Los Angeles County Office of Education
Best Practices in Debt Management: An Overview

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● Over 18,000 Members Representing Localities, States, School Districts, Utility Districts And Other Governments

● GFOA's Mission Is To Promote Excellence In State And Local Government Financial Management

● Over 150 Best Practices In Multiple Disciplines: Debt Management, Treasury And Investment Management, Accounting And Auditing, Budgeting, Capital Planning, Retirement and Benefits Administration
• Debt Management Policy
• Role of Finance Officer in Debt Management
• Selecting Finance Professionals
• Method of Sale of S/L Government Bonds
• Rating Agencies
• Federal Disclosure Responsibilities
• Investment of Bond Proceeds/Federal Tax Issues
• Expenses Charged in a Bond Sale
• Other Topics For Another Day: Arbitrage, Types of Debt, POB and OPEB Bonds, Refundings
Debt Management Policy
Importance of a Debt Policy

- Enhances Internal Management Practices
- External Recognition and Transparency
  - Credit Rating Agencies
  - Outside Professionals/Public Know Entity’s Parameters
- IRS Asking for Policies and Procedures
  - Investment of Bond Proceeds
  - Use of Proceeds
- SEC Encouraging Use Of Disclosure Policies And Procedures
  - More Aggressive Stance Over Past Few Years
  - MCDC Initiative
- Evolving Federal Regulatory Landscape
  - MA Rule
  - IRS/Issue Price Regulations
Basics of a Debt Policy

- Authority to Issue Debt – Who Are You?
- When Debt May be Used to Finance Capital Projects
  - Including Use of P3s and TIFs
- Entity’s Debt Limits/Debt Capacity
- Types of Debt Allowed to Be Issued
  - General Obligation
  - Revenue
  - Taxable (including tax-credit, subsidy)
  - Fixed or Variable Rate
  - Other Products: POB, OPEB, Derivatives, Notes and Loans
  - Refundings (current and advanced)
Basics of a Debt Policy

- Structuring Debt
- Hiring, Scope of Services, and Fee Structures for Outside Professionals
- Method of Sale
- Bond Ratings and Enhancements
- Pricing Evaluation
- Investment of Bond Proceeds
- Compliance with Federal Tax & Securities Laws
  - Disclosure, Including Posting Information on EMMA
  - Arbitrage
Implementing the Policy

- Development by Team (with a leader!)
- Internal/Staff Sign Off
- Approval From Governing Body
- Disseminating to Team (internal and external)
- Compliance Procedures
  - Are We Doing What We Said We’d Do?
  - Developing Checklists to Ensure Compliance
- Schedule to Review and if Needed, Revise
Other Observations

- Look at Peer Entities
- Develop Section by Section
- Know Which Issues are More Static and Others That Are More Dynamic, and Don’t be Afraid to Revise
- Stay Alert for Changing State and Federal Laws and Regulations
- Help Those That Come After You!
  - Professional Staff
  - Elected Officials
Role of Finance Officer in Debt Management
Role of the Finance Officer

- Coordinate Internal Team Members (finance staff, attorneys, project managers, etc.)
- Work with “Partner” Departments/Agencies by Providing Direction, Leadership, Oversight and Guidance
- Select and Assign Duties to Outside Finance Team Participants, and Manage Performance
- Manage the Financing Project and Timeline
- Structure Financing Within Parameters of State and Local Law and Legislatively Adopted Policy
Role of the Finance Officer

- Select the Method of Sale
- Negotiate Business Points and Structure of the Transaction
- Ensure Consistent, Accurate and Complete Disclosure to Marketplace
- Ensure Ongoing Disclosure, Monitoring and Compliance
- Oversee Disbursement of Project Funds
- Oversee Debt Service Payment Process
- Ensure Tax and other Compliance
Selecting Finance Professionals
Best Practices: Selecting the Financing Method and Financing Team

- Selecting Municipal Advisors
- Selecting Bond Counsel
- Selecting and Managing the Method of Sale of State and Local Government Bonds
- Selecting Underwriters for Negotiated Bond Sales
- Selecting Trustee
Importance of Selection/Hiring Order

- **GFOA Best Practice**
  - “Unless the issuer has sufficient in-house expertise and access to market information, it should hire a municipal advisor prior to undertaking a debt financing.”

- **Issuers Should Hire A MA And Bond Counsel Before Hiring Other Outside Professionals, Including UW**

- **Municipal Advisor Should Assist With:**
  - Assessing the objectives of the financing
  - Identifying strategies and priorities
  - Selecting the method of sale that best fits the financing
  - Evaluating other members of the external financing team
    - Selecting UW Team
  - Providing expert advice regarding the bond sale
Role of the Municipal Advisor

- Role May Vary According To:
  - Expertise of issuer staff
  - Type of bonds
  - Method of sale
  - Scope of services

- Relationship May Be Transactional or on a “Retainer” Basis

- MA has a **Fiduciary Responsibility** to Represent the Issuer, and Only the Issuer, in Debt Financings.

- Assists in a Broad Array of Capital Planning and Debt Issuance Tasks
Municipal Advisor: Competitive Sale

- Helps Determine Timing of Offering
- Assists in Structuring the Bond Issue
- Assists in Preparing the Preliminary Official Statement (POS), May Prepare POS, which is the disclosure document delivered to the investors who purchase the bonds
- Advertises Upcoming Bond Sale to Investor Community
- Verifies Accuracy of all Bids Received
- Makes a Recommendation to Issuer to Accept or Reject the Bid or Offer
Municipal Advisor: Negotiated Sale

- Assists with Underwriter RFP and Selection Process
- Assists in Structuring the Bond Issue
- Assists in preparing the Preliminary Official Statement (POS), may prepare POS, which is the disclosure document delivered to the investors who purchase the bonds
- May Advertises Upcoming Bond Sale to Investor Community
- Advises Issuer with Respect to Pricing Scale
- Advises Issuer on Day of Pricing with Respect to Any Proposed Changes in Response to Market Conditions (pricing changes, call features, discounts, premiums, etc.)
- Assists Issuer with Negotiation of Terms with UW
BP: Selecting Municipal Advisors

- GFOA Recommends That Issuers Hire A Municipal Advisor Prior To Undertaking A Debt Financing.
- Selection Of Municipal Advisor Should Be Based On Merit And Generally Done Through A Request For Proposals (RFP) Process.
  - Experience with similar financings: type, size, structure, state
  - Access to timely market information
- Independent Vs. Underwriter-based Advisors
- Registered With SEC And MSRB
- Municipal Advisor Will Work With Issuer To Determine Appropriate Method Of Sale (Competitive Or Negotiated) And Therefore Should Be Hired Before Consideration Of Underwriters.
Managing Your MA Relationship

- **Ongoing Communication of Priorities, Objectives and Expectations**
  - Match to specific issuer project/financing needs
  - Active vs. passive
  - Continuity of MA staff
  - Continued education

- **Use of Multiple MAs**
  - RFPs for Pool
    - Mini RFPs within the pool
  - Project- or task-specific
  - Pricing and/or post-pricing specialists
SNAPSHOT: SEC MA RULE

● New Rulemaking Over MAs

  - MA Has an Explicit Federal Fiduciary Duty to Issuer
    - Only MA May Provide “Advice” to Issuers Unless Exemption is Met
    - Exemptions:
      - Have an MA “meaningfully engaged” (IRMA)
      - RFP responses
      - Underwriter has been hired
    - New Documentation Standards
      - Send Issuer Conflicts of Interest
      - Scope of Services

● GFOA Resources

BP: Selecting Bond Counsel

  - May be managed by Finance Office and/or City Attorney

- Key Qualifications of Bond Counsel Include:
  - Experience with similar financings: type, size, structure, state
  - Specialized tax advice beyond normal bond counsel services
  - Expertise in federal securities laws and regulations
  - Be aware of relationships that might pose conflict of interest

- Determine If Other ‘Specialty Counsel’ Is Needed
  - Disclosure Counsel
  - Special Tax Counsel
Underwriter Role
Competitive vs. Negotiated Sale

- **Competitive Sale**: Sale in which multiple underwriters submit bids to purchase the bonds at a specified date and time. The underwriter that submits the lowest purchase price (TIC) is awarded the bonds for sale to investors.

- **Negotiated Sale**: Sale in which the underwriter is selected well before the sale, preferably through a competitive RFP process. Underwriter assists financial advisor and issuer in structuring the bonds and preparing the bonds to be sold.
If a Negotiated Sale is Deemed Appropriate:

- Unless the issuer has extensive in-house bond pricing experience and access to current bond market data, issuers should engage the services of a municipal advisor to assist in the negotiated sale process (if not already done).

- Recognize that the role of the underwriter and the municipal advisor are separate roles and cannot be provided by same party.

- Select underwriters through a Request for Proposals (RFP) that rewards firms with demonstrated experience underwriting the types of bonds the issuer proposes to sell. RFP promotes fairness, objectivity and transparency.

- Look at past transactions and their performance vs competitive.
BP: Selecting Underwriters

Key Underwriter Selection Criteria May Include:

- Relevant experience with type of bonds being proposed. Experience should include both the firm’s investment bankers and underwriters (“the desk.”)
- The firm’s distribution capabilities. Can the underwriter access institutional and retail buyers?
- Understanding of the issuer’s financial situation and how to approach financing issues such as bond structure, rating strategies and investor marketing.
- Documentation of the underwriter’s participation in the issuer’s recent competitive sales or the competitive sales of other issuers in the same state.
- The proposed “spread”, or underwriter’s discount, should be requested in the RFP, but should rarely be the primary decision criterion. Proposed spread is most useful in pricing negotiations, but not as a basis for selecting the underwriter.
- Review past participation and performance by UW
MSRB Rule G-17 and Issuers

- MSRB Rule G-17
  - Underwriters Must Disclose Their Role in a Transaction to Issuer
  - Underwriter Does Not Have a Fiduciary Duty to Issuer
  - Underwriter Must Disclose General and Special Risks of Transaction
  - Must Not Deter Issuer Use of Municipal Advisor
  - Issuer Acknowledgement
Underwriter’s Counsel

- May Prepare The Investor Disclosure Document (Official Statement), Bond Purchase Agreement, Agreement Among Underwriters And Related Documents

- Conducts Due Diligence On Behalf Of The Underwriter

- Selected By The Underwriter, Cannot Be Same Firm As Bond Counsel
BP: Issuer’s Role in Selecting Underwriter’s Counsel

- Issuers Should Minimize Their Involvement
- If Desired, Develop List of General Criteria and Qualifications
- If Warranted, With UW Prepare List of Acceptable Firms
- Review UW Counsel’s Scope of Services
- Set Appropriate Fee Arrangement – “Not to Exceed”
- Have Policies and Procedures in Place to Minimize Conflicts of Interest
Other Participants

- Trustee
- Disclosure Counsel
- Bond Insurer
- Liquidity or Credit Providers (variable rate debt)
- Investment Advisor
- Verification Agent (in case of refunding)
Method of Sale
BP: Selecting & Managing the Method of Sale

- State And Local Governments Should Sell Their Debt Using The Method Of Sale That Is Most Likely To Achieve The Lowest Cost Of Borrowing.

- Method Of Sale Decision Should Be Made Based On A Thorough Analysis Of The Relevant **Rating, Security, Structure And Other Factors** Pertaining To The Proposed Bond Sale.

- Unless The Issuer Has Sufficient Staff Expertise And Access To Market Information, Gfoa Recommends That Issuers Hire A Municipal Advisor Prior To Undertaking A Debt Financing.
The Method of Sale Decision Environment

- Issuers Should Not Use A Potential Underwriter To Assist In The Method Of Sale Decision Unless That Firm Has Agreed Not To Underwrite The Bonds.

- Under MSRB Rule G-23, A Firm Acting As An Issuer’s Municipal Advisor Is Not Allowed To Resign In Order To Serve As Underwriter For The Proposed Bonds.

- Issuers Should Be Aware Of The Key Fiduciary Relationships That Do And Do Not Exist Between The Municipal Advisor, Bond Counsel, Underwriter And The Issuer.
The Method of Sale Decision Environment

- Relationship Between Issuer And Underwriter Is One Of Common Purpose But Also Competing Objectives, Especially At Time Of Bond Pricing. The Underwriter Is Not The Issuer’s Municipal Advisor And Has No Legal Fiduciary Duty To The Issuer.

- MSRB Rule G-17 Requires Underwriter and MA To Identify Responsibility To Deal Fairly At All Times With Both Issuers And Investors, And Disclose Potential Conflicts.
Competitive vs. Negotiated Sales: The Decision

- The Finance Officer’s Decision Or Recommendation Regarding The Method In Which Bonds Will Be Sold Will Be A Leading Factor In Determining The Financing Cost Of The Bonds.

Determining Method of Sale

Factors Favoring Competitive Sale:

- Rating of the proposed is expected to be in the “A” or better category.
- The bonds are general obligations, full faith and credit obligations or are revenue bonds secured by a strong, known and long-standing revenue stream (e.g. water, sewer, electric).
- The bond structure is not expected to include “exotic” products that require extensive explanation to the market.

The majority of local government bond issues should align within these categories.

Factors Favoring Negotiated Sale:

- Rating of the proposed bonds is expected to be in the “BBB” or lower category.
- Bond insurance or other credit enhancement is not available or not cost-effective.
- The bond structure has features such as pooled borrowers, variable rate debt, deferred interest bonds or other bonds expected to require extensive communication with the market.
- The issuer desires to target specific participants such as disadvantaged business enterprises (DBEs), retail investors or local firms.
- Other factors that the issuer, in consultation with the municipal advisor, believes favor the use of a negotiated sale.
Competitive vs. Negotiated Sales: Definitions

- **Competitive Sale**: Bond issue is prepared by the issuer and municipal advisor and then offered for sale to underwriters at specified date and time. Bonds are awarded to the firm that offers the lowest True Interest Cost (TIC). Bids usually submitted electronically.

- **Negotiated Sale**: The underwriter of the bonds is selected in advance of the sale and the pricing of the bonds (coupons, yields, spread) is negotiated by the underwriter and the issuer (with their municipal advisor).
Rating Agencies
Bond Ratings

Rating Process
- Send bond documents to rating agencies
- Analysis
- Have conference call or meeting
- Complete analysis
- Preliminary committee
- Rating committee
- Rating released
- New audit received
- Surveillance
GFOA BP: Rating Agencies

● Issues Covered

☐ Determine what will be in the ratings presentation
  • More is better

☐ Develop relationship with credit rating analyst
  • It’s better to hear bad (or good!) news from you then others/press

☐ Understand criteria used by rating agency for your credit
  • In many cases, methodologies are being updated

☐ Rating fees can be negotiated (up front and ongoing)
GFOA BP: Rating Agencies

● Issues Covered
  □ Know how rating agency will contact you if there is a rating change
  □ Rating agencies may give you very little time to respond to a report, and will only allow factual changes
  □ Rating agency regulations are changing and employees must be careful with how they interact with and what they can accept from a government (some have even declined bottled water!)
Disclosure Responsibilities
Best Practices: Disclosure

- Understanding Your Continuing Disclosure Responsibilities
- Using CAFR for Disclosure Requirements
- Using a Web Site for Disclosure
- Including Disclosures in Official Statements Related to Pension Funding Obligations
- Maintaining an Investor Relations Program
Disclosure Policies and Procedures

- Prepare Written Documentation To
  - Identify key players (by title and name)
  - Responsibilities of key players
  - Identify key documents/reports
  - Set up reminder system of when documents are due
  - Memorialize the annual reporting requirements per the CDA

- Create Centralized Contact Information
  - Central phone number with voice mail
  - Email address – debtmanagement@mygovernment.gov
  - Ensure multiple employees with ability to access and respond to email/voice mail inquiries – check daily

- Develop Process For Speaking To Entire Market
  - Encourage use of general email for investors to communicate
  - EMMA postings to speak to the market
  - Identify one individual responsible for speaking on behalf of government regarding bonds
Understanding Your Continuing Disclosure Responsibilities

- Continuing Disclosure Agreement (SEC Rule 15c2-12)
  - Timeframe
  - Type of information to be provided
  - Material Events
- If A Government’s CDA States That Information Will Be Provided That Is Outside The Scope Of The CAFR, That Information May Be Included As A Supplement To The CAFR When Filing With EMMA
Understanding Your Continuing Disclosure Responsibilities

- Governments Should Make Annual Filings As Soon As Annual Audited Financial Information Is Complete
  - GFOA recommends within 180 days after end of FY (180 Days does not equal 6 months!)
  - Prompt filing reduces risk that information may be found inadequate or misleading because of subsequent events

- GFOA Recommends That Governments Do NOT Indicate On EMMA That They Will Provide Information 120 Or 150 Days Following The Fiscal Year
Understanding Your Continuing Disclosure Responsibilities

Voluntary Disclosures

- After consulting with internal and external legal counsel:
  - A government may wish to provide other financial information to investors (via web site and link in EMMA) that goes beyond what is specified in the CDA

- Examples of additional information that could be disclosed:
  - Annual budgets, Financial plans, Revenue forecasts, Investment information, Monthly financial reports

- Bank Loans!
Understanding Your Continuing Disclosure Responsibilities

- Voluntary Disclosures
  - If an entity chooses to post unaudited interim financial information as part of its voluntary disclosures:
    - It must be clearly described as such on the document
    - A government may wish to include additional disclaimer language regarding unaudited information
  - Issuer’s should design a system of internal controls to ensure the accuracy, completeness, consistency, and freshness of information posted
Using Technology for Disclosure

- Enhanced EMMA System
  - Posting Both Required and Voluntary Disclosures on EMMA
    - Budget Information
    - Bank Loans
    - Other Prepared Financials/Unaudited
  - Setting EMMA Tickler to Remind You of Filing Dates
  - Provide Links to Your Web Site Disclosure Materials
  - Creating a Specific Issuer Web Site in EMMA
Using Technology for Disclosure

- Governments And Bond Issuers Use Their Web Sites To Disseminate Information To The Municipal Securities Market Regarding
  - The entity’s debt,
  - The entity’s financial condition, and
  - Other related information

- Your Web Site Is An Integral Part Of Effective Communication With Investors And The Marketplace And Should Be A Part Of An Investor Relations Program
Using Technology for Disclosure

*Considerations for Web Site Disclosure:*

- Information solely intended for investors should be segregated from other information and clearly identified as being intended for investors.
- A formal process for reviewing and approving any information posted on the web site should be required to ensure accuracy, consistency, and completeness of the information.
- Historical or outdated information should be marked and segregated from current information through the use of a “library” or “archive” accessible on the site.
Items Governments Should Consider Posting On Their Web Sites Are

- Relating to the sale of bonds:
  - Preliminary Official Statements (POS),
  - Audited financial statements,
  - Feasibility reports, and
  - Other related documents to a bond sale

- Information to report post-sale of bonds:
  - Continuing disclosure filings
  - Already prepared budgetary information
Web Site Presentation of Official Financial Documents

- While Posting Financial Documents On A Web Site Is A Tremendous Resource To Citizens And An Important Investor Relations Tool:
  - Governments should be reminded that web site posting DOES NOT meet the continuing disclosure responsibilities for issuers of municipal debt set forth in Securities and Exchange Commission Rule 15c2-12
Maintaining an Investor Relations Program

- GFOA Recommends That Governmental Bond Issuers Consider Developing An Investor Relations Program

- Benefits Of Developing A Program
  - Better investor awareness of the credit
  - Possible better pricing
  - Assists with public’s awareness
Maintaining an Investor Relations Program

- Determine what information to post on web site
- Understand the appropriate concerns/requests of investors
- Identity issuances with the use of CUSIP numbers
- Use your web site and post a link to your financial info on EMMA
- Create documents in searchable PDF format
- Determine timing of the release of information related to any debt sales
- When a single investor poses a question, it should be answered in a manner so that all investors can know the information
- Keep a database of investors/interested parties
- Alert database members of upcoming bond sales, new information, etc
Bank Loan Disclosures

- Disclosure Of Bank Loan Information Is Not Required In And Of Itself, But Issuer And Counsel Need To Determine If The Bank Loan And The Priority Of Repayment Count As Being A Material Issue For Outstanding Bond Deals.
- Rating Agencies Encourage Voluntary Disclosure Of Bank Loans
- Can Be Filed In EMMA
Disclosure of Pension Obligations

- Growing Interest To Investors And Rating Agencies
- Much Of The Information About A Government’s Pension Obligations Can Already Be Found In The CAFR And Budget
- Issuers Need To Determine If Their Pension Liabilities Could Affect Their Ability To Make Debt Service Payments
- Issuers Should Discuss With Counsel How Much Information About Their Pension Funding Liabilities Are ‘Material’ Information To Investors
  - Are debt service payments and pension plan funding coming from the same revenue source?
  - Is there potential down the road that pension plan funding could ‘crowd out’ debt service payments?
  - Is the priority of payment to the payment fund superior to debt service payments?
EMMA

- Electronic Municipal Market Access System - Replaced Numerous NRMSIRs
- All Submissions Must Be Made Electronically in PDF-Readable and Searchable Format
- Mandatory and Voluntary Submissions
- Numerous Resources on Site Regarding How to Use System
- “Issuer Home Page”
- State and Local Government Toolkit
  - [http://msrb.org/MSRB-For/Issuers/Issuer-Toolkit.aspx](http://msrb.org/MSRB-For/Issuers/Issuer-Toolkit.aspx)
- [www.emma.msrb.org](http://www.emma.msrb.org)
MCDC Aftermath

- Numerous Governments Made MCDC Filings
- GFOA Survey
  - 79% of responders said they had to hire outside consultants at a cost ranging from $2,500-$12,000
  - Overall issuer costs related to MCDC $2,000 – $18,000
  - Governments spent 25-250 hours in responding to the initiative
- Some Governments Did Not Make Filings, but UW Did
- Elevated the Concerns Regarding and the Need for Good Disclosure
MCDC – Underwriter Settlements Likely Effect on Issuers

- Increased Underwriter Scrutiny Of Issuer Practices And History Regarding Continuing Disclosure
- Underwriter Insistence On Disclosure Of All Cda Failures, Large Or Small
- Risk That Underwriter Will Not Be Your Underwriter Because Of Bad History – Find Out Early!
MCDC – Lessons to What Constitutes Noncompliance

- No Safe Harbors
- Brief Infrequent Delays Are Probably Not Material Noncompliance
- Complete Failure to File Is Material Noncompliance
- Subsequent Corrective Filings Do Not Eliminate the Need to Disclose Earlier Failures or Late Filings
- EMMA Filings May be Necessary Regarding Past Failures
Investment of Bond Proceeds/Federal Tax Issues
Post-Issuance Tax Compliance

● Record Retention

● Arbitrage and Yield Restriction

● Expenditure of Proceeds

● Private Use

● Remedies
BP - Investment of Bond Proceeds

- Obtain Projected Cash Flow Schedules From Project Managers
- Inform Internal Investment Officer of Incoming Funds
- Bid Investment Agreements as Needed
- Develop Process for Monitoring Balances in Trustee Held Accounts
- Actively Monitor Construction Activities
- Develop Procedures for Reinvestment of Bond Proceeds
- Know Who Can Work With You on the Investment of Bond Proceeds (e.g., Investment Advisor vs Broker/Dealer)
Record Retention

- **General Rule: Life Of The Bonds Plus 3 Years**
  - If refunded extends to life of Refunding Bonds plus 3 years

- **What Do You Keep?**
  - Basic records relating to the bond transaction
  - Documents evidencing the expenditure of bond proceeds
  - Documents evidencing the use of bond-financed property by public and private sources
  - Documents evidencing all sources of payment and security of the bonds
  - Documents pertaining to the investment of bond proceeds

- **How Do You Keep It?**
  - IRS Electronic storage guidelines
Fees/Expenses Charged in a Bond Sale
Fees Charged in a Bond Issuance

- Direct Costs of Issuance
  - Costs of Issuance in a Publicly Offered Debt Transaction

- Underwriter’s Discount
  - Expenses Charged by Underwriters in Negotiated Sales
Expenses Charged by the Underwriter

Components of the Spread

- Takedown (largest component)
- Management Fee
- Expenses
- Risk

Commonly Accepted Underwriter’s Expenses, Include:

- Underwriter’s counsel
- Reasonable travel costs incurred as part of the transaction
- External data service fees
- Charges for communication, including the rating agency presentation, printing, and communications expenses
- CUSIP fees
Direct Costs Paid by Issuer

- Municipal Advisor (aka Financial Advisor)
- Legal Counsel (including Bond Counsel, Issuer Counsel, Disclosure Counsel)
- Bond Trustee
- Escrow Verification Agent
- Auditor
- Rating Agencies
- Printing/Distribution Costs
- Pricing Verification Agent
BP – Debt Issuance Transaction Costs

- Understand Difference In Explicit UW Costs Shown in Negotiated vs. Competitive Sales Where They Are Embedded in Bid

- Municipal Advisor
  - Use RFP Process and Define Scope of Services
  - Recommended Fees Paid on Hourly/Fixed Fee Basis, Not Contingent on Bond Sale or Out of Bond Proceeds
    - However, GFOA acknowledges the practice of paying out of proceeds
BP – Debt Issuance Transaction Costs

● Legal Counsel
  □ Use RFP Process and Define Scope of Services
  □ Paid Hourly or Flat Fee/Limit

● Bond Trustee (Paying agent, Escrow agent, Dissemination agent)
  □ Select Through RFP Process
  □ One time upfront fee + annual fee + transaction fee

● Escrow Verification Agent (refundings)
  □ Select Through RFP Process
BP – Debt Issuance Transaction Costs

● Ratings Agencies
  □ Have policy to determine how many ratings to secure
  □ RATINGS FEES ARE NEGOTIABLE!!

● Pricing Verification Agent
  □ If separate service from Municipal Advisor, pay flat fee – NOT contingent
There’s More!!

- Different Debt Instruments
- Advisory AGAINST Using POB and OPEB Bonds
- Refundings
- Arbitrage Compliance
- And, and, and.........