

On April 9, 2020, the Federal Reserve Bank announced the creation of the **Municipal Liquidity Facility** (the “MLF”) to help local units of government handle working capital issues caused by COVID-19. Under the MLF, the Federal Reserve Bank will commit to lend to a special purpose vehicle (“SPV”) on a recourse basis. The SPV will purchase Eligible Notes directly from Eligible Issuers at the time of issuance. Eligible Notes are tax anticipation notes (TANs), tax and revenue anticipation notes (TRANs), bond anticipation notes (BANs), and other similar short-term notes issued by Eligible Issuers, provided that such notes mature no later than 24 months from the date of issuance. The MLF will purchase up to \$500 billion in short term notes issued by Eligible Issuers. Eligible Issuers include:

- States
- Counties with a population of 2,000,000 or more; and
- Cities with a population of 1,000,000 or more.

The MLF is designed to have the funds flow from States and other large issuers down to local units of government, hence the high population threshold. Due to this design, it is up to each state to determine if it will participate as an Eligible Issuer in the MLF, and how it will distribute funds to local units of government.

Indiana is participating in the MLF as an Eligible Issuer, and is eligible for up to \$4.8 billion in Eligible Notes. Indiana is still in the process of deciding how it will monitor and distribute these funds. It is likely that Indiana will designate the Indiana Bond Bank (the “IBB”) to serve as a conduit between the Federal Reserve Bank and local units of government. Under this scheme, the SPV will purchase Eligible Notes directly from the IBB, which will serve as a Conduit Issuer for and on behalf of local units of government. **However, Indiana is operating under the theory that the MLF should be used as a borrower of last resort. Because of this, the interest rates on the borrowing will be higher than what you would see in the market place. As a result, local units of government are highly encouraged to participate in the IBB’s 2020 Midyear Advance Funding Program before turning to the MLF.**

The IBB’s **Advance Funding Program** assists local units of government with their annual cash flow needs by issuing Short-term Tax Anticipation Warrants secured by property taxes and/or school tuition support payments in order to cover potential cash flow deficits. The Program can be particularly helpful to your entity in light of the Executive Order passed by Governor Holcomb allowing property tax waivers for up to

60 days past May 11, 2020, which will likely result in cash flow deficits due to the delay in collection and distribution of taxes.

The Program is currently offering a midyear round of cash flow assistance through the **2020 Midyear Advance Funding Program**. The Midyear Program offers four closing dates for funding disbursements in early May, late May, late June, and late July. Application deadlines have already passed for the May dates, so you must apply soon to be eligible for the June and July dates. The application process is outlined below:

1. Complete and submit the Participation Survey online:
(<https://form.jotform.com/INBB/2020-midyear-advance-funding-inter>)
2. Upon completion of the Participation Survey, the IBB will send you a copy of the full application packet. The IBB will provide application and cash flow assistance if needed. All questions can be sent to midyear@inbondbank.com
3. The application must be completed by each unit of government seeking funding. In addition to the application, a cash flow projections sheet must be submitted for each fund being borrowed from. A sample cash flow template can be found here: (<https://inbondbank.com/wp-content/uploads/2020/04/Mock-IBB-Midyear-Cash-Flow.pdf>)
4. The IBB reviews the application and cash flows. The IBB will you with a preliminary sizing analysis with a breakdown by fund, this is an estimate of the amount you are eligible to borrow.
5. The IBB will send you a final sizing analysis to review and sign. Your entity is committed to participating in the Midyear Program upon return of a signed final sizing analysis.
6. Financial assistance is disbursed to the unit of government.

Participant Schedule and Deadlines:

Timeline for entities that need funds in late June:

Applications due:	Friday, May 8, 2020
Cash Flow Statements Due:	Friday, May 15, 2020
Participant Resolution/Ordinance Adopted:	May 18, 2020 – June 5, 2020
Closing/Funds Distributed:	Thursday, June 25, 2020

Timeline for entities that need funds in late July:

Applications due:	Friday, May 22, 2020
Cash Flow Statements Due:	Friday, May 29, 2020
Participant Resolution/Ordinance Adopted:	June 29, 2020 – July 10, 2020
Closing/Funds Distributed:	Thursday, July 30, 2020

***If you need funds after July 31, 2020, please contact Ron Mangus at the IBB at midyear@inbondbank.com or (317) 233-0091. Additional closings may be added for late August for entities that need funds or cannot meet the deadlines listed above.**

Please visit <https://inbondbank.com/advance-funding-program/> to access the Advance Funding Resource HUB and to find more information about the Program.