

# Look Past Public Dollars for Financing

Steve Donovan & Doug Waugh



# Agenda

1 →

**What are “nonpublic” funding sources?**

2 →

**Who can tap into the private sector capital markets?**

3 →

**Pros and cons**

4 →

**Process for securing private sector financing**

5 →

**What happens after you secure private sector financing**

# Basic “nonpublic” funding Sources

## Bonds

- Revenue, general obligation, full faith and credit

## Notes

- Bond anticipation, interim financing, special purpose placement

## Obligations

- Revenue obligations

## Leases

- Equipment, certificates of participation, facilities and structures

## Bank Loans

- Secured, unsecured, revolving LOCs

# Qualifying Entities

- States
- Cities
- Counties
- Special service districts
- Authorities (ports, drinking water, etc.)
- With limitations, quasi public entities

Charter and other policy directives may put limits/prohibitions on use of private sector financing

Joint ventures and partnerships can be used to tap into private sector capital markets

# General Obligation Bonds

Requires a vote

Can be paid from taxes or revenues

Lower interest rates

Lower financing costs – no reserves



# Revenue Bonds

**Do not require a vote**

**Must be paid from revenues**

**Higher interest rates usually**

**Higher financing costs - reserves**



# Pros and cons



Pros	Cons
<ul style="list-style-type: none"><li>• Deep and liquid funding source</li></ul>	Hardly ever get any grants from the private sector capital markets
<ul style="list-style-type: none"><li>• Flexible funding source</li></ul>	Contractual commitment
<ul style="list-style-type: none"><li>• Quick and responsive of borrowers' needs</li></ul>	Loan/bond covenants often times more restrictive than terms on public sector funding sources
<ul style="list-style-type: none"><li>• Long history of successful transactions</li></ul>	Continuing disclosure
<ul style="list-style-type: none"><li>• Preferential income tax treatment for investors</li></ul>	
<ul style="list-style-type: none"><li>• In some cases, no "vote of the public" is required</li></ul>	

# Process for securing private sector financing

- There Ain't no free lunch
- You have to spend money to get money
- Expect dyslexia from your professionals
- Stuff happens





# What happens after your secure private sector financing

## Debt Proceeds

- Spend-down tracking
- Comply with IRS rules
- Make your P&I payments

## Debt Management

- Continuing disclosure
- Comply with covenants
- Follow the markets
- Boards/Councils updates

# Summary/Conclusions



- Does it work for you
- Leadership buy-in
- Community support



- Build your team
- Stick to the schedule
- Roll with the punches



- Manage your debt
- Comply with covenants
- Make it part of your budget