

# **Bond Case Briefs**

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## **Mayor Seeks Policy Changes for Infrastructure Improvements.**

Terre Haute, Ind., Mayor Duke Bennett has expressed support for tax policies that promote investment in the nation's infrastructure, urging Treasury to make it easier to use public-private partnerships to address bond funding challenges stemming from the transfer of ownership or control of water and wastewater infrastructure to a private partner.

[Editor's Note: Treasury received substantially similar letters from the mayors of Wabash, Ind.; Orland Park, Ill.; and Overland, Mo.]

July 21, 2014

The Honorable Mark Mazur  
Assistant Secretary for Tax Policy  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

The Honorable William Wilkins  
Chief Counsel  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, DC 20224

RE: Tax Policies Supporting Infrastructure Investment: Section 141 Fix

Dear Mr. Mazur and Mr. Wilkins:

On behalf of the City of Terre Haute, I wish to express my strong support for tax policies that promote investment in the nation's infrastructure such as water, wastewater, roads, parking garages, storm water facilities, etc. The U.S. Conference of Mayors Water Council also supports such tax policies and we appreciate your help.

The U.S. Environmental Protection Agency has estimated that we must invest more than \$500 billion over the next 20 years to improve or replace existing water, wastewater, and fire safety systems. This investment is necessary to bring old infrastructure into compliance with the Clean Water Act, the Safe Drinking Water Act, and other environmental statutes, to repair broken and leaking pipes that waste more than 7 billion gallons daily, and to realize the benefits of modern water conservation technologies. Addressing these dramatic needs will require focused, dedicated and robust participation by the public sector and private sectors. The financial scope of the water and wastewater infrastructure deficit is simply too great for any one sector of service providers to tackle alone.

The private sector is working closely with local governments on a wide range of public private

partnerships (P3) to promote greater investment in water and waste water infrastructure. These P3s often begin a number of years after a community has made a substantial investment of its own through the issuance of tax-exempt bonds. However, when the P3 involves the transfer of ownership or control of the water infrastructure to a private partner, that partner may be required to undertake remedial actions to preserve the tax-exempt status of the bonds, such as redemption, defeasance, or re-investment of the proceeds in an approved alternate use.

As you know, redemption is often precluded by the terms of the bonds themselves. Defeasance is unnecessarily costly in the current low interest rate environment: too much capital ends up locked up in ultra-low interest Treasury securities that could otherwise be put to use addressing critical community needs. We hope the Treasury Department will take action to help reduce the defeasance penalty while the difference between rates earned by Treasuries and municipal bonds remains high. The applicable regulations were designed decades ago before P3s became popular, and represent a serious hindrance to deploying P3s to address America's water and wastewater challenges.

If you or your staff has any questions, please don't hesitate to contact me or my staff at 812.244.2303

Respectfully,

Duke A. Bennett  
Mayor  
City of Terre Haute  
Terre Haute, IN