



Funding Capital Improvement Projects: Financing Options for Michigan Libraries

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Libraries, like other governmental entities, face challenges in making capital improvements to serve the needs of the public. Capital improvement plans can often fall victim to revenue shortfalls and face delays due to attempts to stave off cuts to operations. However, investing in capital improvements is a critical component of a library's long-term financial health and operational capabilities.

For libraries in Michigan, there are a number of options available for financing capital projects, most of which involve the issuance of bonds. Here are a few ways that Michigan libraries can obtain access to the funds they need.

1. Contracts for Construction or Maintenance of Buildings for County Libraries.

Under the Michigan County Libraries Act of 1917 (MCL 397.302), the board of a county library may authorize "a contract for the leasing, construction, or maintenance of buildings or quarters, including the acquisition of sites, to house the county library service...the cost of the county library service to be a charge against the county library fund."

2. Bonds and Notes for District Libraries.

Under the District Library Financing Act of 1988 (MCL 397.281) ("DLFA"), a district library board has exclusive authority to "annually determine the amount of money necessary for the establishment and operation of the district library and shall state that amount in an annual budget of the district library." The primary source of funding for most district libraries is district-wide or local millages.

When capital improvement projects are required, district libraries often seek funding through the issuance of bonds. Pursuant to the DLFA, the library may issue bonds and obtain funds from a number of sources, including negotiated sales, private placements, competitive bidding, or federal agencies such as the Rural Development Agency of the US

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3. Loans for Township or Village Libraries.

Under MCL 397.324, qualified electors may submit a petition to a township board or village governing body to borrow money and issue a bond for the purpose of establishing a free public library, and to purchase a site on which to construct buildings. A majority of the voters in the village or township must then vote in favor of the loan and bond issuance. MCL 397.321 et seq.

4. Bonds for City, Village, and Township Libraries.

Under Michigan's Revised Municipal Finance Act, MCL 141.2101 et seq., a city, village, or township's voters or, in the usual circumstances and subject to a governing body of the city, village or township without a vote of the public (but subject to a petition), may approve the issuance of bonds to fund capital improvement projects for libraries. The bonds are issued by the city, village or township. The library then typically agrees to a bond repayment agreement with the municipality, under which the library makes annual or semi-annual payments to the municipality in amounts equal to the annual principal and interest owed on the bonds.

5. Leases.

A library may lease buildings or other substantial capital items pursuant to their general operational authority.

The regulations and process for obtaining funds for capital improvements can be complex. The bond attorneys at Foster Swift Collins & Smith, PC are available to help with the process and ensure the right plan of action best suited for your project.

If you have questions about this article and how it may apply to you, contact Scott Hogan at 616.726.2207 or at shogan@fosterswift.com. Scott practices in the areas of real estate, business law, receiverships, bonds and bankruptcy.