Financing Your Stormwater Project

University of Texas Rio Grande Valley Stormwater Conference

Presentation Overview
- Election-Based Obligations
- No Election Required
- PID Bonds
- The Financing Team

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Types of Financing and Their Processes

WHAT IS A BOND?
For the purposes of this discussion, the term "bonds" refers to any of the forms of public debt described.
General Obligation Bonds Must be Approved in an Election

These are typically for the more costly projects which are of interest to the entire population, or which are politically sensitive.
Not All Bonds Require Voter Approval

For Example:

- Certificates of Obligation
- Tax Notes
- Public Improvement District Bonds
Public Improvement Districts

- These districts are becoming more common.

- Can be used to finance a range of water, wastewater, and stormwater projects
Like the Design and Construction of any Worthwhile Public Works Project...

The use of bonds to finance a stormwater project involves an entire team of professionals.
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General Obligation Bonds

- Backed by the full faith and credit of the Issuer (City or County).
- Require approval by the voters.
- Used for large and/or politically sensitive projects.
KEY FEATURES OF G.O. BONDS

- Must be able to provide meaningful description of project to voters before election.
- Repayment is secured by ad valorem taxes
- The debt must be repayable within 40 years
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Not All Bonds Require Voter Approval

- Certificates of Obligation (Cities and Counties)
- Tax Notes (Counties)
- PID Bonds
Key Features of Non-G.O. Bonds

- Voter approval not required
- Can be backed by taxes, revenues, or both
- Certificates of Obligation cannot be issued within three years of a failed bond measure
- Certificates of Obligation require a Notice of Intent
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Public Improvement Districts

A PID is a financing tool that uses assessments levied against the properties in a defined area to pay for improvements directly, or by repaying bonds issued to pay for those improvements.
What Makes PID Financing Unique?

- The use of PIDs is becoming more common
- Developers like it because it offers inexpensive financing
- Cities like it because they have leverage for demanding policy preferences
- No separate board of control
- Expires with the repayment of the bonds
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**Bond Counsel** - Outside attorney who assists with issuance

**Financial Advisor** - Provides guidance on selecting right type of security

**Underwriter** - Facilitates the sale of the bonds

**Purchaser** - Syndicates and/or Banks

**Paying Agent** - Handles closing and payments

**Rating Agencies, Insurers** - **enhance** creditworthiness

**Attorney General** - Review, approve, register

**Comptroller** - Review, approve, register

**IRS** - Regulate tax-exemption

**SEC** - Regulate marketing
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