

## *An Open Letter Regarding the Formation of the Public Finance Authority*

The cities and counties of this country have for decades been known for forging solutions to some of the most pressing social and economic problems of our day. Often, the answers to these challenges leverage the kind of collaboration that can only be fostered out of better communication for the singular purpose of enhancing the lives of the citizens these governments were organized to serve.

The National League of Cities (“NLC”) and the National Association of Counties (“NACo”) have long committed to the development of program offerings that are as innovative and unique as the members who make up our Associations. It is in that spirit and with the goal of helping solve this country’s current economic challenges by fostering economic development at the local level and improving the overall quality of life in communities in Wisconsin and throughout the country that the Public Finance Authority (“PFA”) was created.

Not unlike our membership, NLC and NACo believe that some of the best ideas for improving our communities remain undiscovered and that yesterday’s solutions do not necessarily apply to today’s challenges. The persistent impediments that eligible, creditworthy borrowers face in accessing the tax-exempt bond market, coupled with the technical and legal hurdles that confront some communities’ ability to serve as a conduit issuer precipitated the need for a financing solution in those instances where one did not exist. Simply, PFA was created by local government for local government and provides communities with a voice in determining their economic destinies.

PFA was not created to supplant the work in which state, local or regional issuing authorities were designed to engage. PFA was created to supplement those efforts and to fill a need where state or local issuing authorities may not be able to serve eligible borrowers. For example, PFA has completed transactions for:

- Electrical cooperatives in Wisconsin where the projects crossed multiple political boundaries making the transactions’ structure otherwise prohibitive;
- A private school in New York where no local issuer existed;
- Affordable housing projects in Florida where the local issuer chose not to participate in the financing; and,
- Charter schools in Colorado where the borrowers’ construction timelines necessitated swift action.

In each case, without PFA, eligible, creditworthy borrowers would have been prevented access to the low-cost capital they required to serve the students, ratepayers and residents to whom they have pledged their support.

Though founded in Wisconsin’s statutes and approved by Wisconsin’s Attorney General, PFA is not legally or statutorily defined by geographic or political boundaries; it is instead intended to be accountable to every community in Wisconsin and across the

country by seeking local input before issuing bonds, ensuring maximum accountability and transparency to local residents. PFA's enabling statutory language explicitly states that the local government having jurisdiction over a project must first provide approval before PFA may issue bonds, a practice far different than those approvals which sometimes take place in cities far away from the residents of a community where a project is located.

PFA's practice of seeking *local* approval makes input from local residents easier and ensures that projects lacking local support do not go forward. Similarly, in cases where allocation is required for a bond issuance, PFA must seek approval from the entity controlling the dispensation of state allocation. In each of its bond issuances, PFA has sought and received that approval. But while local approval is a legal requirement of any PFA bond issuance, the practice of seeking input is also a guiding philosophy of PFA. PFA believes that the residents and officials who live and work in the communities where a project is contemplated are best equipped to make decisions affecting the economic future of their families and their community.

Providing eligible, creditworthy borrowers with easier, lower-cost access to capital to the benefit of the patients, students, seniors and low-income residents they serve is yet another of PFA's missions. Consumers have long relied on market principles to breed competition, quality and lower-cost products and to deter anti-market forces which could undermine those goals. Like other consumer groups who make choices based on factors that impact their own bottom line, consumers of tax-exempt debt choose a mode of issuance based on those same concepts: cost, efficiency, transparency and accountability. PFA is not designed to operate as a mandate, but rather to serve as a choice for local governments, private borrowers and the taxpayers to whom they are accountable by offering another viable financing vehicle.

PFA and the financing vehicle it offers will not be right for every community or for every borrower and those communities are entitled to make the choice that best suits their residents and their economic development goals. But in other instances, PFA may provide the only option for eligible borrowers to access low-cost, tax-exempt financing. PFA is simply an acknowledgement that the old way is not the only way and that the unique economic challenges facing our communities today call for innovative solutions. We believe that the more options a community has to chart its way through these turbulent economic times, the more likely this country is to grow and prosper. We, along with PFA, encourage every community to investigate its options and to make the choice best suited to its unique economic circumstances.

Sincerely,

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