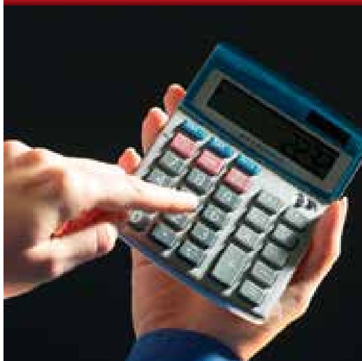

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Center for Continuing Education & Hotel
Carl Vinson Institute of Government

FINANCIAL MANAGEMENT TRAINING: Debt Administration

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Debt Administration — Learning Objectives

Lesson 1 — Why Governments Borrow Money

Local government finance professionals and paraprofessionals need a thorough understanding of why governments borrow money. Governments need to borrow money primarily to make acquisitions just as most ordinary people have to borrow money to purchase a home or a vehicle. Few of us have the money upfront to pay for the entire purchase. This first lesson provides knowledge of the relationship between the types of purchases made and the types of debt issued.

Learning Objectives:

- Recognize why governments borrow money.
- Differentiate between short-term and long-term debt.
- Define debt policy.
- Identify the relationship between a capital improvement program, debt policy and the debt process.

Lesson 2 — Typical Methods of Financing Capital Projects

In determining what methods of financing will be used to finance capital projects, a government needs to examine all options, including the issuance of long-term debt. This chapter offers suggestions on typical sources of funding capital projects, including:

- Grants
- Capital contributions
- Low-interest loans
- Joint ventures/privatization
- Pay-as-you-go financing and
- Pay-as-you-use financing (debt issuance)

Learning Objectives:

- Identify different sources for funding capital projects.
- Explain advantages and disadvantages of each funding mechanism.

Lesson 3 — Common Types of Debt Issued

If a government plans to implement its capital improvement plan and does not have the cash on hand to finance the project, then some type of debt must be incurred. This lesson presents the more common types of debt issued by government. These types include:

- Municipal bonds — general obligation and revenue
- Special assessment bonds
- Capital leases
- Certificates of participation
- Municipal notes

Learning Objectives:

- Identify different kinds of long-term and short-term debt.
- Recall the advantages and disadvantages of each type of debt.

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Lesson 4 — How Bonds Are Rated

The first step in debt management is to develop our long-range capital improvement program — identifying the individual capital improvement projects. The next step is to determine where we will obtain the monies to finance the projects. After consideration of all possible alternatives, we have decided the best approach is to issue long-term debt in the form of bonds. Now we are ready to explore the bond rating process.

Learning Objectives:

- Define bond ratings.
- Name the agencies that issue bond ratings.
- Compare the designations from each of the bond rating agencies.
- Discuss the ratings process.
- Distinguish between types of credit enhancements.

Lesson 5 — The Players

It has been said that government, as we know it today, would not exist without the ability to issue bonded debt. Therefore it is important that we are familiar with the players who are involved in the process.

This lesson examines the different players, how they are selected, how they are compensated, and their role in the bond issuance process. The different players mentioned in this lesson are:

- Financial advisors
- Bond counsels
- Underwriters
- Underwriter's counsel

Other players, including:

- Paying agents
- Registrars
- Trustees
- Securities depositories
- Printers

Learning Objectives:

- Identify the key players in the bond issuance process.
- Contrast the roles of each of the key players in the bond issuance process.
- Compare the methods of key player selection and payment.

Lesson 6 — The Method of Sale

Once the decision has been made to finance a capital project through the issuance of debt (bonds), the government must choose the most suitable and cost-effective method of sale. This lesson describes the most common methods of sale, including:

- Competitive bid
- Negotiated sale
- Private placement

Learning Objectives:

- Cite the three most common methods of sale.
- Contrast the competitive bid and the negotiated sale.
- Illustrate when a private placement is applicable.

Lesson 7 — Bond Structuring — Interest and Maturities

The method of sale has been selected and the financing team has been chosen. It is now time for us to direct our attention to structuring the proposed bond issue. This lesson will examine the most common alternatives in debt structure — including maturities and interest rate structure alternatives.

Learning Objectives:

- Define the term "debt structuring."
- Differentiate between fixed-rate and variable-rate bonds.
- Understand the differences between serial and term bonds.
- Discover alternatives in debt service structures.

Lesson 8 — Bond Documents

Many legal and financial documents are prepared during the course of issuing bonds. Most of these documents compose what is referred to as the bond transcript. This lesson reviews the aspects of the more noticeable documents including the notice of sale, the preliminary and final official statements, the bond resolution, the bond purchase agreement and the tax certificate.

Learning Objectives:

- Recall the various documents included in a bond offering.
- Discuss the notice of sale in competitive bids and negotiated sales.
- Illustrate the value of redemption provisions to the issuer of bonds.
- Describe the role of the preliminary official statement for the underwriter.
- Explain the significance of disclosure in the bond process.

Lesson 9 — So, Am I Done Yet?

If you think you are finished with a bond issue when it has been sold to bondholders, think again. In all reality, that bond issue will require monitoring and disclosure until the final payment is made. This lesson discusses some of the more important of those post-sale responsibilities including the investment of bond proceeds, arbitrage and continuing disclosure.

Learning Objectives:

- Relate the investing of bond proceeds to the debt process.
- Define arbitrage and explain its relation to bonds.
- Explain why continuing disclosure is important.

Lesson 10 — The What, Why, and When of Refunding Bonds

You are a homeowner and the interest rate on your mortgage is 9.5%. Currently, the interest rates on mortgages are 5%. The first thing you should think about is refinancing your mortgage. Some of the questions you consider are:

- Can I lower my payment and increase my spendable cash?
- Can I reduce the maturity of my mortgage (fewer years to pay) and keep relatively the same payment?
- What are the legal implications of refinancing my mortgage?
- Governments who have outstanding bonds payable should be asking themselves the same questions. This lesson examines the aspects of refunding bonds.

Learning Objectives:

- Define refunding.
- Cite the reasons for refunding.
- Identify the types of refunding.

Enroll Anytime. Register Now!

For more information about ***Debt Administration***, contact us at *questions@georgiacenter.uga.edu* or by telephone at +1-706-583-0424.