WORKSHEET 3: Considering Financing Structures

PART 1: The purpose of this exercise is to develop an understanding of the internal financial capabilities and limitations related to your project. It is best to hold a conversation with the Finance Director and all other appropriate parties to answer the following questions. Many of the questions listed below might require dedicated time to determine responses. It is likely that it will require proactively distributing a list of questions. It might be worthwhile to hold a preliminary meeting to determine appropriate questions and a second meeting to discuss the results.

The outcome of this conversation should set the stage for future conversations with consultants, potential development partners, governing bodies, and finally, for improving procurement responses.

Below is a list of example questions to help start the process. This is not a comprehensive list and some questions may not be applicable to the project. This worksheet is meant to inspire constructive thinking and aid in brainstorming.

What Revenue Sources are available to pay debt service/rent on the project?

Regardless of the financing strategy, the public agency will be obligated to make payments toward the project. What is the strategy for doing so?

What is the maximum annual dedicated debt service obligation your annual budget can support?

Closely tied to the previous question, you should know what the maximum limits are for the project, regardless of how much you 'think' the project should be?

What is the ideal term for the project financing?

Are there tax revenue streams or revenue sources that you expect to expire by a specific time that may impact the term? What is the optimal term if issuing bonds?

Do you currently have expenses or are you paying rent that can be considered a revenue source for the project?

For example, if the public agency is currently leasing space for uses (staff, services, parking, storage, etc.) that the new facility will house instead, then those leasing costs might be transferred to paying debt service or new leasing costs on the project.

What is the anticipated credit rating of the public agency when issuing debt?

What is the anticipated interest rate for a GO or Lease Revenue bond issue?

Closely tied to the current credit rating of the public agency, what is your best assumption regarding the cost of issuing tax-exempt bonds?

Are there additional costs or revenue the project will incur or generate that exists outside of the new projects budget?

Are there additional consulting fees that will not be included in project costs? Are there ancillary improvements (street, water/sewer, utilities) that will be required but not included in project costs?

Do you anticipate your current operating costs increasing or decreasing with the completion of a new facility/project?

Will the new facility increase in size or improve environmental technology that result in increased operating costs compared to the current facility? Do you currently have deferred maintenance costs associated with the current facility? Is there a dedicated revenue stream to support the possibility of increased operating costs?

What development approaches are available to you for project delivery?

Can you employ alternative public delivery options, such as Design-Build, Progressive Design-Build, 63-20 Progressive Design-Build or other Public Private Partnership approaches?

What kind of consultation will you need and what will you insist on when engaging a consultant?

What areas of expertise do you expect a potential consultant to have? What are the major questions you wish for the consultant to address?