

DEBT MANAGEMENT EXAMINATION

A. Examination Specifications

Specifications account for 160 of the 175 prescribed examination questions. Item writers are instructed to develop examination items that require application of knowledge or higher cognitive levels.

I. Overview of municipal debt market (50)

- A. Nature of borrowers and purposes of municipal debt issues
- B. Investors in municipal securities
- C. Determinants of municipal bond interest rates (yield, credit risk, market risk, maturity, duration)
- D. Security
- E. Maturity schedules
- F. Debt service structure and schedule types
- G. Use of original issue discounts and premiums
- H. Redemption features
- I. Sizing considerations
- J. Security and tax law - restrictions and requirements

II. Capital financing methods(50)

- A. Capital financing options and selection criteria
- B. Policy and legal considerations in selecting and implementing a financing method
- C. Types of municipal debt
- D. Unique financing instruments (e.g., Tax increment financing, special assessment, community authority, and pension obligation bonds)
- E. Long-term debt
- F. Short-term debt
- G. Derivatives
- H. Types of leases and transactions
 - I. Types of credit enhancement and credit substitution
- J. Role of rating agencies
- K. Rating process and analysis
- L. Information requirements in the rating process
- M. Rating designations

III. The bond sale(30)

- A. Bond issuance team
- B. Selecting a financial advisor
- C. Method of sale
- D. Competitive bid process
- E. Evaluation of bids
- F. Pricing bonds in a negotiated sale
- G. Form and payment of bonds
- H. Documentation
- I. Preparation of the official statement
- J. Role of underwriter in purchase and sale of bonds
- K. Syndicate activities
- L. Syndicate compensation
- M. Underwriter disclosure requirements

IV. General Debt Management (30)

- A. Investing bond proceeds
- B. Complying with arbitrage restrictions
- C. Assessing refinancing opportunities
- D. Providing secondary market disclosure (MSRB and Emma)
- E. Maintaining investor relations program
- F. Providing updated information to rating agencies
- G. Monitoring trading activity (price transparency)
- H. Tax lien securitization of debt
- I. Dealing with financial emergencies, bankruptcy, default

Debt Management Examination Recommended Readings

Readings from GFOA Publications

- An Elected Official's Guide: Debt Issuance (2nd Edition)
- Making Good Disclosure: The Role of State and Local Officials Under the Federal Securities Laws
- # An Elected Official's Guide: Tax Increment Financing
- # Structuring and Sizing the Bond Issue: How to Develop an Optimal Financing Approach
- # Competitive v. Negotiated: How to Choose the Method of Sale for Tax-Exempt Bonds
- # Tax Exempt Financing: A Primer (Revised Edition)
- # Benchmarking and Measuring Debt Capacity (Volume 1 of the GFOA Budgeting

Series) Best Practices (Debt Management) GFOA Web site: www.gfoa.org

Other GFOA Reading

- # Articles from Government Finance Review (Feb 2010) on debt management.
- # Errata Sheet - Debt Management Recommended Readings
- Selected documents from Municipal Securities Rulemaking Board (see Errata Sheet)

- # Free on GFOA Website: www.gfoa.org/cpfo Click on GFOA Reading Materials