PADM-GP 2144 Syllabus
Debt Financing and Management for Public Organizations
Fall 2017
Wednesday 4:55 to 6:35 pm (September 6, 2017 – December 13, 2017)
Waverly, Room 435

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Office hours:  General:    Puck, Room 3049, Wednesday 2:00pm -4:00pm and by appointment.
Structured Finance Technical Workshop (DBC):    Voluntary - to be coordinated with interested students.

Course Description:  We will study the issuance and management of debt by state and local governments from both a programmatic and transactional perspective.  We will track the evolution of a bond transaction from the identification of financing need through the issuance of publically sold debt.  We will explore typical municipal debt structures with a focus on how they relate to the governmental purpose being financed.  We will use EXCEL to model both the debt structures and the core calculations used in public finance to evaluate transactional performance.  We will study in detail the primary offering document (the “Official Statement”) used to market municipal debt to investors.  We will explore these topics with a special focus on the perspective of the public officials who issue and manage state and local debt but we will also study the concerns of other participants in the municipal securities marketplace including investment bankers, credit rating analysts, investors, regulators, bond attorneys and the federal officials who authorize the use of municipal debt by states and cities.

Course Objective:  We approach this course at a crucial time in the history of debt financing for public organizations.  The global financial crisis, the Detroit default combined with other stressed credits such as Puerto Rico continue to reshape American public finance markets in profound ways.  At the same time, emerging market countries around the world are establishing the public and private sector frameworks needed to expand financing options for critical infrastructure, health care, and economic development projects.  The objective of this course is to provide you with the fundamental understanding needed to be effective and forceful leaders in this new world of governmental project financing.

Course Website:  The course website resides on the NYC Classes system and is accessible via the “Academics” tab on NYU Home.

Assignments and grading:  Two homework assignments: 30%
Term Project: 40% (Can be individual or small groups)
Take-home final: 30%

The Term Project can be either a research paper relating to any topic relevant to the course or a structured finance project that I will tailor to your specific area of interest.

Course Readings:  I have assigned chapters from the following works.  All four have been ordered at the NYU Bookstore and are also available in print and in digital format from Amazon.


Additional readings of interest may be assigned on a weekly basis and will be made available on the Course Website.

**Academic Integrity:** Academic dishonesty is unacceptable and will not be tolerated. Cheating, forgery, plagiarism and collusion in dishonest acts undermine Wagner’s educational mission and your own personal and intellectual growth. If you study together, which is often useful, please be careful to create your own spreadsheets and write your own answers to assignments. You are expected to bear individual responsibility for your work and to uphold the ideal of academic integrity. Any student who attempts to compromise or devalue the academic process will be reported to appropriate authorities and subject to disciplinary action.

**Attendance:** I will not be keeping track of attendance but strongly encourage you to attend all classes in order that you can achieve a full and proper understanding of the course material.

**Class 1 – September 6: Introduction**

Syllabus Review  
Readings  
Overview of Course Objectives  
Discussion on the Nature of Finance (Finance as Convention)  
Financing Objectives  
Typical Phases of a Municipal Bond Transaction

*Readings (for Class 2):*  
Ferguson, Chapter 1, *Dreams of Avarice*  
Yunus, Chapter 1, *The Promise of Social Business*  
Fundamentals, Chapter 1, *Overview of Municipal Market*

**Class 2 – September 13: Overview of Public Finance Market**

Discussion of readings  
Basic Public Finance vocabulary  
Issuers  
Market participants  
Size  
Introduction to Official Statements  
Introduction to Case Study: State of Georgia, Series 2017 General Obligation Bonds
Readings:  
Ferguson, Chapter 2, Of Human Bondage  
Fundamentals, Chapter 2, The Basics of Municipal Securities

Class 3 – September 20: Basics of Municipal Securities

Discussion of readings  
Methods of sale  
Types of investors  
Tax exemption  
Credit rating  
Introduction to EMMA  
Case Study: Georgia sale method  
Understanding day count basis

Homework #1 distributed

Readings:  
Ferguson, Chapter 3, Blowing Bubbles  
Fundamentals, Chapter 3, The Issuers

Class 4 – September 27: Introduction to Transaction Modelling

Discussion of readings  
Overview of forces that shape municipal transactions  
Initial cash flow, price, and yield discussion  
Interest compounding  
EXCEL examples  
Case Study: Georgia pricing

Homework #1 due

Readings:  
Ferguson, Chapter 4, The Return of Risk  
Fundamentals, Chapter 4, The Primary Market

Class 5 – October 4: Debt structure

Discussion of readings  
Homework #1 review  
Basic municipal debt structural forms  
EXCEL examples  
Case Study: Georgia structures  
DBC Finance as tool for sizing and structuring transactions

Paper topic due

Readings:  
Ferguson, Chapter 5, Safe as Houses
Fundamentals, Chapter 7, Credit Analysis

Class 6 – October 11: Governance and Public Finance

Discussion of readings
Guest lecturer: Dr. Dall Forsythe. Distinguished Visiting Scholar at the NYU Graduate School of Public Service: Debt Issuance and the Budget Process

Readings: Ferguson, Chapter 6, From Empire to Chimerica
Afterward, The Descent of Money
Fundamentals, Chapter 8, Understanding Interest Rates

Class 7 – October 18: Overview of Financial Instruments used in Municipal Finance

Discussion of readings
Fixed rate
Variable rate
Derivatives
Capital Appreciation Bonds
Taxable Bonds
Case Study: Georgia financing instruments

Homework #2 distributed

Readings: Fundamentals, Chapter 9, Regulatory and Disclosure Requirements

Class 8 – October 25: Pricing Municipal Transactions

Discussion of readings
Case study: Georgia bond sale schedule
Term Structure
Process
Structural Considerations
Average life calculation

Homework #2 due

Readings: Yunus, Review Section One – The Promise of Social Business, Section Two - The Grameen Experiment, Chapter 3, The Microcredit Revolution
Tufte, Chapter 1, Graphical Excellence

Class 9 – November 1: Credit Analysis

Guest Lecturer: Ms. Janine Wilcox, New York University, Assistant Treasurer, Debt Real Estate &
Capital Programs

Discussion of readings
Homework #2 review
The Rating Agencies
Rating Criteria
  General Obligation Bonds
  Revenue Bonds
Rating Process
Rating Significance
Credit Enhancers
Case Study: Georgia Rating Agency Presentation

Readings: Yunus, Section 2-The Grameen Experiment, Chapter 4, From Microcredit to Social Business, Chapter 5, The Battle Against Poverty: Bangladesh and Beyond Fundamentals, Chapter 6: Investing in Bonds Tufte, Chapter 2, Graphical Integrity

Class 10 – November 8: Fiscal stress, Default, and Municipal Bankruptcy

Discussion of readings
An introduction to Chapter 9
Detroit Bankruptcy
Commonwealth of Puerto Rico
Greece

Paper outline due

Readings: Yunus, Section 2-The Grameen Experiment, Chapter 6, God is in the Details, and Chapter 7, One Cup of Yogurt at a Time Fundamentals, Chapter 10, Financial Products Tufte, Chapter 3, Sources of Graphical Integrity and Sophistication, Chapter 4, Data-Ink and Graphical Redesign

Class 11 – November 15: Overview of Investors

Guest Lecturers: Mr. Tim Martin, New York City Office of the Comptroller

Retail Investors
Institutional Investors
The secondary market in municipal securities

Readings: Yunus, Section 3- A World Without Poverty, Chapter 8, Broadening the Marketplace, Chapter 9, Information Technology, Globalization and a Transformed World
**Tuft, Chapter 5, Chartjunk: Vibrations, Grids, and Ducks**

**Class 12 – November 29: Introduction to Municipal Bond Refundings**

- Discussion of readings
- Purpose
- Importance to Public Finance
- Redemption options
- Make whole redemptions
- Case study: Georgia 2016 refunding model

*Readings: Yunus, Section 3- A World Without Poverty, Chapter 10, Hazards of Prosperity, Chapter 11, Putting Poverty in Museums
Fundamentals, Chapter 5, The Secondary Market
Tuft, Chapter 6, Data-Ink Maximization and Graphical Design,*

**Class 13 – December 6: Public Finance: Looking Forward**

- Guest speaker: Mr. Roy Torkelson, United Nations Secretary General’s Advisory Board on Water and Sanitation: International Project Finance
- Emerging Trends
- Applying course material in effective ways
- Career Paths

*Readings: Tuft, Chapter 7, Multifunctioning Graphical Elements, Chapter 8, Data Density and Small Multiples, Chapter 9, Aesthetics and Technique in Data Graphical Design, Epilogue: Designs for the Display of Information*

**Paper due**

**Class 14 – December 13: Review and Final Thoughts**

- Discussion of readings
- Homework #3 review
- International Public Finance
- Discussion of Final – Review of Course Goals
- Reflections on the nature of finance and its impact on global prosperity
- Final Thoughts

**Final exam distributed**