# Public Finance Overview: What Every Supervisor Should Know about Public Finance

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# Debt must comply with statutes

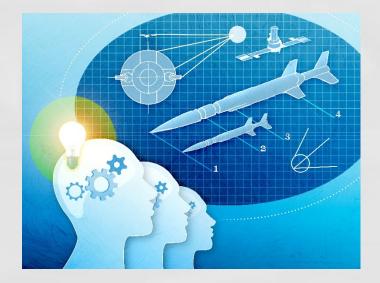
- Purpose for borrowing
- Process of borrowing
- Structure of debt
- Investment of proceeds
- Failure to comply can lead to jail and fines



#### Public Finance is highly regulated

- State and local issues
- Federal tax
- Amount of issue
- Timing of issue
- Use of proceeds
- Use of project
- Arbitrage rebate
- Federal securities law
- Initial offering disclosure
- Continuing disclosure
- General anti-fraud provisions
- Method of sale/Necessary parties

- These days you have to create your own breaks
- Strategic planning
- Millage management
- Efficiencies and savings
  - Refundings
  - Cooperative endeavors
  - Operational savings
- It is not rocket science



# One size does not fit all

- Options for structure
- Options for method of sale
- MAS Small Loan Program
- Options for issuer vs. conduit
- Options for finance team

# Parties Involved in Financing

Bond Counsel (hired by county to give legal opinion)

- County has met all legal & procedural requirements
- Interest on debt is exempt
- Generally prepares authorizing resolutions & closing documents

## Issuer's Counsel (county attorney)

- Gives legal opinion that the authorizing resolutions
  & closing documents were validly approved by county
- Assists bond counsel with local matters

- Financial Advisor (Municipal Advisor) assists county on financial matters in connection with issuing debt
  - Method of sale (competitive bid, negotiated, underwritten, private placement, direct bank loan)
  - Sizing & structuring the financing (debt service schedule)
  - Timing of the sale
  - Marketing

Underwriter – dealer that buys bonds from county & sells bonds to investors

- Competitive sale multiple underwriters submit bids simultaneously
- Negotiated sale county selects underwriter in advance
- Underwriters discount/spread = underwriters fee

### Underwriter's Counsel

- Represents the underwriter in negotiated sales
- Assists in drafting offering documents, bond purchase agreements, other related documents
- Typically paid directly or indirectly by the county

#### Trustee

- Bank that acts as fiduciary for bondholders
- Paying Agent transmits debt payments from county to bondholder
- Escrow Agent holds funds in escrow for certain refundings

## Rating Agency

- Moody's, Standard & Poor's, etc.
- Provide credit rating for bonds/debt



## Bond Insurer

Insurance company guarantees principal and interest payments to bondholders



## Conduit Issuer

- Organization that issues bonds on behalf of the county
- Mississippi Development Bank

<u>Pros:</u> more flexible structure/terms, better credit rating, lower interest rate

Cons: higher fees, typically longer process

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