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Chesapeake Bay Foundation Offers Pa. Municipalities Private Funding Method for Clean-Up.

The Chesapeake Bay Foundation announced Thursday, Sept. 28 an opportunity for municipalities to participate in a pilot program, which offers financial backing when implementing natural solutions that reduce runoff that damages local rivers, streams, and the bay.

Pennsylvania was invited to participate, according to the foundation. The application process opened Friday, Sept. 15, and closes Tuesday, Oct. 31.

In order to help municipalities reach its clean-up goals, the foundation is partnering with Quantified Ventures, the Kresge Foundation and other funders.

“Because some local governments and lenders may be less familiar with implementing natural solutions, these kinds of projects may be seen as riskier and more difficult to finance,” Chesapeake Bay Foundation Vice President Kim Coble said.

The idea stems from an arrangement made between DC Water and Quantified Ventures, which last year pioneered a new financial tool called Environmental Impact Bond.

It was structured to privately finance and share the risk for implementing natural solutions to manage storm-water runoff into the Potomac River, according to a Chesapeake Bay Foundation statement.

The pilot project would offer the same financial tool.

A utility can raise funds from impact investors Goldman Sachs and the Calvert Foundation to finance projects like permeable pavement and bioswales, the foundation reports. Additional community benefits, foundation leaders said, are introduced to communities, like reduced local flooding, improved climate resiliency, and local job creation.

The financial structure provides up-front capital for environmental projects. In its most basic form, a municipality or municipal entity, like a utility, issues Environmental Impact Bonds and sells them to private investors to obtain financing to pay the cost of environmental projects.

The municipal issuer is required to pay interest on the bonds and to repay the principal amount of the bonds on scheduled payment dates, the foundation reports.

After an evaluation period, if the project reduces significantly more pollution than expected, investors receive a higher rate of return. If the project reduces significantly less pollution, investors will receive a lower rate of return.

“In our pilot program, we will coordinate with up to four local jurisdictions’ financial advisors toward the creation of an Environmental Impact Bond or loan tailored to their community’s financial and environmental needs to implement green infrastructure solutions,” said Coble.

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by Jana Benscoter

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