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Exploring Common Bond Reserve Funds



Exploring Common Bond Reserve Funds



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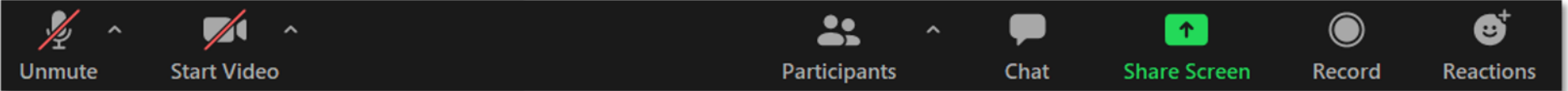
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Exploring Common Bond Reserve Funds



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Exploring Common Bond Reserve Funds



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TOLEDO | LUCAS COUNTY
PORT AUTHORITY

**CDFA//BNY Mellon
Development
Finance Webcast**

**Northwest Ohio
Bond Fund
(NWOBF)
Overview**

December 17, 2024

About the Port....



- Founded in 1955, The Toledo-Lucas County Port Authority was the first port authority in Ohio.
- The Toledo-Lucas County Port Authority's business is transportation and development. That business is shaped by our mission to move people and cargo through the region while employing innovative programs to stimulate development in our region.
- Today, we focus on three initiatives - Maritime, Aviation and Development.

Our Mission Statement :

The mission of the Toledo-Lucas County Port Authority is to develop expertise and assets that drive and grow the region's transportation and logistics infrastructure and its economic prosperity for all.

Port Authority Timeline



1950s & 1960s Built overseas shipping facilities at the mouth of the Maumee River	1973 Took over operation of the City of Toledo's two airports – TOL & TDZ	1988 Took on primary role of Economic Development for the community and purchased Toledo Shipyard	1994 Purchased Central Union Plaza Train Station from Conrail	2000 Took on responsibility for brownfield remediation
2007 Constructed Marine Passenger Terminal, which is now the Great Lakes Maritime Museum	2010 Purchased Overland Industrial Park and Launched BBNWO Program	2011 Purchased three parking garages in Downtown Toledo	2012 Purchased One Maritime Plaza	2014 Opened Ironville Terminal at Port of Toledo
2016 Groundbreakings for Dana and DMS at Overland and Purchased Two Maritime Plaza	2017 Tronair launched operations at TOL	2018 Purchased One Government Center and Cleveland-Cliffs, Inc. began construction at Port of Toledo	2021 Amazon Air launched operations at TOL and Port acquired parking operations at University of Toledo	2022 Purchased Waterville Industrial Park

Economic Development



- Innovative Finance Programs: Over 800 projects, 20,000 jobs, \$2.0B investments
 - Northwest Ohio Bond Fund (NWOBF), Capital Lease & Conduit Bonds
 - Diversified Contractor Accelerator Program (DCAP)
 - Toledo Microenterprise Development Initiative
 - Northwest Ohio Regional Revolving Loan Fund (RLF)
 - Small Business Administration (SBA) 504 Loan Program
 - Ohio 166 Regional Loan Program
 - Better Buildings Northwest Ohio (BBNWO) Energy Efficiency Financing for Buildings

Northwest Ohio Bond Fund (NWOBF)



- Ohio Revised Code (ORC) - Chapter 4582 pertains to Port Authorities
 - Port Authorities have powers and duties pertaining to economic development, including the ability to issue revenue bonds.
- The Northwest Ohio Bond Fund (NWOBF) was created in 1988, to promote economic development and to create and retain quality private and public sector jobs and investment in Northwest Ohio.
- Since inception, the NWOBF has issued over \$475 million in municipal bonds and financed over 100 projects.
- In April 2024, NWOBF was upgraded by S&P Global from “A-” to “A”
 - Increased investment in common bond fund reserves (\$73.8 million at 12/31/2024)
 - Diversification of projects
 - 0% default rate to bondholders

Northwest Ohio Bond Fund (NWOBF)



- Provides small/medium sized companies, large corporates, and non-profits access to the national capital markets as if they were “A” investment grade companies.
 - Financing for projects from \$2 million to \$25 million
 - Fixed interest for full term of bonds
 - Typically, 90% financing & 10% equity
 - Up to 30 years for land/building/public infrastructure & 10 years for equipment
 - Tax-Exempt Bonds for Manufacturing, Non-profits and Governmental operations
 - Taxable Bonds for all other projects

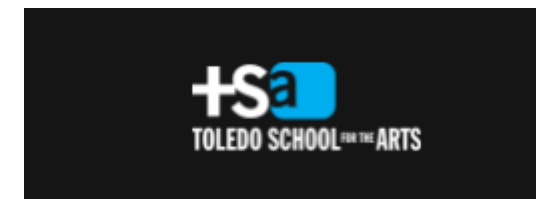
Northwest Ohio Bond Fund (NWOBF)



- Can Issue **Tax-Exempt** bonds to finance:
 - Nonprofits/Governmental – community facilities such as the YWCA, Hospitals, Educational Centers;
 - Public Infrastructure – Parking facilities, water, sewer, roads and bridges;
 - Exempt Facilities – solid waste, recycling, airport, seaport; and
 - Qualified Manufacturing Projects – traditional IRB (\$10MM limitation)
- Can Issue **Taxable** bonds to finance:
 - Corporate Headquarters
 - Manufacturing Facilities
 - Warehousing and Distribution
 - Machinery & Equipment

MORE THAN A Port

Northwest Ohio Bond Fund (NWOBF)



Northwest Ohio Bond Fund (NWOBF) – Underwriting Criteria



- Finance multiple use assets and not special use facilities;
- Finance assets that are critical or essential to the borrower's overall business;
- Finance borrowers with strong financial performance over past 3-5 years (Minimum DSC range from 1.0x – 1.2x);
- Require closely-held borrowers to provide personal guarantees from owners, when appropriate;
- Require closely-held borrowers to provide key-man life insurance, when appropriate;
- Require, if possible, the Primary Debt Service Reserve (10%) be funded with a bank LOC or cash vs. bond proceeds; and
- Require financial covenants, when appropriate.

Northwest Ohio Bond Fund (NWOBF) – Underwriting Criteria



- First security interest in all equipment and first mortgage on all real estate;
- Priority tax lien positions for New Community Authority (NCA), Tax Increment Financing (TIF) and Special Assessment (SA) projects;
- Generally, no speculative real estate, including retail, hotels, multi-tenant real estate projects; and
- Terms ranging from 5-30 years.

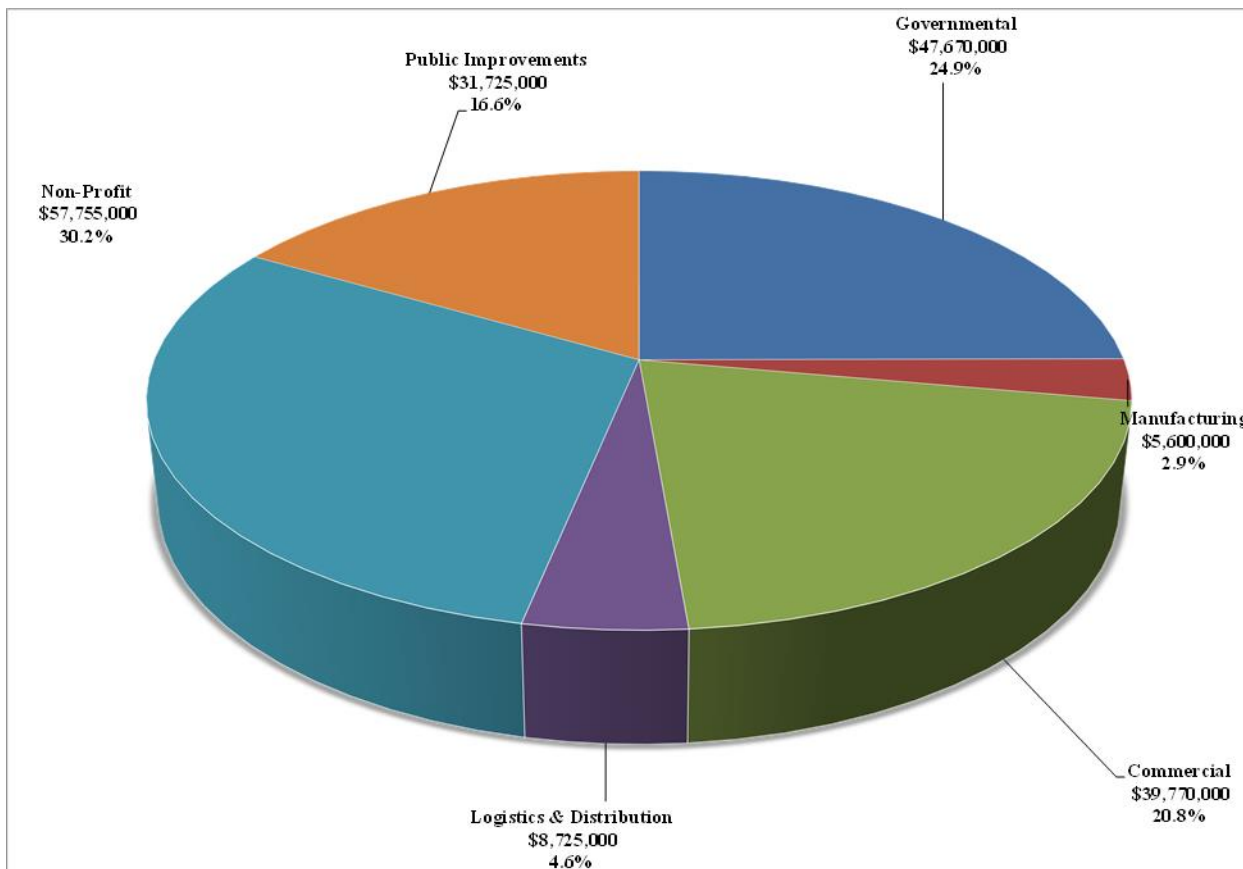
Northwest Ohio Bond Fund (NWOBF) – Portfolio Management



Surveillance Process

- Port Authority has an in-house staff portfolio manager and in-house legal;
- Port Authority collects annual financial statements on Borrowers;
- Port Authority collects salient, quarterly financial information on Borrowers;
- Except for TIF/SA projects, borrowers pay monthly debt service payments while bondholders are paid semi-annually;
- Bond Trustee provides the Port Authority and Financial Advisor with a monthly borrower's status report;
- Annual continuing disclosures submitted to the MSRB; and
- Port Authority can react immediately to troubled borrowers.

Northwest Ohio Bond Fund (NWOBF) – Portfolio Management



- Governmental 24.9%
- Manufacturing 2.9%
- Commercial 20.8%
- Logistics & Dist. 4.6%
- Non-Profit 30.2%
- Public Imp. 16.6%
- Total 100.0%

- Approx \$191 million in outstanding principal at 12/31/2024

Northwest Ohio Bond Fund (NWOBF)



- Creating awareness of NWOBF by presenting to:
 - Banks
 - Economic Development Entities
 - Chambers of Commerce
 - Small Business Ecosystem (i.e., Technical Resource Providers)
- Working with other Port Authority Bond Funds
 - Leverage other Port Bond Funds
 - Allows participation in projects outside of territory
- Coupled with other State financing (e.g., JobsOhio, Ohio Enterprise Bond Fund, City, County)

Northwest Ohio Bond Fund (NWOBF) – Case Study



- Project: Renovation of a hotel into a dual branded 310 room Hilton Garden Inn/Homewood Suites; \$75MM total project cost
- Capital Stack:
 - \$9.5MM – NWOBF PACE Bonds
 - \$35.0MM – Lucas County Bonds
 - \$30.0MM – Senior Bank Loan
 - Lease Revenue Bonds – Capital Lease
- Closed financing in October 2020

Northwest Ohio Bond Fund (NWOBF) – Case Study



- “The Next Big Thing”
- 15,000SF Annex and building renovation
 - \$10.4 million project;
 - Alleviate capacity issues;
 - Will allow for an additional 140 students to be enrolled
- \$4.1 million tax-exempt bond
- 20-year term
- Closed financing in June 2022



Northwest Ohio Bond Fund (NWOBF) – Case Study



- HVAC replacement
 - \$20.0 million project;
 - Current system at end of life;
 - Preserve condition of 387,000 SF building and artwork
- \$23.7 million tax-exempt bond
 - \$11 million – NWOBF
 - \$6.4 million – CCCPA/CFCFA each
- 30-year term
- Closed financing in December 2024



Thank you!



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Exploring Common Bond Reserve Funds



Colin Kalvas

Partner
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Exploring Common Bond Reserve Funds

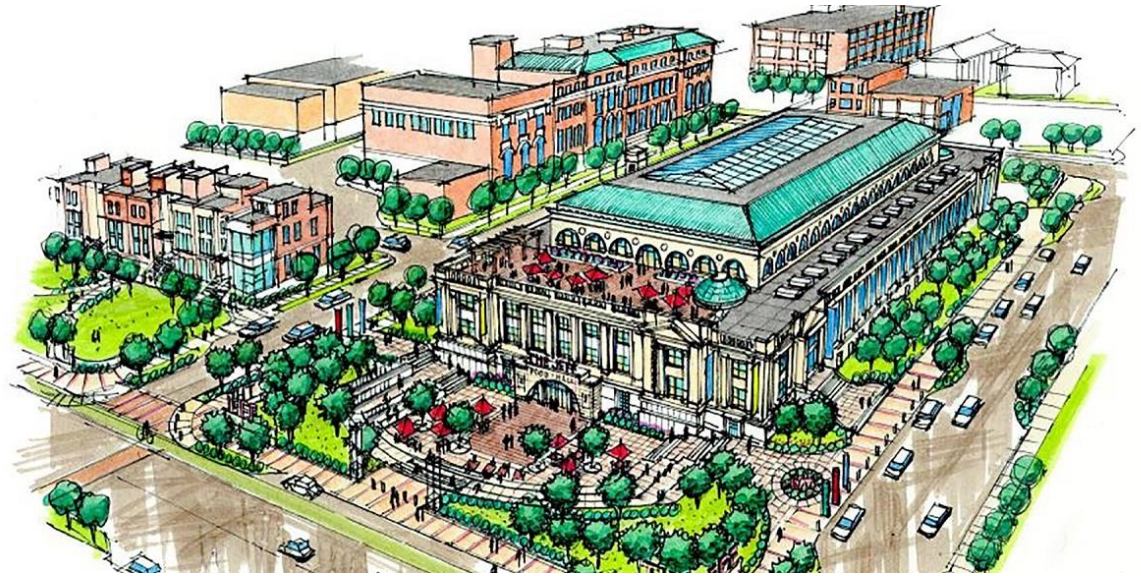
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December 17, 2024

Colin Kalvas
Partner



Roadmap

- Bond Funds
 - Legal considerations for underlying deals
 - Legal considerations for bonds
 - Legal considerations for program
- Case Studies



What is a bond fund?

- A program for providing credit-enhancement for bonds through the use of common reserves including pooled reserve funds and letters of credit
- Pooled reserves are generally in addition to specific security and collateral arrangements for each deal such as guarantees, mortgages, security agreements, and tax lien secured revenue sources
- Designed to achieve investment-grade ratings
- Typically long-term and fixed rate financing

What is a bond fund?

- Facilitates private development, infrastructure projects, and certain local government projects
- Issuer issues the bonds but is not pledging its own resources to repayment of the bonds, aside from the bond fund reserves
- Issuer undertakes due diligence, negotiation of deal terms, documentation, and post-issuance compliance
- Taxable or tax-exempt bonds
- Can utilize multiple bonds for a single project

Legal Considerations for Underlying Deals

Transaction documents—enforceability

- Will my agreements hold up if tested?
 - Borrower authorizations (“up the chain”)
 - Borrower signatures
 - Borrower good standing
 - Enforceable contract provisions
 - Enforceable/foreclosable collateral documents
 - Borrower legal opinion (existence and enforceability)

Legal Considerations for Underlying Deals

Security / Collateral

- Security/Collateral:
 - Payment obligation
 - Guaranty
 - Mortgage
 - Title to vehicles, equipment
 - Security interest in personal property
 - Lease/leaseback
 - PACE
 - Collateral assignments of contracts, receivables, etc.
 - Pledge of equity interest
 - Revenue intercepts/escrow



Legal Considerations for Underlying Deals

Security / Collateral

- What is the value of collateral?
 - Appraisals
 - Feasibility studies
 - Completion guaranties, construction bonds, overall construction budget funding
 - Management agreement / hotel flag agreement / franchise agreement
- What could impair the value of collateral?
 - Environmental site assessment
 - Geotechnical report
 - ALTA survey / zoning report
 - Inspection reports
 - Insurance certificates
- Who else could claim an interest in the collateral?
 - Title report / notice of commencement / lien waiver
 - Tenant SNDAs
 - UCC searches
 - Org. chart, organizational documents
 - Documentation of other sources of financing

Legal Considerations for Underlying Deals

Borrower / Counterparty

- Who am I dealing with?
 - Organizational documents
 - Certificate of good standing
 - W-9 / taxpayer ID number / SSN
 - Background checks
 - Litigation searches
 - OFAC and USA PATRIOT Act checks
 - Credit related, but also legal—financial worth and liquidity; tax returns

Legal Considerations for Underlying Deals

Regulatory / Compliance

- Does the borrower have the necessary approvals to use the money?
 - Licenses
 - Building permits
 - Contractor licenses
- What strings are attached to this money?
 - Necessary regulatory approvals (e.g., PACE, TEFRA, tax credit awards, etc.)
 - Agreements to remain in compliance
 - Substantiation of compliance
 - Consequences for non-compliance
 - Ability to recover/resolve in event of non-compliance

Legal Considerations for Bonds

Indenture

- Common fund indenture conditions
 - Authorization
 - Diligence deliveries
 - Structuring requirements
 - Approval by providers of certain reserves?
 - Rating
 - Authentication by trustee

Legal Considerations for Bonds

Securities Law

- Federal
 - Municipal bonds generally exempt from securities registration
 - But may have separate non-exempt securities within transaction structure
 - Analyze method of sale for compliance with federal securities law
 - Exempt securities – public offering
 - Exempt transaction – private placement
- State
 - “Blue sky” laws



OFFICIAL STATEMENT
TOLEDO-LUCAS COUNTY PORT AUTHORITY
\$11,000,000
DEVELOPMENT REVENUE BONDS
(NORTHWEST OHIO BOND FUND) SERIES 2024C
(TOLEDO MUSEUM OF ART PROJECT)



Legal Considerations for Bonds

Tax Law

- Common reserve fund bonds may be issued as federally tax-exempt securities under right conditions
- Analyze attributes of underlying deal
- Comply with requirements for tax-exempt bonds, if applicable
- Effect of common reserves – replacement proceeds?

Legal Considerations for Program

Reserves

- Reserves may have conditions for investment, reinvestment, sweep, etc.
- Federal tax law may require compliance with yield-restriction, arbitrage, and rebate requirements
- Importance of an effective trustee and good relationship between issuer and trustee

Legal Considerations for Program

Bond Rating

EXHIBIT 1
Public Sector Pool Programs Scorecard Overview

Factor	Factor Weighting	Sub-factor	Sub-factor Weighting		
Credit Strength and Default Tolerance	50%	Credit Quality and Default Tolerance Score	50%		
		Diversity of Portfolio	20%	Number of Borrowers	10%
				Percentage of Loan Principal to Borrowers that Represent Less Than 1% of the Pool	5%
		Percentage of Loan Principal to the Top Five Borrowers	5%		
Debt Structure	30%	Cash Flows	20%		
		Counterparties	10%		
Total	100%		100%		
<i>Preliminary Outcome</i>					
Notching Factors			Notching Range		
Unusually Strong or Weak Management			-2 to +2		
Concentration of Pool Participants in a Volatile Sector			-3 to 0		
<i>Scorecard-Indicated Outcome</i>					

Source: Moody's Investors Service

(Lower Interest Rates)

Bond Rating Services

	Moody's Investors Service	STANDARD & POOR'S	FitchRatings
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-

Legal Considerations for Program

Securities Law

- Federal continuing disclosure requirements
 - May be required for publicly offered bonds
 - May be contractually agreed to for all bonds
- Compliance with continuing disclosure undertakings crucial for continued effectiveness of program

CONTINUING DISCLOSURE

Notwithstanding Securities and Exchange Commission (the “SEC”) Rule 15c2-12 (the “Rule”) is not applicable to the offering of the Series 2019B Bonds so that the Series 2019B Bonds may be offered without the Authority making a continuing disclosure undertaking, the Authority expects to provide or cause to be provided such financial information and operating data (“Annual Information”), as described herein (“Continuing Disclosure Undertaking”). Specifically, the Authority expects to provide or cause to be provided to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB:

Case Study

Overland Industrial Park, Toledo, Ohio

New construction of approximately 131,000 square foot manufacturing facility on site of former Jeep plant in Toledo, Ohio. Facility leased to automotive supply manufacturer

Toledo-Lucas County Port Authority

- Overall owner/redeveloper of site
- Sales tax exemption
- Credit-enhanced leverage loan
- Additional leverage loans
- Related CDE



Case Study

Cleveland Cliffs Public Infrastructure Project

Construction of electrical substation and switchyard and related distribution infrastructure in connection with redevelopment of industrial site for hot-briquetted iron direct reduction plant

Toledo-Lucas County Port Authority

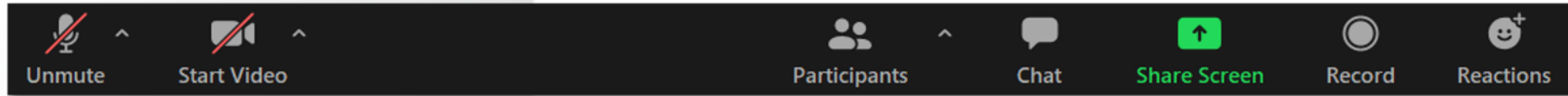
- \$3,030,000 NWOBF bonds
- Paid and secured by TIF service payments and minimum service payment obligations



Thank You

Bricker 
Graydon

Audience Questions



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CDFA // BNY Mellon Development Finance Webcast Series: Bond Market 2025 Forecast

Jan 21 // 2:00 – 3:00 PM Eastern

Fundamentals of Economic Development Course

Jan 29-30 // 12:00 – 5:00 PM Eastern

Intro Bond Finance WebCourse

Mar 10-11 // 12:00 – 5:00 PM Eastern

Advanced Bond Finance WebCourse

Mar 12-13 // 12:00 – 5:00 PM Eastern

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