

FINANCING PUBLIC INFRASTRUCTURE

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INTRODUCTION

- *Considerations in Planning a Public Financing*
 - ❖ What improvements will be financed?
 - ❖ What revenues are available to pay for debt service?
 - ❖ What types of bonds are available to match these types of assets and sources of revenue?

INTRODUCTION

- *Types of Improvements*

- ❖ Water Systems

- ❖ Sewer Systems

- ❖ Electric Systems

- ❖ Streets

- ❖ Buildings

- ❖ Parking Lots

- ❖ Police or Fire Equipment

- ❖ Streetscape

- ❖ Sidewalks

- ❖ Parks

- ❖ Drains

- ❖ Economic Development

REVENUE

Sources for Financing Public Infrastructure

- *Local Taxes*
 - ❖ Unlimited property tax levies
 - voted bond issues
 - ❖ Limited property tax levies
 - voted millages
 - ❖ Income taxes

REVENUE

Sources for Financing Public Infrastructure

- *Local Taxes* (continued)
 - ❖ Requires public vote
 - ❖ UTGO and GOLT bonds and installment purchase contracts used for financing
 - ❖ Can use for many kinds of public infrastructure

REVENUE

Sources for Financing Public Infrastructure

- *Special Assessments* – imposed by public entity on property specifically benefiting from a public improvement
 - ❖ Not a tax
 - ❖ Amount of assessment must bear a reasonable relationship to the value of the benefit derived from the improvement
 - ❖ Subject to petition rights
 - ❖ Special assessment bonds used for financing
 - ❖ Used most often for roads, water, sewer, and storm water

REVENUE

Sources for Financing Public Infrastructure

- *Public Revenue Systems*

- ❖ Public Revenue Systems
- ❖ Connection fees – fees imposed by a public entity on property owners when hooking up to a system
- ❖ User fees – fee imposed by a public entity on users of a public improvement for services provided by the public improvement
- ❖ Subject to referendum rights
- ❖ Revenue bonds used for financing
- ❖ Can be used for many projects, but the project must produce revenue
- ❖ Most frequently used for water, sewer, parking, electricity, and public transportation

REVENUE

Sources for Financing Public Infrastructure

- Tax Increment Revenues – tax revenues captured by a downtown development authority, tax increment finance authority or local development finance authority, corridor improvement authority, or brownfield redevelopment authority
 - ❖ Must be part of a development and tax increment financing plan
 - ❖ May be subject to referendum rights

REVENUE

Sources for Financing Public Infrastructure

- **Tax Incremental Revenues** (continued)
 - ❖ Often used for street, sidewalk, streetscape, storm sewer and building projects
 - ❖ Brownfields can fund infrastructure in core communities

GENERAL CONSIDERATIONS

- *Revised Municipal Finance Act*
 - ❖ Qualifying Statements or Applications for Approval
 - ❖ Audit Filing Requirements
 - ❖ Maturity Requirements
 - ❖ Rating Requirements
 - ❖ Notice Requirements

GENERAL CONSIDERATIONS

- *Notice of Intent Requirements*
 - ❖ Revised Municipal Finance Act
 - ❖ Home Rule Cities Act
 - ❖ Revenue Bond Act

GENERAL CONSIDERATIONS

- *Debt Limitations*

- ❖ 10% of SEV

- ❖ 5% of SEV

- ❖ 1.25% of TV

- ❖ Exceptions

- Special Assessments

- MTF Bonds

- Revenue Bonds

- ❖ Exceptions continued

- Obligations incurred for water, sewer, drainage, or refuse disposal to protect public health by abating pollution

- Bonds issued to comply with a court or agency order

GENERAL CONSIDERATIONS

❖ Methods of Public Sale

- Public Sale
- Negotiated sale to underwriter
- Negotiated sale – private placement

❖ Other considerations

- Official Statements
- Ratings
- Bond Insurance

QUESTIONS



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