

FINANCING PROJECTS

*A guide to planning, debt and process for
financing by tribal governments*

The Wells Fargo logo consists of a solid brown square with the words "WELLS" and "FARGO" stacked vertically in white, uppercase, sans-serif font.

WELLS
FARGO

PLANNING

- Capital Improvements Plan (CIP) to rank projects by need
- Determine source and amount of cash flow to be dedicated to community capital improvements
- Determine source and amount of cash flow to be dedicated to enterprise capital improvements

EXAMPLES OF TRIBAL PROJECTS

- Police/Fire stations
- Roads
- Utilities/Energy
- Health care facilities
- School buildings
- Government buildings
- Water/Power systems
- Convention centers
- Marinas
- Infrastructure up to casino sites
- Entertainment centers & auditoriums
- Retail/Commercial

ADOPT AND AUTHORIZE

- CIP is ratified by appropriate governing body
- Tribal officers and staff are authorized to plan identified projects
- Appropriate governing body approves plan, budget and implementation timetable
- Tribal officers and staff are authorized to seek financing of project(s)

SOURCES OF FINANCING

- Bank Credit facility supported by gaming revenues
- Bank loan supported by governmental or non-gaming enterprise revenues
- Bond sold to investors supported by governmental, gaming or non-gaming enterprise revenues (“Bond Issue”)

EXISTING CREDIT FACILITY

- Terms already established
- Adds leverage counted against future gaming borrowings
- Low or no costs
- Accelerated amortization

BANK LOAN

- New credit facility secured by distribution to Tribe from gaming enterprises or other enterprises established by Tribe
- Amortization can be negotiated
- Rate can be established to reflect “governmental purpose” (tax-exempt is usually lower than commercial credit facility)
- Limited \$10MM a calendar year if Bank Qualified
- Distribution to members is subordinated to debt payment

BONDS

- Bond secured by distribution to Tribe from gaming enterprises or other enterprises established by Tribe.
- Amortization usually the longest available
- Tribal guarantee usually necessary
- Additional legal fees over and above those incurred by bank loan
- Once Bonds are placed interest rate and terms are fixed for the life of the loan as long as all covenants are met

PARTICIPANTS

- Authorized staff and officers of the Tribe
- Banker
- Tribal Attorney
- Bank Attorney
- Bond Attorney (if tax-exempt rate is chosen)
- Investors & Rating Agency (if Bond placement is chosen)
- All must work together from the beginning of the process

TIMING

- First authorize projects; plan and engineer them; adopt a project budget
- Agree on source of cash flow for repayment
- Identify financing team (participants)
 - (Retainer fee(s) will apply)
- Allow four months to execute financing after the team is identified

Tax-exempt strategy

- Financing may allow for preservation of cash
- Lower rates may free up cash flow to support other projects
- Tax-exempt route allows for community assets to be paid for over longer terms
- Projects can be phased

Using Other Cash Flow

- Banks will lend up to 2-3 EBITDA (reducing over time/construction)
- Average loan of \$160 Million (not all gaming), 5-7 year term
- All-in spread 225 bps over LIBOR
- Commitment fee average 1.0%
- Major factor: leverage/free cash flow