



MEMORANDUM

TO: Members of the Common Council of the City of Bloomington

FROM: Mayor Kerry Thomson; Corporation Counsel Margie Rice, Controller Jessica McClellan; City Attorney Larry Allen

CC: Ash Kulak, Interim Council Attorney / Administrator

DATE: August 21, 2024

RE: Resolution 2024-16: Approving Issuance of Redevelopment Refunding Bonds

Executive Summary: Resolution 2024-16 authorizes the issuance of refunding bonds in an amount up to \$30 million to refinance outstanding 2015 Tax Increment Financing (TIF) Revenue Bonds. The issuance of the 2024 refunding bonds is estimated to save the Redevelopment Commission more than \$1 million in interest that it would otherwise owe for the currently outstanding bonds. If authorized, the Controller and the City’s financial advisors would monitor market conditions for the estimated best time to issue the refunding bonds to try to maximize savings. If market conditions do not allow a significant savings as estimated, the Redevelopment Commission would not issue the bonds.

Bond Parameters: Indiana law requires the City to set the maximum parameters for any bond issuance, which include the purpose of the bond, term / maturity date, maximum aggregate principal amount, the maximum interest rate, and provision for the payment of capitalized interest. If approved and issued, the maximum aggregate principal (i.e. the total amount) of the 2024 Bonds shall not exceed \$30 million. The interest rate shall not exceed 4.25%. The maximum term for these bonds is 15 years, which means the maturity date, the latest date that the bonds principal amount may be paid back, will be no later than February 1, 2040. The earliest date that the Redevelopment Commission could pay back or refinance the bonds before the maturity date would be five years after issuance. There shall be no capitalized interest on the 2024 Bonds.¹

Background: In 2015, as part of the creation of the Consolidated Economic Development Area and Consolidated Allocation Area (“Consolidated TIF”), the Common Council authorized the Redevelopment Commission to issue debt to be paid back with revenues from the Consolidated TIF (“2015 Bonds”). The 2015 Bonds were issued to cover approximately \$39.5 million in public improvements. Currently, there is an outstanding aggregate principal of \$29,745,000 left to pay

¹ Generally, capitalized interest in a TIF bond involves additional debt issued to cover interest costs between the dates the bonds are issued until the unit begins receiving increment (revenue) from the allocation area. This is not applicable to the 2024 Bonds.

on the 2015 Bonds. Under the terms of the 2015 Bonds, the earliest the Redevelopment Commission could refund / refinance the bonds is February 1, 2025.

Since taking office, the City Controller has been reviewing the potential for significant cost savings to the Redevelopment Commission and City for refunding the outstanding bonds. Under the current market conditions, it is estimated that refunding the 2015 Bonds could save more than \$1 million in interest expense. This potential savings accounts for all issuance costs of the bonds. If approved by Council, Controller Jessica McClellan along with Krohn & Associates will monitor market conditions to ensure an overall savings. If market conditions cannot guarantee a significant savings, the bonds would not be issued.

Outstanding Bonds of the Redevelopment Commission: As part of the pledge of repayment for these refunding bonds, the Commission also has coverage for its current, existing debt. The current outstanding bonds for the Redevelopment Commission total \$59,880,000, as detailed in the following table:

| Redevelopment Commission Currently Outstanding Bonds | |
|---|---------------------------|
| Bond Issuance | Amount outstanding |
| 2015 TIF Bonds | \$29,745,000 |
| 2017 TIF Refunding Bonds | \$6,415,000 |
| 2019 TIF Revenue Bonds (3 series): | |
| 2019A-1 | \$12,845,000 |
| 2019A-2 (taxable) | \$505,000 |
| 2019B | \$10,615,000 |
| Total: | \$60,125,000.00 |

Procedure: Refunding bonds issued by the Redevelopment Commission are approved in a two-step process: (1) Redevelopment Commission approves the bond issuance in a resolution and (2) Common Council approves the issuance via its own resolution. The Redevelopment Commission approved issuance of the bonds in Resolution 24-57. Indiana Code § 36-7-14-25.1(c) and Indiana Code § 6-1.1-17-20.5 require the Common Council’s approval of the issuance of the bonds. If approved, Resolution 2024-16 would authorize the City’s Controller to work with bond counsel and the City’s financial advisor to select an optimal time between the resolution’s approval date and February 1, 2025, to issue the bonds. Nothing in the issuance of the 2024 Bonds will impair the Redevelopment Commission’s ability to meet its other debt obligations.