Local Government Debt Issuance and Administration

Course Objectives:

At the conclusion of this course students should be able to:

- Understand the need for adopted and documented policy guidance in initiating debt offerings of various types.
- Understand how the form-of-security of a local government debt instrument governs the required steps in attaining legally valid approval to offer and complete the offering.
- Understand and describe the mathematical concepts surrounding the measures of efficiency relative to the issuance and amortization of local government debt.
- Understand the distinctions and differing requirements of the principle methods of sale of local government debt.
- Understand and describe the underlying differences relative to the issuance and administration of general obligation, enterprise fund (revenue) and conduit local government debt.

Required Readings:

There is one required reading source that the student needs to purchase (or rent):

Additional sources will be used in this class and their availability will be shared with students as the course progresses. Various of the readings will be made available on uLearn, consistent with copyright restrictions.

Additional required readings are assigned from various academic and trade journals. The specific assigned reading materials will be posted in uLearn and made available prior to the applicable class.

Additional readings may be assigned as the course progresses.

Course Goals:

This class makes an important contribution to the Master of Public Administration and the Master of Public Policy degree programs, and the content is set in a general way by the department faculty. Minimal overlap is expected with other classes. Please let me know if you have any questions or concerns about how this class fits into your program of study.

As described here, this syllabus provides a plan for this class. There may be a need for modifications at some point, and deviations from this plan may occur for any number of reasons; illness, the weather, etc.

This syllabus is a dynamic document and it will be updated as the need arises. I recommend that students review the syllabus and keep a copy of the original. Students will be notified of any changes.

Office Hours:

I will hold formal office hours from 3pm to 5pm on Wednesdays in room 426 of the Andrew Young School of Policy Studies. Meetings can also be scheduled at a mutually convenient time. I will also be answering questions via telephone during office hours. You can reach your instructor by telephone at (404) 413-0118. If I am away, and you get my voice mail please leave a message and I will return the call as soon as possible. Electronic mail can be sent to mjbell11@gsu.edu.
Effective Email Communication:

Email has become our primary mode of communication, and needs to be done well. Consider these basic requirements as essential when communicating with your instructor.

- Many issues play out over a span of time, and they should be confined to a single email thread. That is, always respond to the previous email, and always make sure that the previous emails remain intact.
- Pick one email address at the start of class for me and for yourself and stick with it.
- Do not send the same email and/or attachments to me multiple times. Multiple mailings are not necessary. Reminders when you do not hear from me are welcome.
- I certainly prefer that you use an email address with some portion of your name in it. GSU gives you such an ID, for example.
- You should always use a signature that gives your contact information, should I need additional information.
- You need to use subject lines that say something meaningful and can be used to locate related correspondence at a later point in time. Class issues often span 3-4 months.
- It is essential that students submit all of their class work using uLearn.

The 8505 Class on the Web:

Using uLearn benefits everyone by speeding up the grading process, keeping all class documents in one convenient place, and giving students more information about their class performance.

The uLearn assignment tool shows your submitted files, and you can even view them. There is no reason to ever submit the wrong file or wonder if your file was actually submitted. Learn the features of the assignment drop box. While uLearn is far from perfect, what you see as a submitted file is what the instructor will get. You have the ability to make sure that you have submitted the right file.

Sometimes work will be sent back to students for the opportunity to produce a revision. Watch for new activity on your submitted tab and your graded tab. Returned files show up under submissions, and you can retrieve comments on your graded work using the graded tab.
Spreadsheet Skills:

Students who are not familiar with spreadsheets are encouraged to complete at least the Level One Excel training offered by Element K (http://www2.gsu.edu/~wwwbtl/), which will take about 4 hours. Element K access is free to GSU students. You receive a certificate for each level of training that you complete. There are also a number of specialized modules for more advanced users.

Midterm and the Final Exam:

There will be a midterm and a final exam in this class. Both exams will be in a traditional essay format with multiple questions to answer. Both exams will be administered in class on the date and at the times indicated. You will have a good idea of what will be required on both exams before you see them, but the basic requirements are good writing, analytical thinking, and knowledge of the readings and in class materials as presented and discussed.

Homework Exercise Assignments and Action Memo or Research Paper:

There are a number of homework assignments in this class, as shown below:

1. **Four(4) — Bond Math Assignments;**

   - First — Present/Future Value Calculations
   - Second — Discount Rate Calculations
   - Third — Bond Sizing Exercise (No.1)
   - Fourth — Bond Sizing Exercise (No.2)

   Submit each assignment on uLearn by the due dates indicated. Each assignment is worth 50 points (out of 1000 — for the entire course)

2. **An Action Memo or Research Paper** dealing with a contemporary issue relative to the municipal marketplace and the debt instruments employed therein. (20 pages-plus attachments, double spaced) Submit this on uLearn, as indicated. You may do this writing assignment with a partner, if you choose; however, there will be one grade of equal value awarded for the project.
Attendance Policy:

Class Attendance and Participation counts for 100 points (10 percent of your final grade). Each class missed lowers your point total by 10 points. There is some allowance for arriving late and early departures, but it is my discretion as to whether these events count as a point deduction. The penalty may be waived for extraordinary events. To facilitate class participation each student should bring a business calculator to each class – or some other device which has a “powers” function key (y^x).

While students are in class there will be no texting or cell phone usage. Nor will there be laptop usage, consumption of food items (except bottled water, coffee or soft drinks).

Presentation of Action Memo or Research Paper:

You will be required to present your action memo or research paper topic along with any possible outcomes or conclusions prior to the due date.

These presentations will be made during a regular class session and will count towards part of your grade on the memo/paper.

Your success during these presentations will depend on your knowledge of the specific topic, the development of the specific issue your memo/paper will address, and the possibilities relative to outcomes/conclusions your research may reveal.

This project does not require that you interview public officials, but students interested in a government career would be advised to seize this opportunity.

Plagiarism or Cheating:

Students need to do their own work in this class. Students plagiarizing or cheating in any form will face disciplinary action that could result in receiving an “F” in this course, suspension, or expulsion from the University. If a student is ever unclear as to what constitutes plagiarism or cheating regarding work on written or oral presentations, he or she should consult the student handbook and/or your instructor. It is the student’s responsibility to know the meaning of plagiarism and when it occurs. The following is reprinted from the GSU Student Handbook:

Plagiarism is presenting another person’s work as one’s own. Plagiarism includes any paraphrasing or summarizing of the works of another person without acknowledgement, including the summarizing of another student’s work as one’s own. Plagiarism frequently involves a failure to acknowledge in the text, notes, or footnotes the quotation of the
paragraphs, sentences, or even a few phrases written or spoken by someone else. The submission of research or completed papers or projects by someone else is plagiarism, as is the unacknowledged use of research sources gathered by someone else when that use is specifically forbidden by the faculty member. Failure to indicate the extent and nature of one’s reliance on other sources is also a form of plagiarism. It is also plagiarism to reuse material you prepared for different courses in the same program. The student is responsible for understanding the legitimate use of sources, the appropriate ways of acknowledging academic, scholarly or creative indebtedness, and the consequences of violating this responsibility.

Areas that may need more clarification are the use of material from other classes and collusion on homework assignments. You are not allowed to submit work done in other classes for a grade in this class—whole past projects or significant parts. Also, the homework is intended to be your own work. We will work on assignments in class, and you may learn from other students at that time, but you must complete your work without assistance from others.

**Grading:**

Final course grades will be determined as follows:

<table>
<thead>
<tr>
<th>Course Component</th>
<th>Available Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance &amp; Participation</td>
<td>100</td>
</tr>
<tr>
<td>Homework Assignments(4)</td>
<td>200</td>
</tr>
<tr>
<td>Mid-Term Exam</td>
<td>200</td>
</tr>
<tr>
<td>Action Memo/Research Paper</td>
<td>200</td>
</tr>
<tr>
<td>Final Exam</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1000</strong></td>
</tr>
</tbody>
</table>

Students must earn 900+ points to receive a grade of "A," 800+ points to earn a "B," and 700+ points to earn a grade of "C." Incomplete grades will only be given for nonacademic reasons when advance arrangements have been made. A "B" is the expected grade for good, competent work. Grades in the "A" range are reserved for excellent work. Excellent work goes beyond the minimum in some important way. Plus and minus grades will be used in this class for final course grades when a grade is within 15 points of a lower or higher grade. For example, a final
point total of 815 or less is a B-. Likewise, a score of 885 or above is B+. An A+ is possible for work of extraordinary quality across the entire class.

You will be able to check your scores on the class home page. Grades on the exams and the Action Memo / Research Paper will be presented on a 100 point scale, so that you can better evaluate your performance.

Policy on Late Assignments:

Achieving class goals requires steady progress, and penalties for late work help to keep everyone current. The grade on any assignment turned in more than 10 minutes after the deadline (by my time) will be reduced one half of a letter grade (5 percent). There will be another half letter grade reduction for each additional 6 hour period.

Disability Accommodation:

Students who wish to request accommodation for a disability may do so by registering with the Office of Disability Services. Students may only be accommodated upon issuance by the Office of Disability Services of a signed Accommodation Plan and are responsible for providing a copy of that plan to instructors of all classes in which accommodations are sought.

Course Assessment:

Your constructive assessment of this course plays an indispensable role in shaping education at Georgia State. Upon completing the course, please take time to fill out the online evaluation.

AYS Career Services & Student Life Office:

The Andrew Young School provides career support and leadership development services to all AYS students and alumni. Students are invited to attend our career events and workshops, and individualized career counseling appointments can be arranged either with Dr. Maggie Tolan, the Director of Career Services, or with University Career Services in the Student Center. Career Services can help students with resume writing, interviewing, job searching, internship development, and networking. To see what career panels, career fairs, and events are available this semester, please visit: http://aysps.gsu.edu/career/6455.html. The office also supports all AYS student clubs and organizations- so read about the various groups within the college, and join one today: http://aysps.gsu.edu/student-organizations.html.

Make the most of your education by utilizing these great resources. The AYS Career Services & Student Life Office is located on the ground floor of the Andrew Young Building, in room G47-51.
PMAP Community Network:

Public Management & Policy (PMAP) students, faculty and alumni connect through social functions, speakers and other events while enhancing the academic and social experiences of students in Public Management and Policy. The student organization is open to undergraduate and graduate students.

Start Networking!

We try to focus on developing the professional skills of our students, and networking is a part of that picture. We encourage students to use LinkedIn. You will likely find other faculty on LinkedIn that you know and other students and professionals in your interest areas. There is also a PMAP network, an MPA/MPP network, Governing Magazine group, etc.

COURSE OUTLINE AND SCHEDULE

Class One, January 12th  Introduction to the Course

Goals: To introduce the historic development and legal status of the concept of tax exemption for local government debt; its modification during the last 30 years and its currently debated status.

Assigned Readings: The Handbook of Municipal Bonds, pp.3-23.

Ibid. Glossary, pp. 1291 - 1296.

Two Additional Readings posted in uLearn for Class One: dealing with the changing nature of the Municipal Bond industry and the municipal bond market.

Note: Please complete the Budgeting Student Data Sheet, if you have not done this already. You will find it on the uLearn page. Click to download the Word form, fill it out, and email it back to me. Print the form and fill it out the old fashioned way, if needed. You can scan it and email it, or drop it in my mailbox.
Class Two, January 19th


Goals: To review and become familiar with the types of debt instruments based upon the security pledged to insure repayment.

Four Additional Readings as posted in uLearn for Class Two; one dealing with an overview of the distinction between governmental use bonds and private activity bonds; three dealing with the various types of municipal obligations (short and long-term) as generally delineated into general obligation and revenue backed debt.

Class Three, January 26th

Policy Guidance As Direction for the Approval for Long-Term Debt Issuance: General Obligation, Enterprise (Revenue Backed) and Conduit

Goals: To understand the approval process on the local level as it relates to the issuance of long-term debt. What are the various considerations as relates to general obligation debt as distinguished from revenue backed debt. What are the additional considerations relative to refunding prior issued debt? How are both of these distinguished from conduit debt?


Two Additional Readings posted in uLearn for Class Three; one dealing with Debt Policies and Procedures; and one dealing with Georgia County debt financing instruments and procedures.

Also we will review an actual Fiscal Policy set from a general government along with a list of the definitions of principle terminology employed in the description of public sector debt at the local level.

Assignment: Review and respond to the Present/Future Value Bond Math problems (three answers required) as posted on uLearn. Submit your responses on uLearn by the beginning of Class Five.(2/9/12)
Class Four, February 2nd

The Concept of Intergenerational Equity as Relates to the Issuance of Local Government Debt: General Obligation, Enterprise (Revenue Backed) and Non-Appropriation Debt

Goals: To understand how the implementation of various debt structures may impact the perception of fairness relative to the required revenue/taxation for Debt Service.


Two Additional Readings posted in uLearn for Class Four; one dealing with capital project debt affordability; and one dealing with recent measures of State and local debt and borrowing levels.

Class Five, February 9th

General Legal Provisions Associated with Taxpayer Protection Relative to the Issuance of Long and Short-Term Local Government Debt

Goals: To review the provisions that have been put in place relative to Taxpayer protection such as; Initiative and Referendum, Municipal Bankruptcy, Tax Levy Limits, Bond Interest Rate Ceilings, Competitive Bidding for Bonds, Open Meetings laws, and Conflict of Interest issues.


Two Additional Readings posted in uLearn for Class Five; one dealing with certain bond law provisions deemed as being protective of taxpayer interest; and one dealing with materials relative to the treatment of municipalities under applicable State law and Chapter 9 of the U.S. Bankruptcy Code.

Class Six, February 16th

General Legal Provisions Aimed at Bondholder Protection Relative to the Issuance of Long and Short-Term Local Government Debt (Guest Speaker – T.Lauth)

Goals: To Review Various Provisions that exist relative to Bondholder Protection such as Validation, Estoppel, Impairment of Contracts, Laches, Suit Deadlines and Suit Bonds.
Assigned Readings: The Handbook of Municipal Bonds, pp. 707 – 732. Also,

Two Additional Readings posted in uLearn for Class Six dealing with certain bond law provisions deemed as protective of specific bondholder rights; also materials addressing the impact of the 2008 Great Recession and its impact on State and local revenues.

Assignment: Complete Discount Rate exercise as posted on uLearn (three problems). Submit your answers on uLearn by the beginning of Class Nine (3/15/12).

Review a General Obligation Official Statement and other Offering Documents as posted on uLearn.

Deadline: Submit Finalized Topics for Action Memo/ Research Papers by beginning of class.

**Class Seven, February 23rd**

Midterm Exam

This exam will be administered as an in-class exam during the scheduled class time period.

Tip: Carefully consider the writing tips discussed in the last class and remember that it is very important that you display knowledge of the assigned and additional readings and other class materials.

**Spring Break – February 27th through March 4th**

**Class Eight, March 8th**

Enterprise Fund and Other Revenue Backed Debt: The Question of Feasibility and Debt Service Coverage

Goals: To understand the importance of Feasibility Determinations, and Conservative Projections of Costs and Debt Service Coverage


Two Additional Readings as posted in uLearn for Class Eight relating to various enterprise fund systems on the local level; the assessment of construction risk relative to
enterprise operations.

Also:
Revisit Definitions of Principle Terminology as posted for Class Three.

Additional Tasks: Review an Enterprise Fund (revenue backed) Official Statement and other Offering Documents as posted on uLearn.

Assignment: Complete the First Bond Sizing Exercise as posted on uLearn and present your answers (on the six steps) on uLearn by the beginning of Class Ten (3/22/12).

Class Nine, March 15th

Mathematical Concepts Relative to Measures of Efficiency Concerning the Issuance and Amortization of Local Government Debt

Goals: To review and understand the basic Efficiency Measures of a Debt Offering such as Net Interest Costs (NIC), True Interest Costs (TIC) and All-In TIC and how these measurements may impact reinvestment opportunities.


Two Additional Readings as posted in uLearn for Class Nine; one dealing with the time value of money and the other dealing with simplified NIC and TIC calculations.

Class Ten, March 22nd

The Steps of the Underwriting Process in Competitive and Negotiated Offerings of Local Government Debt – Awards Based Upon Lowest NIC or TIC and/or the Commitment to Underwrite along with issues relative to Capital Market Acceptance .

Goal: To Understand the General Timing, Authorizations and Team Structure required of a Negotiated or Competitive Offering


Two Additional Readings as posted in uLearn for Class Ten; one dealing with the traditional differences between competitive and negotiated underwritings; one dealing with historic interest rate differentials between competitive and negotiated
underwritings.

Additional Tasks: Review a Competitive Offering Official Statement, along with its related Offering Documents, as posted on uLearn.

**Class Eleven, March 29th**

Presentations of Action Memo or Research Paper Topics and Various Outcomes or Conclusions—

Tip: Try to interest the class in your research question and get them to discuss with verve the outcomes/ conclusions that have been reached.

Deadline: Submit the completed Action Memos/Research Papers by the beginning of Class Thirteen (4/5/12).

**Class Twelve, April 5th**

The Credit Rating and Credit Maintenance Process and the Relative Rating Scales of the Three Major Rating Agencies

Goals: To Understand the Timing Requirements of the Credit Rating Process, the Option of Bond Insurance and the Impact of the Great Recession on the Bond Insurance Industry


Two Additional Readings as posted in uLearn; one dealing with the historical analytical differences between the rating agencies; the other indicating what Moody’s deemed appropriate for a “natural” Aaa rating.

Assignment: Complete Bond Sizing Exercise No.2. Submit your answers on uLearn by the beginning of Class Fourteen (4/19/12).

**Class Thirteen, April 12th**

Economic Development Opportunities and the Use of Conduit Local Government Debt: Pros and Cons

Goals: To understand the various Economic Development Incentives that have come to be used
on the local (and other levels of government), such as Enterprise Zones, Expansion Credits, Set Aside Funds, R&D Tax Credits and Investment Tax Credits. Additionally, to understand how debt instruments such as TIFs and TADs, which can facilitate economic development, sometimes can have unintended consequences.


Four Additional Readings as posted in uLearn for Class Thirteen; one dealing with problems with Florida “dirt bonds”; one dealing with creating economic development policy; one dealing with the economic development tools used in the southeast; and one dealing with the history of IDBs.

Class Fourteen, April 19th

Ethical Considerations Relative to the Public Approval and Use-of- Funds Process Concerning the Issuance and Expenditure of Local Government Debt Proceeds

Goals: To Understand What have been the Threats to the Public (Financial) Interest Relative to Local Government Debt Issuance, and What might be the Best Hope for Future Reform.

No assigned readings from Text. Four Additional Readings as posted in uLearn for Class Fourteen; one dealing with the difference between municipal accounting and corporate accounting; the results of the 2008 – 2009 KPMG Integrity Survey; one dealing with the evolution of the “City Boss” as a “gain politician”; and excerpts from the U.S. Northern District of Alabama Indictment of certain elected officials and investment bankers responsible for the Chapter 9 Bankruptcy of Jefferson County, Alabama.

Also review posted Securities & Exchange Commission Enforcement cases as assigned for this class.

Final Exam will be administered as an in-class exam, during the indicated exam period.