

FINANCING OPTIONS FOR MUNICIPAL INFRASTRUCTURE

NOTE: This is a very simplified overview of a complex set of options that a city might have to provide infrastructure. It is meant to highlight options, not provide specific details on any given source of funds.

No.	Financing Options for Infrastructure	Example	Paid by	Calculation of Amount Available Based On	Dependable Revenue Stream?	Practical Option to Bond for Infrastructure?	General or Dedicated Fund?	Local Role Determined or Enacted By:	Pros	Cons
1	B&C Road Funds	B&C Road Funds,	City Share of State Motor Fuels Tax	State Formula	Yes	Yes - Ten Year Maximum Term	Dedicated	State	Significant source of steady funding	Usually not enough to cover road maintenance and projects as well
2	Exactions - Impact Fees	Developer pays fees to get project approval.	Developer	Proportionate Share that Project Imposes on System	No	Not usually - revenue stream too unpredictable	Dedicated	Council Adopts an Impact Fee Plan by Legislative Act	Development Pays	Timing and Amount of Receipts - Can't collect until 90 days after enactment - Documentation cost
3	Exactions - Land Dedicated by Developer for City Facilities	Developer provides land for parks, roads, utility easements etc.	Developer	Proportionate Share that Project Imposes on System	No	No	None	Project Plan Approval Process - Conditions of Approval for each Project	Development Pays	Limited, Site Specific Transaction - Govt entity must demonstrate burden imposed is proportionate
4	Exactions - Infrastructure Constructed by Developer to Meet Project Needs	Developer builds roads, waterlines, sewer lines, storm drain facilities	Developer	Proportionate Share that Project Imposes on System	No	No	None	Project Plan Approval Process - Conditions of Approval for each Project	Development Pays	Limited, Site Specific Transaction - Govt entity must demonstrate burden imposed is proportionate
5	Excise/Franchise Taxes - Utility Sales Taxes	Tax on cable, electrical, other private bills	Utility Customers	Private Utility Bills	Yes	Yes	General	Council	Easy and Common - significant source of revenue	State Limits Amount to 6% of utility charge
6	Grants - Federal	CDBG Grants and a myriad of other programs	US Government	Grant Terms	Depends	No	Dedicated	US Govt	Can be Large	Strings attached - can be complicated to apply for and qualify.
7	Grants - Private	Donations by Private Parties	Donors	Grant Terms	No - project based	No	Dedicated	Donor	Easy - Free of Regulations and Some Complications	Limited Availability
8	Grants - State	Water or Sewer Project Grants	State or City repays a loan	State Formula	No - project based	Maybe - may be in the form of a loan to the city	Dedicated	State	Can be Large	Complicated to apply for and often denied. Very project specific
9	Lease - City as Tenant	City leases office or other building from landlord	General Fund or Utlity Fund	Lease Agreement	No	No	Dedicated	Council	No bond issue - private party provides capital investment.	City does not own asset - leases it
10	Lease - City as Landlord	City builds fire station and leases to fire district	Tenant	Lease Agreement	Yes	Yes	Dedicated	Council	City provides capital funds for local agency - better financing terms	City owns asset and leases it to another entity
11	Local Utility District - not controlled by city	Water or Sewer District	Utility Customers	Cost of Service	Yes	Yes	Dedicated	Local Dist	Steady and Freestanding - No role for City - Separate and Independent - can serve several communities.	Complicated to Set Up - Separate Agency that City cannot control
12	Property Taxes - General Obligation Bonds	Building Bonds for Public Safety, Library, Roads, etc.	Property Owners Generally - City Wide	Assessed Value of Property that is taxed	Yes	Yes	General	Voters	Steady - Covers project cost	Voters must approve
13	Public Infrastructure District (PID)	Subdivision Improvements for new development	Future Property Owners who benefit from improvements	Assessed Value of Property that is taxed	Yes	Yes	Dedicated	Council	Covers cost - Steady - cost imposed on only part of community, not entire city. Can use tax increment funds or assess new taxes	Detailed Process to Create - all prop owners must agree. Limited to 15 mils,

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14	General Fund Other Revenue	Fines and Penalties, licenses, development permits, user fees	Violator or Person who uses public service or facility	Appropriation by Council	Yes	Yes - Bond against general city revenues	General	Council	If there is a surplus of general fund money, painless source of funds.	Competes with other GF priorities
15	Hospitality - Room Rental Charges	Hotel/STR Guest Charges	Tourists	Room Rates	Yes	Yes - if sufficient funds	Dedicated	Council	Minimal impact on local voters	Can vary from year to year - not usually large amounts in most communities
16	Public Private Partnership (PPP or P3)	Fiber Optic Networks - Toll Roads	Customers of project created	Negotiated	Depends - usually only after project is complete	Yes	Dedicated	Council	City can front project costs and look forward to private management of income stream	Private Control of ongoing services provided using publicly owned infrastructure
17	State Revolving Loan Fund	Water, sewer or other project funded by state	City repays revolving loan	Individual project cost	No	No local bond needed - state funding	Dedicated	Council	Helps cities with unique circumstances which make traditional bonding difficult. Can be very low interest rates or partial grants	
18	Sales Taxes - General Fund	Tax on reail sales transactions	Retail customers	Sales Price Paid by Consumer	Yes	Yes - Common	General	State/Council	Often Largest Funding Source - no public vote	Recession Risk - Uncertain - State Limited
19	Sales Tax - Recreation Tax	City Enacted Sales Tax for Parks	Retail customers	Sales Price Paid by Consumer	Yes	Yes if funds are sufficient - Ten year maximum term	Dedicated	Council	Requires public vote to enact	Limited amounts - expires after ten years and must be renewed by voters
20	Sales Tax - Road Projects	Shared Sales Tax with County and UTA	Retail customers	Sales Price Paid by Consumer	Yes	Yes	Dedicated	Council	If county approves, new source of revenue	Limited to .10 of 1% of sales for local government - .05% for county.
21	Special Service Area	Upgrade to Existing Sidewalks. Curb and Gutter, etc.	Property Owners who benefit from improvements	Varies - i.e. street frontage	Yes	Yes	Dedicated	Council	Covers cost - Steady - cost imposed on only part of community, not entire city	Property tax levy. 40% of property owners can stop its enactment.
22	Special Assessment Areas	Business improvements	Property Owners who benefit from improvements	Specific formula for each assessment area	Yes	Yes	Depends	Council	Can be more flexible assessments than straight property tax - in a defined area.	Must get property owners to approve
23	Tax Increment Financing - CRA	New Revenue from New Development	Future Property Owners	Additional income over past collections	Yes	Yes	Dedicated	All Govts Involved	New growth generates new property and sales tax revenue	All affected taxing entities must approve - school districts - complicated
24	Tax Increment Financing - TRZ	New Revenue from New Transit Oriented Development	Future Property Owners	Additional income over past collections	Yes	Yes	Dedicated	All Govts Involved	New growth generates new property and sales tax revenue	All affected taxing entities must approve - school districts - complicated
25	Tax Increment Financing - HTRZ	New Revenue from Transit Oriented Development with Housing Density	Future Property Owners	Additional income over past collections	Yes	Yes	Dedicated	Council, Committee	New growth pays - but all taxing entities need not approve - special committee does	Complicated - for projects which are mostly housing units. Must provide for hoderate income housing.
26	Transportation Fees	Transportation fee on monthly utlity bills	Utility Customers	Cost of Road Maintenance and Improvements	Yes	Probably - But has not been done in Utah yet	Dedicated	Council	Steady	Public resistance to a new charge on utility bills - city must calculate based on cost of service provided.
27	Utility Fees - Direct Charges	Sewer, Water, Garbage Fees	Utility Customers	Cost of Service	Yes	Yes	Utility	Council	Steady - Fair	Difficult to increase and cover all costs

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