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Community Bonds Make Investing in Madison Easier.

The City of Madison issued a one-week selling period of municipal bonds in early October to fund the renovations of Olbrich Botanical Garden. Sold in \$500 increments, the bonds are meant to be more accessible to residents to provide an opportunity for them to invest in their community.

While these appropriately-named “community bonds” are receiving much attention, the use of bonds to fund City projects is less unusual than it may seem.

David Schmiedicke, City Finance Director, says the City of Madison issues about \$100 million of debt a year in the form of bonds to pay for things like facility renovations, road construction and park improvements.

Typically, these investments are sold in \$5,000 denominations. They provide low risk for investors because bonds, unlike stocks, are backed by a governmental authority with the power to tax, raise revenue and make investors whole if projects go under.

For the Olbrich project, the community bonds sold at one-tenth of the typical cost are priced to make such investments more accessible to Madison residents.

“This is about...democratizing our debt, allowing people in the City to more easily make that investment, and it’s a way for them to participate in the civic action of the City,” said Schmiedicke.

The cost of the renovation is split equally between Olbrich Botanical Society, who is doing private fundraising to cover its half, and the City. If community bonds would not have fit for the project, the City would have used normal bonds.

“The City share was going to be debt issued by the City,” which is a common way to fund projects such as this, Schmiedicke said. “We’re just taking a portion of that debt and issuing it in smaller denominations so that citizens and residents in the city can more easily purchase those investments.”

Not only are the community bonds opportunities to financially invest, but are ways to make an emotional connection with the community.

“From a growth perspective, our hope is really that this is something that attaches people to valuable projects and allows us to show that kind of community spirit,” said Eric Knepp, superintendent of the City of Madison Parks Division. “There’s a certain amount of public good, public commons through funding projects. That’s really where the essence of growth comes from.”

Schmiedicke said there has been a lot of positive interest expressed in the program. Knepp hopes the majority will be bought by Madison and Dane County residents.

“One thing that we look forward to is the \$2.5 million in bonds will be owned by Madisonians who will not only get to enjoy the facility, but get a return on their investment,” Madison Mayor Paul Soglin said at a bond information session last week.

Madison Commons

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