



Local Government Debt Methods 101

Beth Horacek, MBA, CPA, CPFO
beth.Horacek@uga.edu



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



Learning Objectives

- *Define long-term and short-term debt*
- *Identify the components of a capital improvement program*
- *Identify the components of a debt policy*
- *Describe the typical methods of financing and common types of debt issued*
- *Recognize the methods of sale*
- *Recall the continuing disclosure requirements*



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE




Course Outline

- Why Do Cities Borrow Money
- Short-Term Versus Long-Term Debt
- Capital Improvement Program
- Debt Policy
- Typical Funding Sources
- Common Types of Debt Issued
- The Players in the Debt Process
- Method of Sale
- Continuing Disclosure and Other Requirements
- Class Discussion



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



WHY CITIES BORROW MONEY



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



Why Borrow Money?

Need for Facilities/Development

- Cities are responsible for a wide array of services that require capital facilities/improvements



Consequences of Delay

- Delay of services provided
- Inconvenience or endanger of the citizens

Spreading of Costs Over Useful Life

- Most facilities have extended useful lives
- Citizens may enjoy facilities for 20-40 years
- Unfair burden to current taxpayers if required to pay
- Financing shares costs with future users of the facilities/services

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



Why Borrow Money?

- Funds needed to cover operating shortfall
- Funds needed for capital projects
 - City office buildings
 - Streets and roads
 - Electric power-generating and transmission facilities
 - Water treatment facilities and water and sewer infrastructure
 - Low income housing

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

LONG-TERM VERSUS SHORT-TERM DEBT

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Long-Term vs. Short-Term Debt

- Short-term debt (Operating Purposes)
 - Will be repaid within one year
 - Issued to cover cash operating short-falls, in anticipation of receipt of specific type of revenue
 - Generally referred to as anticipation notes

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Long-Term vs. Short-Term Debt

- Long-term debt (think bonds; Capital)
 - Will not be repaid within one year
 - Generally limited to financing capital projects
 - Limited by State law –
 - How much debt can be issued?
 - For how long can debt be issued?

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Long-Term v. Short-Term Debt

- Long-term debt (think bonds; Capital)
 - Is it OK to issue long-term debt for operating expenses?
- Promotes intergenerational equity
 - principle that users of a particular facility should be the same people who pay for facility

Example: Water & Sewer System

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

10

Debt in the City

Class Discussion

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

11

How much Debt Does the City Have?

COMPREHENSIVE FINANCIAL REPORT, FISCAL YEAR 2020
For the year ended December 31, 2020

3-1 Long-term Debt

Building Authority Recovery Zone Economic Development Bonds, dated April 8, 2010, were issued as a public offering in the amount of \$5,000,000, with an effective interest rate of 5.45%. The bonds have a 40% federal subsidy rebate on the interest expense, reducing the effective interest rate to 3.06%. As these bonds are issued in the name of the City of Dalton Building Authority, they are reflected as a capital lease payable on the government-wide financial statements.

Bond debt service requirements to maturity are as follows:

Date Due	Principal	Interest	Federal Subsidy	Total
2021	\$ 275,000	\$ 190,188	\$ (85,585)	\$ 379,603
2022	280,000	175,063	(78,778)	386,285
2023	290,000	158,880	(71,751)	377,129
2024	300,000	142,568	(64,156)	378,412
2025	310,000	125,168	(56,136)	379,032
2026 - 2030	5,715,000	328,752	(147,837)	5,895,915
	\$ 6,175,000	\$ 1,121,627	\$ (504,507)	\$ 6,792,120

During 2013, the City became aware that sequestration cuts at the federal level would result in the above federal subsidy being reduced by an unknown amount. The City has not received any formal notification, but the subsidy for 2020 was reduced by \$5,423 (1.9%), from \$190,188 to \$184,765. The federal government has indicated sequestration cuts will continue, but the duration and amount of those cuts is unknown at this time. The City does not believe it will have a material effect on its financial statements.

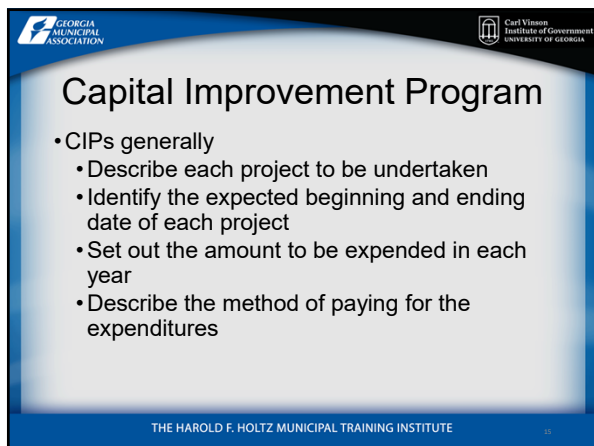
Annual Comprehensive Financial Report – Note Section

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

12







Capital Improvement Program

- Why have a CIP?
 - Provides an organized and practical method of planning and financing a government's capital needs

Example: City of Dunwoody

How much do I need to borrow to finance my capital needs?

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

DEBT POLICY

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Debt Policy

- A written set of principles and practices that guides and informs the debt issuance process
- Valuable management tool
- If debt policy is integrated with the CIP could lower interest costs by raising credit ratings

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Debt Policy (What's Included)

1. Debt Limits
2. Debt Structuring Practices
3. Debt Issuance Practices
4. Debt Management Practices
5. Use of Derivatives

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Declaration of Official Intent (Reimbursement Resolution)


- Include as component of the debt policy
- City **cannot** use lease-purchase financing for property it has **already paid for, unless**
 - A "declaration of official intent" is adopted by the governing body

RESOLUTION FOR DECLARATION OF OFFICIAL INTENT TO REIMBURSE COSTS OF ACQUIRING (List Equipment) WITH TAX-EXEMPT FINANCING



- Preserves the ability to finance costs paid after the declaration and as early as 60 days before the declaration.
- No downside
- Does not bind City

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Typical Debt Methods of Financing Capital Projects





THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Typical Debt Financing

- General Obligation (GO) Bonds
- Revenue Bonds
- Special Assessment Bonds
- Capital Leases
- Certificate of Participation (COPS)
- Anticipation Notes



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 22

Debt Financing

- Issuance of long-term debt (bonds)
- Advantages
 - Current revenues used each year for repayment of debt service rather than entire capital needs
 - Permits capital improvements to be implemented as needed, rather than when adequate cash is available


THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 23


Debt Financing

- Advantages
 - Debt is repaid in reduced-value dollars since inflation reduces the value of money over time
 - Promotes intergenerational equity

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 24



GEORGIA
MUNICIPAL
ASSOCIATION




Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

Debt Financing


- Disadvantages
 - Reduces financial flexibility – debt service requirements must be met
 - Limits future borrowing capacity

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE


22



GEORGIA
MUNICIPAL
ASSOCIATION




Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA




Common Types of Debt Issued

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

23



GEORGIA
MUNICIPAL
ASSOCIATION





Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

Common Types of Debt

- Municipal Bonds
 - General Obligation (GO) Bonds
 - Revenue Bonds
 - Notes or Short-Term Borrowings
 - Special Assessment Bonds
 - Capital Leases
 - Certificates of Participation

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



27

General Obligation (GO) Bonds

- Debt instruments issued by state and local governments to finance capital improvements
- Backed by full faith and credit of issuing government – repaid out of the **taxing power** of the local government
- Subject to referendum approval
- Can be issued in connection with a SPLOST
- Must be paid within 30 years



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 22

General Obligation (GO) Bonds

- Tool to raise funds for projects that will not provide direct sources of revenue
 - Roads and bridges, parks, equipment, administration building
- Typically used to fund projects that will serve the entire populace
 - Not a particular entity of specific population group



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 23

General Obligation (GO) Bonds

- Advantages
 - Lower interest rate than other types of bonds
 - Low risk to investors since backed by taxing power of issuing government
- Necessity of receiving approval through referendum
 - Confirms popular support for the projects being financed



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 24

General Obligation (GO) Bonds

- Disadvantages
 - Need for referendum could delay project
 - Constrained by legal debt limitations
 - Cannot exceed 10% of assessed value of all taxable property
 - When paid from general tax revenues, taxpayers paying for project are not necessarily ones benefiting from project



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 22

Revenue Bonds

- Method of financing projects that have **specific revenue stream**
 - Water and sewer projects, sanitation projects
- Must be repaid within 40 years (compared with 30 years for GO Bonds)
- Make up **majority of municipal bonds issued**


THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 23





Revenue Bonds

- Characteristics:
 - Revenue generated by projects pays principal and interest on bonds
 - Projects generally serve only those who receive and pay for the specific service
 - Legally secured by pledge of revenues, not full faith and credit of issuer
 - Not subject to voter approval
 - Not included in debt limitation calculations
 - Interest rates generally higher than GO Bonds

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 24







Revenue Bonds

- Other requirements
 - Debt service reserve fund requirements
 - Amount required by bond documents to be maintained in debt service reserve fund
 - Money set aside if revenues not sufficient
 - Feasibility studies
 - Determines the viability of project's service needs, construction needs, future revenues and expenses
 - Describes likelihood project will generate revenues sufficient to meet future operating maintenance and debt service requirements
 - Relied upon when issuing bonds

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

33







Revenue Bonds

- Other requirements
 - Coverage requirements
 - Issuer's commitment to maintain rates/charges
 - Net revenues divided by annual debt service
 - Higher coverage requirements may be required for systems/projects with less dependable revenue streams

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

34







Revenue Bonds

- Other requirements
 - Additional bond tests
 - Imposed before more bonds can be issued if secured by same revenues
 - Revenues must be sufficient for current bonds plus new bonds

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

35






Revenue Bonds

- **Advantages**
 - Financing is not delayed by need for voter referendum
 - Self-supporting revenue bonds are not counted toward debt limits
 - Responsibility for repaying bonds is distributed only among the users of the project

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

27






Revenue Bonds

- **Disadvantages**
 - Higher costs when compared to GO Bonds
 - Generally, if issuer defaults on bonds, government is not legally responsible
 - Governments may opt for credit enhancement to reduce credit risk to the investors
 - Most common form is bond insurance and letters of credit
 - Require more preparation and administration than GO Bonds
 - Citizens do not have opportunity to approve/disapprove since no referendum

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

28

Special Assessment Bonds

- Issued to finance capital improvements that benefit taxpayers in a particular, carefully defined area of the community
 - **Examples**
 - CIDs—Community Improvement Districts
 - TADs—Tax Allocation Districts
 - Can be risky if too few property owners

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

29



GEORGIA

MUNICIPAL ASSOCIATION



Carl Vinson

Institute of Government


UNIVERSITY OF GEORGIA

Capital Leases

- Widely used to acquire equipment and facilities
- Advantages
 - Do not require voter approval
 - Easy, effective method of obtaining funding
 - Non-appropriation clause
- Disadvantages
 - High interest rates


THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

40



GEORGIA

MUNICIPAL ASSOCIATION



Carl Vinson

Institute of Government

UNIVERSITY OF GEORGIA

Capital Leases

Example: Non-Appropriations Clause

Contractor acknowledges that City is a governmental entity, and the contract validity is based upon the availability of public funding under the authority of its statutory mandate. In the event that public funds are unavailable and not appropriated for the performance of City's obligations under this contract, then this contract shall automatically expire without penalty to City thirty (30) days after written notice to Contractor of the unavailability and non-appropriation of public funds. It is expressly agreed that City shall not activate this nonappropriation provision for its convenience or to circumvent the requirements of this contract, but only as an emergency fiscal measure during a substantial fiscal crisis, which affects generally its governmental operations.

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

41



GEORGIA

MUNICIPAL ASSOCIATION



Carl Vinson

Institute of Government



UNIVERSITY OF GEORGIA

Certificate of Participation (COPs)

- Specialized form of lease-purchase agreement
- Individual investors buy a share of the lease revenues, rather than interest in project or bonds
- Each certificate represents a proportional interest in the payments that are due under the lease

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



42

Anticipation Notes

- Short-term obligations
- Issuer repays a specified principal amount on certain date, together with interest at a stated rate
- Usually payable from defined source of anticipated revenue
- *Examples*
 - BANS—bond anticipation notes
 - RANs—revenue anticipation notes
 - TANs—tax anticipation notes

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
42






Anticipation Notes

Georgia Constitution, Article IX, Section V, Paragraph V

- Aggregate amount of loans shall not exceed 75% of the total gross income from taxes collected in prior year
- Must repay loan by December 31 in the year loan is received
- Cannot incur loans exceeding the estimated revenue for the current year


THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE


Anticipation Notes

- Advantages
 - Marketed quickly and easily
 - Low costs
- Disadvantage
 - Overdependence by governments
- Avoiding overdependence
 - Proper budgeting of revenues each year
 - Maintain recommended general fund unrestricted fund balance
 - GFOA recommends no less than 2 months of General Fund operating revenues or expenditures

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
43



Advantages and Disadvantages




Debt	Advantages	Disadvantages
Revenue Bonds	No delays in financing, Not counted towards debt limit, Repayment of debt is spread among users	Higher interest than GO bonds, Does not require public approval
General Obligation Bonds	Low interest, Approval of voters	Delays financing, Legal debt limits
Special Assessment Bonds	Owners pay for improvements to land	Higher likelihood of default
Capital Lease	Does not require voter approval, Easy method of financing capital purchases	Higher interest rates
Certificate of Participation	Provides tax-free investment option	Lessor retains a security interest in the asset
Short Term Notes	Marketed quickly at a low cost	Overdependence by governments

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

A group of seven diverse professionals, including men and women of various ethnicities, are posed in a professional setting. They are dressed in business attire, such as suits, blouses, and a dress. The group is arranged in a cluster, with some individuals standing slightly behind others, all looking towards the camera with confident expressions. The background is a plain, light-colored wall.

Who Are the Players?

- Municipal advisor
- Bond counsel
- Underwriters
- Underwriters' counsel
- Trustees, paying agents and registrars
- Securities depositories



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

THE METHOD OF SALE

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Competitive Bid

- Issuer prepared bond issue structure
- Publishes a notice of sale requesting bids from underwriters
- Underwriters submit closed bids to issuer
- Bond awarded to best bidder
 - Lowest true interest cost
- Winning underwriter resells bonds

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Competitive Bid

- When to use competitive bid
 - Market is familiar with issuer, issuer is stable and regular borrower in the public market
 - Active secondary market in which to resell bonds
 - Issuer has unenhanced credit rating of A or above or can obtain credit enhancement
 - Debt structure is backed by issuer's full faith and credit or historically strong and performing revenue stream
 - Issue not too large, too small or complex
 - Interest rates are stable, market demand is strong

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE




Negotiated Sale

- Issuer works with single underwriter
- Selected underwriter assists issuer with
 - Structuring bond issue
 - Preparing official statement
 - Obtaining bond rating
- Underwriter engages in presale marketing and negotiates interest rates with issuer

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 32




Negotiated Sale

- When to use Negotiated Sale
 - Issuer has poor credit
 - Unusually large or small bond issue
 - New entity
 - Unusual financing terms
 - Innovative structure or security



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 33




Private Placement

- Government markets bonds directly to investors
 - Commercial banks
 - Insurance companies
- Used when a public bond sale is
 - Too expensive
 - Likely to be ineffective


THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 34

Method of Sale Advantages/Disadvantages

Method of Sale	Advantages	Disadvantages
Competitive Bid	Fair process, Low interest cost	Does not allow for restructuring maturity dates and interest rates after bonds are awarded, No premarketing, No choice of underwriter selected
Negotiated Sale	Pre-marketing, Allows some choice in underwriter selected, More flexibility with bond structure	May appear biased, Issuers may not have enough information to effectively negotiate
Private Placement	Faster sale process, Disclosure may not be as stringent	Higher interest rates, more restrictive debt covenants

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 11

Bond Documents

- Bond Resolution
 - Governing body's authorization for the issuance and sale of bonds
- Notice of Sale
 - Publication by the issuer describing the terms of a competitive sale (bid)
- Bond Purchase Agreement
 - contract between the underwriter and issuer in a negotiated sale



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 12




Bond Documents

- Continuing disclosure agreement
 - Principle that accurate and complete information must be available to purchasers or prospective purchasers
- Tax Certificate
 - Contains facts and certifications of issuer that are relied upon by bond counsel to deliver opinion
- Official Statement
 - Final disclosure document prepared by issuer



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 13

What Next?

- An issuer's responsibilities do not end with the delivery of the bonds on the closing date
 - Does the City have a Post Issuance Compliance Checklist ?
- Each bond issue has disclosure requirements until the final maturity
- Events and requirements occurring after the sale should be considered important components of the debt administration policy


THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 32

Investment of Bond Proceeds

- On the closing date, the issuer will receive "net proceeds" from the sale of the bonds
- First post-sale responsibility = invest the proceeds
 - Investment should follow the investment policy of the government
 - Investment schedule should reflect the anticipated need to access funds for the capital project



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 33

Arbitrage Restrictions

- Arbitrage restrictions = determining whether yield on investments acquired with bond proceeds must be restricted
 - Arbitrage = spread between the tax-exempt interest rate on the bonds and the rate on investments
 - Question to ask – can you earn it?
 - Generally, the yield on the investment of proceeds must be limited to the yield on the bonds



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 34

Rebate Requirements

- Rebate requirements = determining whether interest earned on investments must be rebated (or paid) to IRS
 - If you can earn it, do you have to pay it to the IRS?
 - Paid to IRS every five years and within six months after the final maturity of the bonds



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Continuing Disclosure

- Disclosure - principle that accurate and complete information (i.e., material information) that investors would likely consider important in making investment decisions must be made available
- Enables investor to evaluate credit quality of the issue
- Generally two types for municipal bonds:
 - Primary offering disclosure – official statement
 - Secondary market disclosure – continuing disclosure

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Continuing Disclosure

Secondary Market Disclosure – U.S. Securities and Exchange Commission Rule 15c2-12 bars underwriters from buying municipal securities unless the issuer agrees in writing to provide continuing disclosure of certain material information (“continuing disclosure undertaking”)

- Annual financial information – at time municipal securities offered for sale, continuing disclosure undertaking must describe:
 - Type of information to be provided
 - Accounting principles used to prepare financial statements and timing of statements
 - Date in each year by which annual financial information will be provided
 - Who will be providing the information
- Listed Events – specified in the Rule

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Continuing Disclosure

- Underwriters are obligated to “reasonably determine” that issuer or obligated person has undertaken, in written agreement or contract, for benefit of bondholders, to provide continuing disclosure
- Issuers are required to provide continuing disclosure information to the Municipal Securities Rulemaking Board (MSRB) via the MSRB’s Electronic Municipal Market Access System (EMMA)
 - <https://emma.msrb.org/>

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

[Advanced Search](#)
[Research Reports](#)
[Tools and Resources](#)
[Market Activity](#)
[EMMA Help](#)

The official source for municipal securities data and documents

Click on a state to start your search

Search
New to EMMA? Visit our intro.

Evaluate
Access New Issue Calendar and other market tools.



Monitor
Sign up for updates.

EMMA and Municipal Market Transparency
The EMMA website is hosted and operated by the Municipal Securities Rulemaking Board (MSRB), the self-regulatory organization charged by Congress with promoting a fair and efficient municipal securities market. EMMA is designated by the U.S. Securities and Exchange Commission as the official source for municipal securities data and disclosure documents. The website provides free public access to objective, real-time market information and interactive tools for investors, municipal entities and others. EMMA supports municipal market transparency but is not a platform for buying or selling bonds.
Read more about EMMA and the MSRB.

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

WHEN DO I REFUND?



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE

Refunding's

- Refunding is a bond financing procedure in which the issuer refinances all or certain maturities of an outstanding bond by issuing new bonds
 - Proceeds of the new bonds can be used to immediately retire the old debt
 - Alternatively, proceeds of the new bonds can be used to purchase securities with cash flows that are used to pay off the old bonds as they mature



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 17

Georgia Law and Refunding's

- Maturity of the refunding bonds
 - Cannot extend past the final maturity of the original bonds
- Refunding bonds
 - Cannot be issued at an interest rate higher than the original debt
 - Principal amount of the refunding bonds
 - Cannot exceed the principal amount of the original bonds except to reduce the total principal and interest payments over the remaining term of the original bonds



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 18

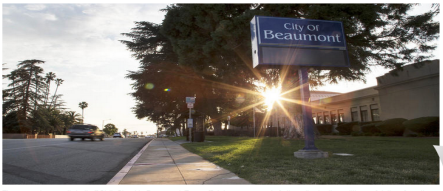
Refunding's

- Three primary reasons to refund debt:
 - More favorable interest rates
 - Change structure of debt service payments
 - Escape from unfavorable bond covenants
- Two types of refunding's
 - Current
 - Old bonds are paid off immediately with funds from new bonds
 - Advance
 - Funds are escrowed and payments are made on old debt from escrowed funds

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
 19



Beaumont, stunned by years of alleged corruption, has been 'turned upside down'





The sun sets over the old town of Beaumont, Georgia. Town officials are accused of allegedly stealing millions of dollars from the city in a time when the city was trying to grow and increase development. (Gina Ferrell/Life Pictures Times)

By Patricia Esquivel

JULY 6, 2016, 3:00 AM

<http://www.latimes.com/local/lanow/la-me-ln-beaumont-20160708-snap-story.html>

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



But earlier this year, seven former officials were arrested and charged with stealing nearly \$43 million during the city's development boom. Now, residents are learning that the town's problems go much deeper than the criminal case.

As new leaders work to unravel the finances, they have found a city that is deeply in debt and facing the need for painful cuts in services and the possibility of tax increases. Officials say they're now working to avoid bankruptcy.



In May, prosecutors announced that they were charging almost all of Beaumont's former top leadership – from its city manager to the head of its planning department – with corruption they said had been going on for years.

The officials together face dozens of charges, including accusations that some of them advised the city to issue new municipal bonds while making payments to their own companies from bond money.

Others were accused of securing interest-free loans of city money for members of the Beaumont Police Department.

<http://www.latimes.com/local/lanow/la-me-ln-beaumont-20160708-snap-story.html>

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



A review by the state controller's office late last year found that the city's accounting controls were so deficient that they were "effectively non-existent."

While various city units together issued more than \$620 million in bonds, the controller's office couldn't determine whether the proceeds were used for the intended purposes, the report said.

<http://www.latimes.com/local/lanow/la-me-ln-beaumont-20160708-snap-story.html>



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



Sharing the Good and the Bad



Class Discussion

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



Course Wrap-Up

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



<https://www.gfoa.org/best-practices>

GFOA Best Practices

GFOA best practices identify specific actions and programs that contribute to improved government performance. They are a guide to the best practices that are being used or adopted by other governments to improve their performance.

Best Practice by Category

Accounting & Financial Reporting VIEW ALL	Budgeting VIEW ALL	Capital Planning VIEW ALL
Risk Management VIEW ALL	Economic Development LEARN MORE	Pension & Benefits Administration VIEW ALL
Procurement VIEW ALL	Risk Assessment VIEW ALL	Treasury & Investment Management VIEW ALL

Click "VIEW ALL" to access a variety of Debt Management Best Practices

THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE



GEORGIA
MUNICIPAL
ASSOCIATION



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

Thanks for your attention!



THE HAROLD F. HOLTZ MUNICIPAL TRAINING INSTITUTE
