

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

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Public Finance Overview

- 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 Overview

- 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

Public Finance Overview

- 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



Public Finance Overview

- 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

Public Finance Overview

- **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

Public Finance Overview

- 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

Public Finance Overview

- **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

Public Finance Overview

- **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

Public Finance Overview

● 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

Public Finance Overview

● 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

Public Finance Overview

- Rating Agency

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



Public Finance Overview

- Bond Insurer

- Insurance company guarantees principal and interest payments to bondholders



Public Finance Overview

● Conduit Issuer

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

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

Cons: higher fees, typically longer process

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