



**To:** President and Members of the Munster Town Council  
**From:** Town Manager Dustin Anderson  
**Date:** July 17, 2017  
**Re:** 45<sup>th</sup> Grade Separation Update

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**Background:**

The Town of Munster has been working on alleviating the sub-optimal intersection at 45<sup>th</sup> and Calumet for many years. The Town has over the last three years brought this project up to speed and is poised to begin construction during 2018.

Work has been done by Beam Longest and Neff and Robinson to value-engineer the project to control costs. Robinson and Lochner have worked to meet INDOT and Town-established deadlines. We have also completed all the land-swap transaction necessary between Centennial Village and the Town that have secured our right-of-way. As of this writing, we are also well on our way to completing the property acquisition necessary for the below-grade construction of the newly-aligned 45<sup>th</sup> Street.

The question of funding has always – and appropriately – been the last piece of this puzzle.

Munster received funds for preliminary project work as long ago as 2009 by way of a Federal earmark thanks to the efforts of Representative Visclosky. This \$4.00 million was administered through the Northern Indiana Regional Planning Commission NIRPC. In 2013, the Town was awarded \$9.60 million from NIRPC for construction. 2015 saw the Town successfully apply to the Norwest Indiana Regional Development Authority for \$6.00 million dollars. In 2016, Munster was able to negotiate an addition \$9.00 from the INDOT.

When Council was apprised of the INDOT funding award, an update was provided that demonstrated project costs as follows:

Local Funds	\$12,387,075
NIRPC	\$9,600,000
INDOT	<= \$9,000,000
Total	\$30,987,075
Drainage	
Signals and Lighting	\$1,740,000
Roadway	\$4,522,875
Mobilization	\$2,031,193
Tunnel	\$7,047,517
Walls	\$3,268,339
Railroad Items	\$7,645,253
Total	\$30,107,711

This \$30.11 million price tag did not include the cost of project engineering and inspection. A conservative estimate for the cost of project engineering and inspection would be 12% or \$3.61 million. This would bring the total project cost of the project to \$33,720,637.

Why was construction engineering and inspection not included in the above table? The Town was able to negotiate that this be a local-only expenditure in our project agreement with the State. We did this because if it were included in the bid specification mandated by INDOT the cost would very likely be the INDOT-mandated maximum of 12% of construction. The Town believes we could bid this work out separately and come in under that \$3.61 million, thus providing our residents significant savings.

As time progresses the price points for various commodities will fluctuate. This is true for our project as well. Robinson Engineering has provided the following revised project cost estimate.

Local Funds	\$15,104,806		
NIRPC	\$9,600,000		
INDOT	<= \$9,000,000		
Total	\$33,704,806		
		2015	Delta
DRAINAGE	\$3,987,178	\$3,852,535	\$134,643
SIGNALS & LIGHTING	\$1,560,838	\$1,740,000	(\$179,162)
ROADWAY	\$4,997,411	\$4,522,875	\$474,536
MOBILIZATION	\$2,211,832	\$2,031,193	\$180,639
TUNNEL - Lochner	\$7,548,321	\$7,047,517	\$500,805
WALLS- Lochner	\$5,152,959	\$3,268,339	\$1,884,620
TRACK-Lochner	\$8,246,267	\$7,645,253	\$601,013
Total	\$33,704,806		

Costs have increased by over \$3.60 million. This is largely due to railroad-related costs. At the time of the previous estimate, a more cost-effective retaining wall was included. Design initially called for the use of tie-backs with pre-cast concrete components. In the intervening months, the Town was informed that the Canadian National insists upon the use of T-walls. T-walls do not use tie backs and have a lower maintenance cost over time. However, as we can see, this lower maintenance cost comes at a premium. There were a number of other cost increases that came as a function of that railroad decision.

So now we have a construction project that is \$33.70 million with construction engineering and inspection likely being somewhere in the neighborhood of \$3.20 million for a total project cost of \$36.90 million.

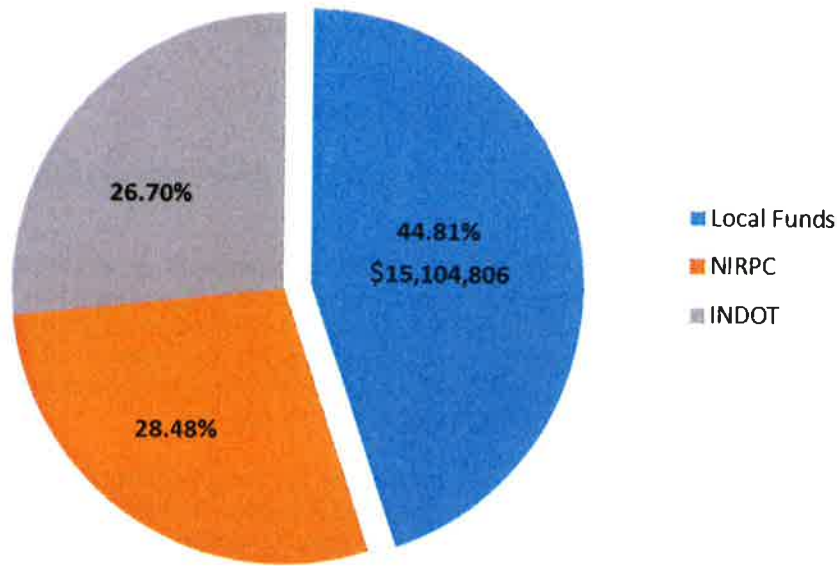
You will also notice that the outside sources of funding have not increased proportionally.

### Methodology:

The Town in any case must come to a determination as to how we will pay for the local-portion of this project.

The following charts provide a sense for the funding obligations outlined in the above tables.

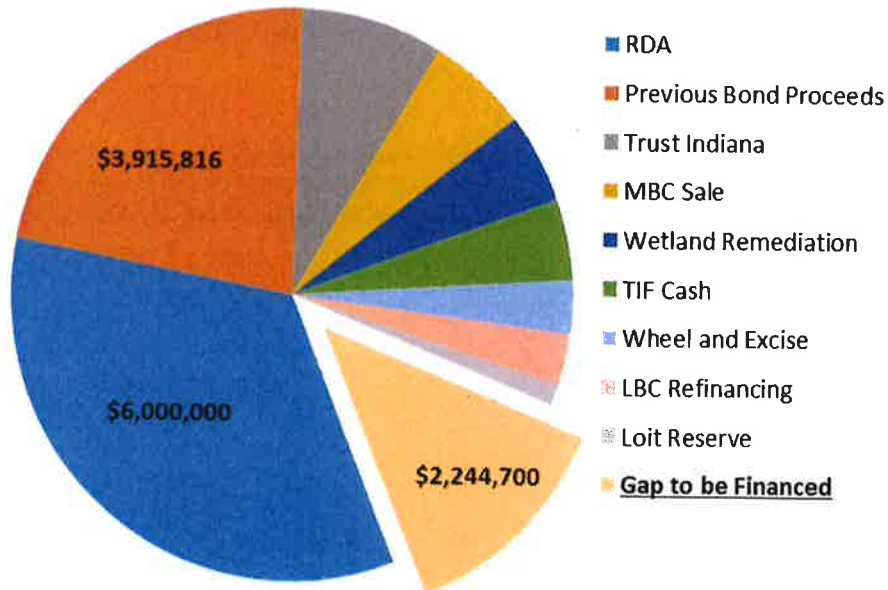
### 45th Grade Separation and Realignment Construction



This is simply a summary of the above table that shows proportional distribution of the costs of construction. It is important to note that a typical INDOT project requires a mere 20% local match. That would be approximately \$6.700 million in our case. However, because of the scope of this project within our regional planning area, that magnitude of a Federal and State match is not possible. Therefore, if we are committed to seeing this project to completion, we must as a community shoulder the responsibility of paying the difference.

The next chart details the proposed sources of the local contribution.

### Local Portion for 45th Construction Cost of \$15,104,806



Here we see that the two largest portions of funding come from the RDA and closing out old bond issues. There are some assumptions baked into this funding plan – the two most tenuous being the magnitude of the sale of the Munster Business Complex and the receipts of the cost of mitigation of wetlands at the Lake Business Center.

A detailed table is included at the end of this memorandum.

Depending on how the assumed outcomes actually concluded, there exists a gap in funding that will have to be financed.

The first option when considering a financing a public improvement would be to examine the Town's capacity to issue property tax-supported general obligation debt. The magnitude of general obligation debt a municipality may carry is capped by the State at 2% of one-third of the municipality's Certified Net Assessed Value. The Town of Munster has a cap of \$9,922,623. However we also have existing general obligation debt. Factoring this current and anticipated debt to be issued for routine capital purchases, the Town has an estimated general obligation debt capacity of \$2,942,623.

This capacity seems to exceed the best-case scenario for the local funding assumptions outlined above. There is a certain amount of risk in assuming what might happen actually will happen across-the-board. Further, at the recommendation of our financial advisors at Umbaugh as well as our bond council at Barnes and Thornburg, there is an advantage to the Town avoiding pledging the property tax for a project of this magnitude.

Rather than issue general obligation debt, the Town could enter into an abatement lease – also sometimes referred to as a “lease bond” or “lease rental revenue bond” – with the Munster Municipal Center Corporation for the amount necessary. The lease payments would be made utilizing a portion of the Wheel and Excise revenue the Town receives from the State. Staff had Umbaugh run a financial analysis on the capacity of the Town to pursue an abatement lease. In short, the Town has the capacity to generate up to \$5,895,000 available for the project at a total \$6,345,000 inclusive of capitalized interest, underwriting, and contingencies. However this would leave coverage of only 110%.

The next tasks to ask of Umbaugh will be to identify with more specificity than available at this time what estimated project cost would yield a wheel and excise tax revenue coverage of at least 150%. This will serve as the working cap for available funds. While the exact answer is unknown at this time, a layperson's interpretation of the analysis available seems to show that there is more than enough capacity to: 1) ensure that if revenue assumption come up short there is enough capacity to accommodate; and, 2) that this capacity will be in excess of 150% coverage.

**Recommendation:**

There is no recommendation for action at this time. Staff has solicited a draft calendar from Barnes and Thornburg for issuance. We will stay in close communication with INDOT regarding the timeline and keep Council and the Munster Municipal Center Corporation updated with any new developments.

# UMBAUGH

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June 6, 2017

Members of the Town of Munster  
Town Council  
1005 Ridge Road  
Munster, IN 46321

Re: Proposed Grade Separation Project

Members of the Town of Munster Town Council:

Per your request, we have prepared the attached schedules to assist in the discussion and planning of the proposed grade separation project. The attached schedules (listed below) present unaudited and limited information for this purpose of discussion by the appropriate officers, officials, and advisors of the Town of Munster. The use of these schedules should be restricted to this purpose as the information is subject to future revision.

Page

2	General Obligation Debt Limit
3	Illustrative Project Costs and Funding
4	Illustrative Amortization of \$6,345,000 Principal Amount of Lease Rental Revenue Bonds
5	Comparison of Estimated Wheel and Excise Tax Revenues and Illustrative Lease Rentals

In the preparation of these schedules, assumptions were made regarding certain future events. As is the case with such assumptions regarding future events and transactions, some or all may not occur as expected and the resulting differences could be material. We have not examined the underlying assumptions nor have we audited or reviewed the historical data. Consequently, we express no opinion or provide any other form of assurance thereon, nor do we have a responsibility to prepare subsequent reports.

We would appreciate your questions or comments on this information and would provide additional information upon request.

Very truly yours,

UMBAUGH



Matthew R. Eckerle

**TOWN OF MUNSTER, INDIANA**

***Proposed Grade Separation Project***

**GENERAL OBLIGATION DEBT LIMIT**

Pay 2017 Certified Net Assessed Value (1)		\$1,473,393,457
Times 2% Constitutional Debt Limit		<u>2%</u>
Subtotal		29,467,869
Divided by Three		<u>3</u>
General Obligation Debt Limit		9,822,623
Less: Outstanding Debt Subject to the Debt Limit (2)		
Municipal Bonds of 2013	(\$470,000)	
Municipal Bonds of 2014	(970,000)	
Municipal Bonds of 2015	(1,470,000)	
Municipal Bonds of 2016	(1,970,000)	
Illustrative Municipal Bonds of 2017 (3)	<u>(2,000,000)</u>	
Subtotal		<u>(6,880,000)</u>
Estimated Available General Obligation Debt Capacity		<u><u>\$2,942,623</u></u>

(1) Per the Department of Local Government Finance.

(2) As of June 5, 2017.

(3) Assumes a \$2,000,000 general obligation bond is issued in the fall of 2017.

(Subject to the attached letter dated June 6, 2017)  
(Preliminary - Subject to Change)  
(For Internal Use Only)

**TOWN OF MUNSTER, INDIANA**

***Proposed Grade Separation Project***

**ILLUSTRATIVE PROJECT COSTS AND FUNDING**

**Illustrative Project Costs:**

Net proceeds available for project	\$5,895,000
Capitalized interest through 7/15/19 (1)	234,610
Allowance for underwriter's discount (1.0%)	63,450
Allowance for issuance costs and contingencies	<u>151,940</u>
Total Illustrative Project Costs	<u><u>\$6,345,000</u></u>

**Illustrative Project Funding:**

Illustrative Lease Rental Revenue Bonds (2)	<u><u>\$6,345,000</u></u>
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- (1) Assumes capitalized interest is required during project construction.
- (2) Assumes the Bonds will be secured by ad valorem property taxes, but the Town will elect to utilize wheel and excise tax revenues to pay lease rentals in lieu of levying a property tax.

(Subject to the attached letter dated June 6, 2017)  
(Preliminary - Subject to Change)  
(For Internal Use Only)

TOWN OF MUNSTER, INDIANA

Proposed Grade Separation Project

**ILLUSTRATIVE AMORTIZATION OF \$6,345,000 PRINCIPAL AMOUNT OF  
LEASE RENTAL REVENUE BONDS**

Bonds dated April 1, 2018

Payment Date	Principal Outstanding	Principal	Assumed Interest Rates (1)	Assumed Interest	Illustrative Total Debt Service	Assumed Capitalized Interest	Illustrative Net Debt Service	Illustrative Fiscal Year Debt Service	Illustrative Fiscal Year Lease Rentals (2)
07/15/18	\$6,345,000			\$52,585	\$52,585	(\$52,585)	\$0		
01/15/19	6,345,000			91,013	91,013	(91,013)	0	\$0	\$0
07/15/19	6,345,000			91,013	91,013	(91,013)	0		
01/15/20	6,345,000	\$140,000	1.40%	91,013	231,013		231,013	231,013	234,500
07/15/20	6,205,000	140,000	1.50%	90,033	230,033		230,033		
01/15/21	6,065,000	140,000	1.55%	88,983	228,983		228,983	459,015	465,000
07/15/21	5,925,000	140,000	1.60%	87,898	227,898		227,898		
01/15/22	5,785,000	145,000	1.65%	86,778	231,778		231,778	459,675	465,000
07/15/22	5,640,000	145,000	1.75%	85,581	230,581		230,581		
01/15/23	5,495,000	145,000	1.80%	84,313	229,313		229,313	459,894	465,000
07/15/23	5,350,000	145,000	1.90%	83,008	228,008		228,008		
01/15/24	5,205,000	150,000	1.95%	81,630	231,630		231,630	459,638	465,000
07/15/24	5,055,000	150,000	2.05%	80,168	230,168		230,168		
01/15/25	4,905,000	150,000	2.10%	78,630	228,630		228,630	458,798	464,000
07/15/25	4,755,000	150,000	2.20%	77,055	227,055		227,055		
01/15/26	4,605,000	155,000	2.25%	75,405	230,405		230,405	457,460	463,000
07/15/26	4,450,000	155,000	2.45%	73,661	228,661		228,661		
01/15/27	4,295,000	155,000	2.50%	71,763	226,763		226,763	455,424	461,000
07/15/27	4,140,000	160,000	2.65%	69,825	229,825		229,825		
01/15/28	3,980,000	160,000	2.70%	67,705	227,705		227,705	457,530	463,000
07/15/28	3,820,000	165,000	2.80%	65,545	230,545		230,545		
01/15/29	3,655,000	165,000	2.85%	63,235	228,235		228,235	458,780	464,000
07/15/29	3,490,000	170,000	3.00%	60,884	230,884		230,884		
01/15/30	3,320,000	170,000	3.05%	58,334	228,334		228,334	459,218	465,000
07/15/30	3,150,000	175,000	3.10%	55,741	230,741		230,741		
01/15/31	2,975,000	175,000	3.15%	53,029	228,029		228,029	458,770	464,000
07/15/31	2,800,000	180,000	3.20%	50,273	230,273		230,273		
01/15/32	2,620,000	180,000	3.25%	47,393	227,393		227,393	457,665	463,000
07/15/32	2,440,000	185,000	3.35%	44,468	229,468		229,468		
01/15/33	2,255,000	185,000	3.40%	41,369	226,369		226,369	455,836	461,000
07/15/33	2,070,000	190,000	3.45%	38,224	228,224		228,224		
01/15/34	1,880,000	195,000	3.50%	34,946	229,946		229,946	458,170	464,000
07/15/34	1,685,000	200,000	3.55%	31,534	231,534		231,534		
01/15/35	1,485,000	200,000	3.60%	27,984	227,984		227,984	459,518	465,000
07/15/35	1,285,000	205,000	3.65%	24,384	229,384		229,384		
01/15/36	1,080,000	205,000	3.70%	20,643	225,643		225,643	455,026	461,000
07/15/36	875,000	215,000	3.75%	16,850	231,850		231,850		
01/15/37	660,000	215,000	3.80%	12,819	227,819		227,819	459,669	465,000
07/15/37	445,000	220,000	3.90%	8,734	228,734		228,734		
01/15/38	225,000	225,000	3.95%	4,444	229,444		229,444	458,178	464,000
<b>Totals</b>		<b>\$6,345,000</b>		<b>\$2,368,884</b>	<b>\$8,713,884</b>	<b>(\$234,610)</b>	<b>\$8,479,274</b>	<b>\$8,479,274</b>	<b>\$8,581,500</b>

- (1) We have prepared the interest rate assumptions using our evaluation of the underlying credit pledge to this financing and current market conditions. These factors are subject to change. Changes may result in the actual interest rates varying from the interest rates assumed for this analysis and that variance may be material.
- (2) Lease Rentals are to be reduced to an amount equal to the annual principal and interest payment rounded up to the next \$1,000 plus \$5,000 for the payment of miscellaneous expenses.

(Subject to the attached letter dated June 6, 2017)  
(Preliminary - Subject to Change)  
(For Internal Use Only)



**TOWN OF MUNSTER, INDIANA**

*Proposed Grade Separation Project*

**COMPARISON OF ESTIMATED WHEEL AND EXCISE TAX REVENUES  
AND ILLUSTRATIVE LEASE RENTALS**

Taxes Payable Year	Estimated Wheel and Excise Tax Revenues	Illustrative Lease Rentals	Estimated Wheel and Excise Tax Revenues Remaining	Estimated Wheel and Excise Tax Revenue Coverage
	(1)	(2)		
2018	\$512,000		\$512,000	
2019	512,000	(\$234,500)	277,500	218%
2020	512,000	(465,000)	47,000	110%
2021	512,000	(465,000)	47,000	110%
2022	512,000	(465,000)	47,000	110%
2023	512,000	(465,000)	47,000	110%
2024	512,000	(464,000)	48,000	110%
2025	512,000	(463,000)	49,000	111%
2026	512,000	(461,000)	51,000	111%
2027	512,000	(463,000)	49,000	111%
2028	512,000	(464,000)	48,000	110%
2029	512,000	(465,000)	47,000	110%
2030	512,000	(464,000)	48,000	110%
2031	512,000	(463,000)	49,000	111%
2032	512,000	(461,000)	51,000	111%
2033	512,000	(464,000)	48,000	110%
2034	512,000	(465,000)	47,000	110%
2035	512,000	(461,000)	51,000	111%
2036	512,000	(465,000)	47,000	110%
2037	512,000	(464,000)	48,000	110%
Totals	<u>\$10,240,000</u>	<u>(\$8,581,500)</u>	<u>\$1,658,500</u>	

(1) Per the Indiana Local Technical Assistance Program 2017 Wheel Tax and Excise Surtax Report, assumes maximum rate. Per the Town of Muster's Ordinance 1682, the Wheel Tax rate will be reviewed within 5 years of June 20, 2016.

(2) See page 4.

(Subject to the attached letter dated June 6, 2017)  
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