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Understanding Municipal Debt Backed by Transportation Districts.

Transportation debt is unique in the way that it's often issued for projects that can take a long time to complete, involve multiple jurisdictions and may span across a vast region. These initiatives include: bridges, highways, public transit system (including rail and buses), ports and airports. And because these projects are rarely unique to one local government, you will often see a large metropolitan area consisting of many cities and counties taking part in these projects by creating special districts, electing a board with a unanimous consensus and funding these initiatives.

Contrary to popular belief, transportation bonds aren't limited to the big infrastructure projects mentioned above or only issued by larger jurisdictions. In 2016, Kenmore, Washington (population 22,460), passed its first bond measure in the city's history: a Walkways and Waterways bond that supports new sidewalks and buffered bike lanes along two streets in the city. The bond is tied to the city's Target Zero goal, which strives for zero fatalities of people walking and bicycling by 2025.

In this article, we will take a closer look at the transportation debt market, revenues that back up this form of obligation and how it fits in your portfolio as an investor.

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