

OBJECTIVES

This course will cover topics including:

- Identifying the mechanics of how state and local governments raise capital
- Describing the different types of issuers and investors in the municipal market
- Comparing and contrasting the different types of short- and long-term municipal debt
- Discussing the ratings process and the implication of ratings on the municipal debt market
- Enumerating the economic and political factors that influence municipal issuers
- Identifying major warning signals of deterioration in the municipal market
- Analyzing current developments in the municipal market in light of heightened fiscal problems

Course overview: The course will be a combination of lecture, group and individual exercises, and group discussion. One case study will be used throughout the course to highlight specific learning points. S&P Capital IQ's materials and tools will be utilized when appropriate.

This course does not teach the Standard & Poor's Credit Ratings criteria or methodologies. The instructors are independent consultants sourced through our training firm partner, Global Financial Markets Institute, Inc. The instructors teach courses on behalf of S&P Capital IQ and as such, their views do not necessarily reflect the views of S&P Capital IQ.

DAY 1

9:00 a.m. – 9:15 a.m.

Course Objectives and Participant Introduction

9:15 a.m. – 10:15 a.m.

Session 1: Overview of the Municipal Market

The opening session will discuss the process by which state and local governments raise capital. Participants will learn about the different types of investors in the municipal market and will compare and contrast marketability and liquidity of municipal debt. By the end of this session, course participants should be able to:

- Identify how state and local government entities are allocated funds
- Describe the process by which state and local governments raise capital
- Describe what non-profits are and the circumstances by which they can access the tax-exempt markets
- Discuss the probability of default in the public sector
- Analyze the events that led to the Orange County, CA and evaluate the ramifications of defaults
- Identify how the public sector and non-profits have been hedging their risks after issuing debt
- Compare and contrast the different investors who buy municipal debt
- Discuss factors affecting marketability and liquidity of municipal debt including:
 - Credit quality and notoriety of the issuer
 - Structure and size of the issue
 - Market demand for and sentiment towards sector

10:15 a.m. – 10:45 a.m.

Exercise: Case study - Compare and contrast Oklahoma City, OK and Las Vegas, NV

10:45 a.m. – 11:00 a.m.

Break

11:00 a.m. – 12:00 p.m.

Session 2: Types of Municipal Debt

In this session participants will compare and contrast the types, mechanics and risks of municipal debt. They will also learn about the different uses of special purpose bonds. By the end of this session, course participants should be able to:

- Describe the different types of short-term debt
 - Variable Rate Demand Obligations, Auction Rate Securities, Commercial Paper, Tender Option Bonds
 - Bank liquidity facilities and standby bond purchase agreements
 - Bond Anticipation Notes, Tax and Revenue Anticipation Notes
- Describe the different types of long-term debt
 - Traditional fixed-rate securities
 - Municipal pools
- Discuss characteristics of tax-secured debt
 - General Obligation debt
 - Special tax bonds
 - Special purpose districts
- Identify mechanics and use of special purpose bonds
 - Utilities
 - Transportation
 - Health care
 - Education
 - Housing
- Debt Structures
 - Sinking funds
 - Specific covenants
- Discuss alternatives to municipal debt
 - The use of PPPs (Public Private Partnerships)
 - History of PPPs
 - Mechanics of PPPs

12:00 p.m. – 12:30 p.m.

Exercise: Case Study – Review the State of Indiana

12:30 p.m. – 1:30 p.m.

Lunch

1:30 p.m. – 2:30 p.m.

Session 3: Fundamental Analysis of the Municipal Market

In this session, participants will distinguish between the different critical economic, social, and political factors influencing this market. They will also discuss a case that will help analyze the municipal market. By the end of this session, participants should be able to:

- Enumerate specific economic factors which affect issuers
 - Growth prospects in state or municipality
 - Current state of the overall economy and business cycle
 - Demographics and unemployment
 - Labor unions
 - Industry concentration

- Ability to raise rates/fees
- Asset/building condition, deterioration
- Competition for services
- Describe community attractiveness
 - Arts and leisure
 - Infrastructure
- Discuss management and administration characteristics
 - Political environment
 - Compensation levels

2:30 p.m. – 3:15 p.m.

Exercise: Compare and contrast (pre-read) the City of New York, NY and the City of Los Angeles, CA

3:15 p.m. – 3:30 p.m.

Break

3:30 p.m. – 4:30 p.m.

Session 4: Financial Analysis

In this session, participants will analyze important financial and investment factors important in the financial analysis of municipal debt. By the end of this session, participants should be able to:

- Discuss the importance of accounting and reporting methods
- Understand the challenges in obtaining current and standardized financials
- Describe revenue and expenditure structure and patterns
- Detail operating and budgetary performance
- Define financial leverage and equity position
- Discuss investment policies
- Identify mechanics of contingent financial obligations
 - Off-balance-sheet debt
 - Pension liabilities and post-retirement obligations
- Identify balance sheet components and ratios
 - Examples
- Discuss income statement components and ratios
 - Examples

4:30 p.m. – 5:00 p.m.

Exercise: Analyze and interpret the findings from a ratio analysis on both Oklahoma City, OK and Las Vegas, NV and suggest a credit rationale for each city

DAY 2

9:00 a.m. – 9:45 a.m.

Session 5: Overview of Ratings and Their Implications

In this session participants will discuss the characteristics and importance of municipal credit analysis. Participants will analyze the role of Standard & Poor's and other Nationally Recognized Statistical Rating Organizations (NRSRO's) in the municipal market. By the end of this session, participants should be able to:

- Enumerate and analyze the components of a rating process
- Explain the role of the credit rating agencies in rating municipal debt
- Analyze the performance of Standard & Poor's municipal ratings over time

	<ul style="list-style-type: none">• Compare and contrast corporate and municipal ratings• Discuss the implications of ratings downgrades and upgrades• Describe the probability of default in the public sector• Identify the role of monoline insurers within municipal finance• Evaluate performance of monoline insurers and implications going forward
9:45 a.m. – 10:15 a.m.	<u>Exercise</u> : Case discussion – Jefferson County – what went wrong?
10:15 a.m. – 10:30 a.m.	Break
10:30 a.m. – 12:00 p.m.	Session 6: Early Warning Signs of Credit Distress In this session participants will identify key warning signals that can impact the value of municipal debt. They will analyze a case that illustrates key signals to be observed by investors, analysts, and regulators. By the end of this session, participants should be able to: <ul style="list-style-type: none">• Identify major warning signals<ul style="list-style-type: none">○ Decline in sales, property and income tax revenues○ Declining margins○ Litigation○ Sale of assets for operating revenues
12:00 p.m. – 12:30 p.m.	<u>Exercise</u> : Case Discussion – Analyzing the City of Bell, CA vs Littlefield, TX
12:30 p.m. – 1:30 p.m.	Lunch
1:30 p.m. – 2:00 p.m.	Session 6: Early Warning Signs of Credit Distress (cont'd) <ul style="list-style-type: none">• Identify major warning signals<ul style="list-style-type: none">○ Loss of major employer○ Debt structure inconsistent with assets financed
2:00 p.m. – 2:30 p.m.	<u>Exercise</u> : Case study – the City of Vallejo, CA
2:30 p.m. – 2:45 p.m.	Break
2:45 p.m. – 3:45 p.m.	Session 7: Market Trends and Outlook In this concluding session, participants will appreciate recent developments in the municipal universe and establish an opinion on the sector's future. <ul style="list-style-type: none">• Analyze recent stresses in the municipal credit markets<ul style="list-style-type: none">○ Harrisburg, PA○ Central Falls, RI○ American Airlines Airport Revenue Bonds○ Yankee Stadium Parking Garage○ California and Illinois fiscal challenges• Opine on whether municipal defaults are on the horizon• Evaluate the relative prospects of municipal sectors over the next 5-10 years

3:45 p.m. – 4:45 p.m.

Session 8: Develop and Defend a Municipal Credit Rationale

In this concluding session, participants will analyze key credit and fundamental metrics in order to develop and present a sound credit rationale utilizing a team-based approach.

- Analyze key credit and fundamental metrics
 - Detroit, Michigan

Exercise: Participants will be asked to develop and present a sound credit rationale utilizing a team-based approach

4:45 p.m. – 5:00 p.m.

Course feedback and close

Course agenda is subject to change without notice.

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