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
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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
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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
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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
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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
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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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