PADM-GP 2144 Syllabus
Debt Financing and Management for Public Organizations
Fall 2015
Wednesday 4:55 to 6:35 pm (September 2, 2015 – December 9, 2015)
12 Waverly Place, Room L120

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Office hours: General: Puck, Room 3047, Wednesday 1:00pm -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 and Detroit default 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: Three 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 three 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 2: 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 9: 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 2014 Bonds

*Readings:*  
Ferguson, Chapter 2, *Of Human Bondage*  
Fundamentals, Chapter 2, *The Basics of Municipal Securities*
Class 3 – September 16: 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 23: 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 – September 30: 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 7: Governance and Public Finance

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

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

Class 7 – October 14: 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 21: Pricing Municipal Transactions

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

Homework #2 due

Readings: To be determined

Class 9 – October 28: Credit Analysis

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: To be determined

Class 10 – November 4: 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: To be determined

Class 11 – November 11: Overview of Investors

Guest Lecturers: Ms. Carol Kostik and Mr. Tim Martin, New York City Office of the Comptroller

Retail Investors
Institutional Investors
The secondary market in municipal securities

Class 12 – November 18: Introduction to Municipal Bond Refundings

Discussion of readings
Purpose
Importance to Public Finance
Redemption options
Make whole redemptions
Case study: Georgia 2014C refunding model

Paper due

Readings: To be determined

Homework #3 distributed
Class 13 – December 2: Public Finance: Looking Forward

Guest speaker: Ms. Kym S. Arnone, Chair, Board of Directors of the Municipal Securities Rulemaking Board
Emerging Trends
Applying course material in effective ways
Career Paths

Readings: To be determined

Homework #3 due

Class 14 – December 9: 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