



# Involvement:

# Community

**Approval to Borrow:**

In most cases, approval from your local governing body, is needed prior to being able to borrow.

**Community Benefit:**

Borrowing may be the best and most efficient option to provide funds for various local government needs, especially in today's tight economy.

**Possible Voter Approval:**

There are many municipal finance laws in Michigan. You may need to seek voter approval in order to borrow; check with your bond counsel. Citizen support and input will help a project succeed.

**Revenue Stream:**

Many communities pass a special assessment, pledge taxes, or other revenue for payment or security on a financing. It is important that citizens understand how resources are being allocated to meet community needs.

To find out more about any of the Authority's financing programs, please visit our website at:

[www.michigan.gov/mmba](http://www.michigan.gov/mmba)

Contact us at:

[treasmmba@michigan.gov](mailto:treasmmba@michigan.gov)  
Phone: (517) 373-1728  
Fax: (517) 335-2160

Or write to us at:

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Michigan Municipal Bond Authority



# Planning:

# Financing:

The Authority would be glad to provide you with the following information to assist you in planning your projects:

### Maximum Borrowing Amount

The Authority can provide you with a debt service coverage test to determine the maximum amount you may be eligible to borrow under the Authority's programs.

### Financing Schedules

Financings are scheduled based on borrower demand. Updated schedules can be found on the Authority's web page.

### Estimated Borrowing Costs

The Authority can provide you with a sample debt schedule with estimated borrowing costs specific to your financing needs.

Please contact the Authority to make a request.

### Why you should consider financing rather than paying on a cash basis:

- Cost of borrowing in the tax-exempt market is historically less than earning rates on possible investments.
- Preserve cash balance for future needs or emergencies.
- Fund large projects now to have economies of scale on construction costs, and avoid administrative burden of multi-year segments.
- Spread the cost of the project over its useful life.
- Liability of delaying projects may be more costly in the long-run.
- Repayment of the debt can be timed with your revenue streams, such as state school aid, state revenue sharing, or state transportation payments.
- Avoid a future crisis or problems by making improvements now.

### You Should Work with Municipal Experts:

As part of the debt issuance process, a bond counsel (attorney specializing in municipal debt) opinion may be required. Depending on the complexity of the project and borrowing needs, you may also wish to consider hiring a financial consultant.

### Multiple laws to consider:

There are over 100 different Michigan municipal finance laws. Additionally, federal rules and regulations, securities laws, and Internal Revenue Code provisions can make municipal finance very complex. The Authority programs help to minimize the complexity of your borrowing, and include well tested structures and documents to help you successfully complete your transactions.

### Michigan Department of Treasury Approval:

Please note that in order to borrow, you may need to have approval from the Michigan Department of Treasury. If you do not have a current "Qualifying Status" you may need to contact the Department of Treasury, and work with your local bond counsel or financial advisor.

There are many options available to consider in order to meet your financing needs. Those options include various forms of borrowing, such as issuing bonds/notes, borrowing from a financial institution, and/or other financing sources. The Michigan Municipal Bond Authority is an alternative financing source.

### What is the Michigan Municipal Bond Authority?

The Michigan Municipal Bond Authority is a non-profit agency established to provide municipal issuers cost-effective choices for borrowing funds. The Authority offers local units of government a cost effective way to borrow money by creating a financing pool to address your borrowing needs with the needs of other local units of government. The Authority sells its obligations to purchase the pooled bonds/notes issued by the local units of government.

The Authority brings its experienced group of financial experts to assist you with your financing needs. Since 1986, the Authority has issued loans totaling more than \$11.5 billion to assist communities with their financing needs.

### Who may borrow through the Authority?

- Cities and Villages • Counties • Townships •
- School Districts • Colleges and Universities •
- Commissions and Authorities •

### Why consider the Authority for your financing needs?

#### • Competitive Interest Rates

The Authority consistently offers interest rates that compare favorably with Michigan and national pricing indices. The Authority's reputation and name recognition in the capital markets creates demand for the Authority's securities, translating to lower interest rates for borrowers.

#### • Reduced Costs of Issuance

Costs are shared by borrowers on a pro-rata basis typically resulting in lower costs than each borrower would pay individually.

#### • Simplified Borrowing Process

Borrowers complete an application, adopt a borrowing resolution and sign the required documents for closing. The Authority and your local bond counsel assist with closing your loan.

#### • Access to Capital Markets

Take advantage of the Authority's expertise to access the capital markets.

### AUTHORITY FINANCING PROGRAMS:

The Authority offers a variety of financing programs to meet your borrowing needs. The Authority can finance any bonds, notes, or other obligations, which you may legally issue on your own. The Authority's financing programs include:

### LOCAL GOVERNMENT FINANCING PROGRAM

The Local Government Financing Program provides competitive interest rates for Installment Purchase Agreements. This program provides borrowers with a streamlined process to purchase essential use equipment including items like heating/air conditioning equipment, vehicles, computers, phone systems, or mobile radios. The borrowing term matches the useful life of the purchased asset up to a maximum loan term of 15 years or less.

Interest rates are based on a percent of U.S. Treasuries, and on the borrower's credit rating or credit strength. **The loans are offered on a monthly basis**, and the borrower can determine options of monthly, quarterly, semi-annual, or annual payments.

### STATE AID NOTE PROGRAM

The State Aid Note Program offers a simplified borrowing process for school districts to fund short term cash flow needs for operating purposes. The program structure allows schools to pool their loans with those of other schools, resulting in competitive interest rates and reduced costs of issuance.

### STATE REVOLVING FUND and DRINKING WATER REVOLVING FUND PROGRAMS

The State Revolving Fund (SRF) and the Drinking Water Revolving Fund (DWRF) programs, provide low cost financing for water pollution control and drinking water projects, respectively. These programs are jointly administered by the Authority and the Michigan Department of Environmental Quality (DEQ) which determines qualified projects and annual funding priority. **Projects for Fiscal Year 2003 are already established.** The interest rate for publicly owned projects for Fiscal Year 2003 is 2.5 percent.

**To be considered for the Fiscal Year 2004 project priority list**, applicants should contact DEQ as soon as a project is planned and submit a project plan no later than May 1, 2003, for the DWRF program and no later than July 1, 2003, for the SRF program.

For more information on the Authority's financing programs, please visit our website at: [www.michigan.gov/mmba](http://www.michigan.gov/mmba)