

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.

Securities Industry and Financial Markets Association (SIFMA), *Fundamentals of Municipal Bonds*, 6th Ed., Wiley, 2012.

Niall Ferguson, *The Ascent of Money, A Financial History of the World*, Penguin Books, 2009.

Mohammad Yunus, *Creating a World Without Poverty, Social Business and the Future of Capitalism*, PublicAffairs, a member of the Perseus Books Group, 2007

Edward R Tufte, *The Visual Display of Quantitative Information*, Graphics Press, Cheshire, Connecticut (Recommended but not required).

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

Review of Puerto Rico Sales Tax Financing Corporation Series 2011C Bonds Official Statement

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

Sample investor breakout: \$799,660, The City of New York General Obligation Bonds, Fiscal 2015 Series C and Series D

Readings: Yunus, Section 3- A World Without Poverty, Chapter 8, Broadening the Marketplace, Chapter 9, Information Technology, Globalization. and a Transformed World

Tufte, 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
Tufte, 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: Tufte, 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