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Making Contractor-Financing Work

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Contractor-financed infrastructure projects can help the public sector tackle one of its most significant challenges. During the Great Recession, municipalities often opted to defer infrastructure maintenance and improvement projects to curtail budget shortfalls. Not surprisingly, the long-term useful life of neglected infrastructure suffered due to these fiscal constraints.

Now that municipal revenues are recovering, however, municipalities are reinstating more rigorous maintenance schedules, and at times, exploring infrastructure replacement options, examining the potential cost, availability of funding and return on investment.

In some cases, an accelerated or "catch-up" maintenance program may be all that is necessary. For example, a sewer system operator may avoid system upgrades by implementing a catch-up maintenance program which extends the useful life at a lower cost per year versus replacement. In other cases, replacement may be the better option.

Either way, an up-front capital outlay is necessary. However, in states that follow the general rule prohibiting municipalities from entering into multiple-year payment obligations unless such obligations are subject to annual appropriation, municipalities must overcome financing challenges if the project is too small for the issuance of new debt or the municipality does not have the capacity to issue the debt necessary for the project.

To learn more, visit [American Infrastructure](#)