Economic Development, which is used to fund development by IndyGo