



MONTANA

BOARD OF INVESTMENTS

INTERCAP

Presented by: Louise Welsh
Senior Bond Program Officer

Date: June 15, 2022



What's changed?

- Legal, Policy & Governance
- Bonds that fund INTERCAP
- INTERCAP Application
- Loan Approval Process
- INTERCAP Loan Servicing
- Eligible Borrowers
- Private Activity Loans
- Variable Rate
- Vehicle/Equipment Liens

Changed?	
Yes	No
	✓
✓	
✓	
	✓
✓	
✓	
	✓
✓	

Program Basics

- Low-Interest Loan Program in its 35th year of service.
- Variable Interest Rate
 - Rates change every February 16
 - Average rate over last 15 years: 2.15%
 - Current rate: 1.55% (**1.50% with Autopay**)
 - Autopay required for all new loans
- Loan Term:
 - Statutory Limit,
 - 15-years, OR
 - Useful life of project, whichever is less.
- Over 200 different school districts have utilized INTERCAP
- Nearly 350 school loans totaling \$63 million financed

How is the loan rate determined?

- Bond used to fund the INTERCAP loans held as an investment in the [MT Board of Investments, Short-Term Investment Pool \(STIP\)](#).
- Bond and Loan Rate reset every February.
- Bond Rate based on 1-yr. Treasury plus 10 basis points.
- Loan Rate is Bond Rate plus up to 1.50% for operating spread.
- Current Loan Rate: 1.55% (0.632% Bond Rate + 0.918% spread)
 - 1.50% with Autopay
- Loan Repayments due every February and August 15.

Types of Loans Available

- **General Fund Loan**

- **General promise to pay note of any legally available funds.**
- Other legally available funds to supplement General Fund such as Building Reserve Permissive, Impact Aid, Oil & Gas, or PILT considered on a case-by-case basis.

- **Building Reserve Fund - voted**

- **General Obligation Bonds - voted**

Typical Credit Analysis

- **Completed Application**
- **Standard review of last two years financial statements & current budget**
- **Must be within local government's legal debt limit**

Voted Building Reserve/General Obligation debt:

- **Same as above plus:**
 - **Copy of the Resolution calling for the election (20-20-201 M.C.A.)**
 - **Copy of the Ballot**
 - **Copy of the Notice of Election showing when and where it was posted and published**
 - **Copy of the Certificate of Election**

General Fund Loan

Per 20-9-471, MCA, schools can finance without a vote...

- New and used vehicles
- New and used equipment
- Modular classrooms
- Bus Barn construction
- Remodel/Renovate within existing walls
- Energy retrofit projects
- Cash-flow purposes

MBOI has first
right of refusal
for 20-9-471,
MCA

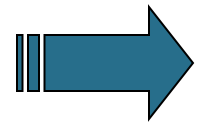
Off site location and/or other Land Purchase/
New Construction Must be Voted per statute.



General Fund Energy Cost Savings

- **Chapter 20 Title 9 Part 471**
 - Montana Code Annotated (M.C.A.)
 - Web address: http://leg.mt.gov/bills/mca_toc/
 - **No Election required**
- **Renovating, rehabilitating facilities, including but not limited to heating, plumbing, electrical systems, and conservation measures defined in 90-4-1102 MCA.**
- **A "qualified energy project" means a project designed to reduce energy use in a school facility and from which the resulting energy cost savings are projected to meet or exceed the debt service obligation for financing the project, as determined by the Department of Environmental Quality (DEQ).**

What does INTERCAP Require?



INTERCAP energy cost savings loan requests:

- Completed Application
- Standard financial information
- Copy of the Energy Performance Contractor's (EPC) Investment Grade Audit (IGA)
- DEQ's written approval agreeing with the IGA cost savings calculations and that the savings meet or exceed the annual payments for the term of the loan.
- The EPC must use INTERCAP's overall average interest rate in the payment calculation. Currently that rate is 3.82% and changes every February.
- Statute requires the EPC to guarantee the savings for three (3) years. INTERCAP requires the guarantee be for the term of the loan AND the cost of the guarantee calculated into the IGA cash flow.
- The EPC guarantee must:
 - Repair and/or replace faulty equipment to meet the required performance
 - Pay the school for extra energy consumption (except for extra consumption due to school staff not complying with their conservation responsibilities)
 - Be at no cost to the borrower until there is consistent annual energy savings sufficient to cover the annual loan payment.
- Borrower supplies a copy of the project's annual performance report supplied by the EPC.



- What if cost savings does not cover the payment for the term of the loan and the school selected an EPC from DEQ approved consultant list?
- The school now needs to have the energy retrofit project competitively bid to continue.

Building Reserve Fund

- **Chapter 20 Title 9 Part 502 M.C.A.**
 - **Montana Code Annotated (M.C.A.)**
 - **Web address: <https://www.leg.mt.gov/bills/mca/index.html>**
- **15-year pledge maximum per statute**
- **Voted debt credit analysis (see page 6)**

General Obligation Bonds-Voted

- **Title 20 Chapter 9 Part 4 M.C.A.**
 - **Montana Code Annotated (M.C.A.)**
 - **Web address: <https://www.leg.mt.gov/bills/mca/index.html>**
- **15-year term or useful life of the project, whichever is less.**
- **Voted debt credit analysis (see page 6).**
- **Borrower engages Bond Counsel at own expense to prepare bond document package and provide attorney's opinion.**

Loans – Implemented Changes

- INTERCAP Application
 - Now available as a short fillable form the Borrower can submit securely online.
- INTERCAP Loan Servicing
 - MBOI now directly manages all phases of the loan servicing previously contracted by indenture of trust to a private bank.
 - **Autopay is required for new loans.** As an incentive for existing loans currently repaid by check or wire, borrowers will be offered a **0.05% loan rate reduction to switch to autopay.**
- Private Activity Loans
 - 5% of total bonds outstanding limitation is N/A.
- Vehicle/Equipment Liens
 - Filing vehicle title and Uniform Commercial Code (UCC) liens is N/A.

Straightforward Application

- No match required
- No upfront fees
- No prepayment penalty
- No application deadline
 - Reviewed on first come-first served basis
 - Typically takes 4-8 weeks from application to funding
 - Staff approves loans up to \$1 million
 - Available online www.investmentmt.com/INTERCAP



INTERCAP

Since 1987, INTERCAP has been a valuable, low interest loan resource for eligible Montana government units as defined under 17-5-1604, MCA. The INTERCAP program is a variable rate loan program, where interest rates are adjusted on February 16th of each year. Eligible projects have wide flexibility, e.g. new and used equipment and vehicles, real property improvements, cash flow, preliminary engineering costs, and grant writing.

INTERCAP CURRENT BORROWER NOTICE - DECEMBER 3, 2021

INTERCAP Interest Rate 1.55%* - February 16, 2022 through February 15, 2023
***Borrowers authorizing autopay will receive a 0.05% discount.**

Application



File Upload



Payment Calculator

Rate History

ACH Form





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INTERCAP Interest Rate 1.65% - February 16, 2021 through February 15, 2022

[Application](#)



[Payment Calculator](#)

[Rate History](#)

INTERCAP APPLICATION

INTERCAP Application - Borrower
INTERCAP Application - Project
INTERCAP Application - Additional Information
INTERCAP Application - Certification
Review



Application must be submitted by an authorized local government representative. Please submit a separate application for each portion of the project having a different term and/or repayment source. After completing the application you will be contacted for any additional information needed to complete the loan review.

Borrower Name ⓘ *

Mailing Address *

Mailing City *

Mailing Zip *

Physical Address *

Physical City *

Physical Zip *

Contact Name *

Contact Title *

Contact Phone *

Contact Email *

Finance Officer/Treasurer Name *

Finance Officer/Treasurer Title *

Finance Officer/Treasurer Phone *

Finance Officer/Treasurer Email *

Federal Employer Identification Number (EIN) *



Submit

Delete

< Previous

Save and Exit

Next >

INTERCAP APPLICATION

- ! INTERCAP Application - Borrower
- ! INTERCAP Application - Project
- ! INTERCAP Application - Additional Information
- INTERCAP Application - Certification**
- Review

[Submit](#) [Delete](#)

Certification Statement

On behalf of the organization identified in this application, I certify the following:

1. To the best of my knowledge and belief, the data in this application is true and correct.
2. I understand that submitting false or misleading information in connection with this application will result in the borrower being found ineligible for financial assistance from the Montana Board of Investments.
3. The borrower will comply with all applicable laws and regulations prohibiting discrimination on the basis of race, sex, religion, national origin, age, or handicap.
4. I am aware the Montana Board of Investments must comply with certain state requirements, which may impact proposed projects. Board funded projects must comply with all federal, state and community licenses, permits, laws and regulations.
5. The borrower agrees to respond to requests for information on the results of the loan for up to three years after maturity.

The Montana Board of Investments agrees to conduct this transaction by electronic means. By checking the box below you agree to conduct this transaction by electronic means and understand an electronic signature is the legal equivalent of a handwritten signature.

Electronic Signature *

By checking this box you agree to conduct this transaction by electronic means.

Name of Authorized Business Representative *

Authorized Representative Title *

Date Application Signed *

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[Save and Exit](#)

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After Loan Approved

- Loan commitment expires in 1-year. Extension requests considered on case-by-case basis.
- Closing process. 3-weeks based on timing of school trustee public meetings. Loan package includes loan resolution to adopt and template attorney's opinion.
- Draw requests received by Tuesday fund that Friday.
- INTERCAP ACH funds to the County Treasurer for further credit to school based on submitted invoices.
- Repayments due every February 15 and August 15.
 - Automatic payment via debit from the borrower account initiated by the Board of Investments accounting staff.
- Updated payment schedules mailed out every March (with new rate), June and January showing amount due for upcoming August and February payments.
- Draw schedules rolled into one when loan is fully funded, or remaining commitment is closed out.

Sample Schedule

MONTANA

BOARD OF INVESTMENTS
INTERCAP

MUNICIPALITY: Borrower
 TOTAL LOAN COMMITMENT: \$ 350,000.00
 TOTAL DRAWS TO DATE: \$ 350,000.00
 THIS DRAW DOWN: \$ -
 REMAINING LOAN COMMITMENT: \$ -
 PROJECT: Project Description

FINAL LOAN PAYMENT: 6/15/2028
 TOTAL # OF LOAN PAYMENTS: 29
 LOAN/DRAW NUMBER: xxxx-01
 DATE OF FIRST DRAW 10/25/2013
 DATE OF LOAN AGREEMENT: 7/19/2013

PAYMENT DUE	INTEREST RATE	# DAYS DUE	INTE REST PAYMENT	PRINCIPAL PAYMENT	O/S LOAN BALANCE	TOTAL AMOUNT OF PAYMENT
* BEGINNING BALANCE *					290,014.28	
2/15/2014	1.000%	113	897.85	0.00	290,014.28	\$897.85
8/15/2014	1.000%	181	1,587.70	9,329.83	340,670.17	\$10,917.53
2/15/2015	1.000%	184	1,717.35	11,351.78	329,318.39	\$13,069.13
8/15/2015	1.250%	181	2,041.32	11,436.07	317,882.32	\$13,477.39
2/15/2016	1.250%	184	2,003.10	11,466.66	306,415.66	\$13,469.76
8/15/2016	1.550%	182	2,361.74	11,545.42	294,870.23	\$13,907.16
2/15/2017	1.550%	184	2,297.73	11,586.73	283,283.51	\$13,884.46
8/15/2017	2.500%	181	3,511.94	11,664.36	271,619.15	\$15,176.30
2/15/2018	2.500%	184	3,423.15	11,699.88	259,919.27	\$15,123.03
8/15/2018	3.150%	181	4,060.08	11,780.22	248,139.06	\$15,840.30
2/15/2019	3.150%	184	3,940.32	11,818.24	236,320.82	\$15,758.56
8/15/2019	3.370%	181	3,949.28	11,897.24	224,423.58	\$15,846.52
2/15/2020	3.370%	184	3,812.62	11,937.79	212,485.79	\$15,750.41
8/15/2020	1.000%	182	1,056.63	12,012.51	200,473.28	\$13,069.14
2/15/2021	2.500%	184	2,519.61	12,061.28	188,411.99	\$14,580.89
8/15/2021	1.650%	181	1,541.62	12,134.81	176,277.18	\$13,676.43
2/15/2022	1.650%	184	1,466.24	13,114.71	163,162.49	\$14,580.95
8/15/2022	1.550%	181	1,254.12	12,185.52	150,976.97	\$13,439.64
2/15/2023	1.550%	184	1,179.69	12,233.54	138,743.43	\$13,413.23
8/15/2023	0.000%	181	0.00	12,306.61	126,436.82	\$0.00
2/15/2024	0.000%	184	0.00	12,357.25	114,079.57	\$0.00
8/15/2024	0.000%	182	0.00	12,427.34	101,652.23	\$0.00
2/15/2025	0.000%	184	0.00	12,483.59	89,168.64	\$0.00
8/15/2025	0.000%	181	0.00	12,552.45	76,616.19	\$0.00
2/15/2026	0.000%	184	0.00	12,608.40	64,007.79	\$0.00
8/15/2026	0.000%	181	0.00	12,677.22	51,330.57	\$0.00
2/15/2027	0.000%	184	0.00	12,735.86	38,594.71	\$0.00
8/15/2027	0.000%	181	0.00	12,803.24	25,791.47	\$0.00
2/15/2028	0.000%	184	0.00	12,864.61	12,926.86	\$0.00
6/15/2028	0.000%	121	0.00	12,926.86	0.00	\$0.00

Borrower Name
 Street Address
 City, MT 59xxx

MONTANA BOARD OF INVESTMENTS
 INTERCAP LOAN PROGRAM
 PO BOX 200126
 HELENA, MT 59620-0126
 408-444-0001



INTERCAP Questions?

www.investmentmt.com/INTERCAP/
406-444-0001

Louise Welsh
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Short-Term Investment Pool (STIP)

- Created by the Legislature in 1973 as an investment vehicle to manage state and local government cash. A safe, convenient option to invest and withdraw cash with 24-hour notice.
- A STIP reserve account is maintained that may be used to offset realized gains or losses. Additionally, the reserve will be available to limit fluctuations in the net asset value (NAV), to the extent deemed prudent by staff.
- More detail: www.investmentmt.com/STIP/



STIP Website

MONTANA
BOARD OF INVESTMENTS

Home Board **STIP** Investments INTERCAP Loan Programs Contact

SHORT-TERM INVESTMENT POOL

The Short-Term Investment Pool (STIP) was created by the Legislature on July 1, 1973 to manage state and local government cash. Since its creation, the STIP has provided a safe, convenient way for state and local governments to invest and withdraw cash with 24-hour notice. Local governments have other investment options as permitted by law and use the STIP as a backup investment option.

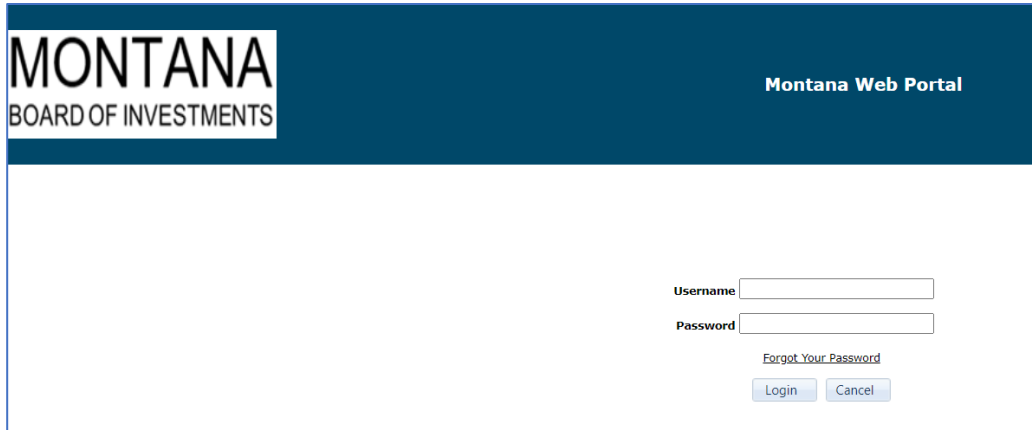
STIP maintains a STIP reserve account that may be used to offset realized gains or losses. The reserve account will be available to limit fluctuations in the net asset value (NAV), to the extent deemed prudent by staff.

[STIP WEB PORTAL](#)

- Monthly Net Asset Value every 15th business day.
 - Participants use to calculate the market adjustment to record on their financial statements.
- Daily Factor and Yield – day, month, year history
- STIP Participation Agreements
- STIP unaudited financial statements including notes.

[STIP WEB PORTAL](#)

STIP Web Portal

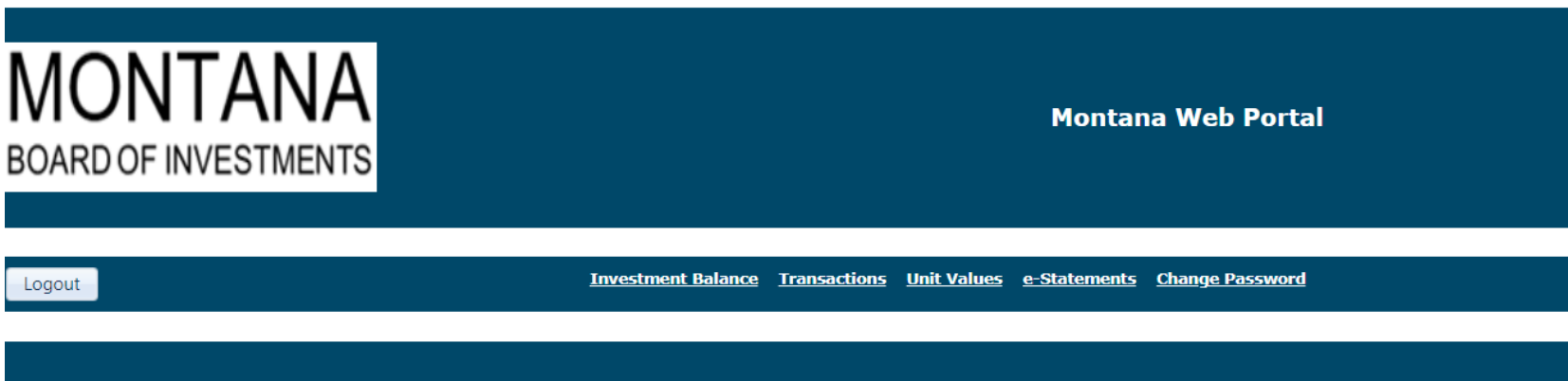


The screenshot shows the login interface for the Montana Web Portal. At the top left is the logo for MONTANA BOARD OF INVESTMENTS. At the top right is the text "Montana Web Portal". The main area contains a login form with the following elements:

- A "Username" label followed by a text input field.
- A "Password" label followed by a text input field.
- A link labeled "Forgot Your Password" below the password field.
- Two buttons, "Login" and "Cancel", positioned below the "Forgot Your Password" link.

Securely Buy/Sell shares for cashflow needs.

And convenient access to:



The screenshot shows the navigation bar of the Montana Web Portal. At the top left is the logo for MONTANA BOARD OF INVESTMENTS. At the top right is the text "Montana Web Portal". Below this is a dark blue navigation bar containing the following elements:

- A "Logout" button on the left.
- A series of links: "Investment Balance", "Transactions", "Unit Values", "e-Statements", and "Change Password", all in white text.

MONTANA

BOARD OF INVESTMENTS

www.investmentmt.com/STIP/
406-444-0001

STIP Questions

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