

## “Best Practices for Texas Municipalities Finance Professionals to Consider”

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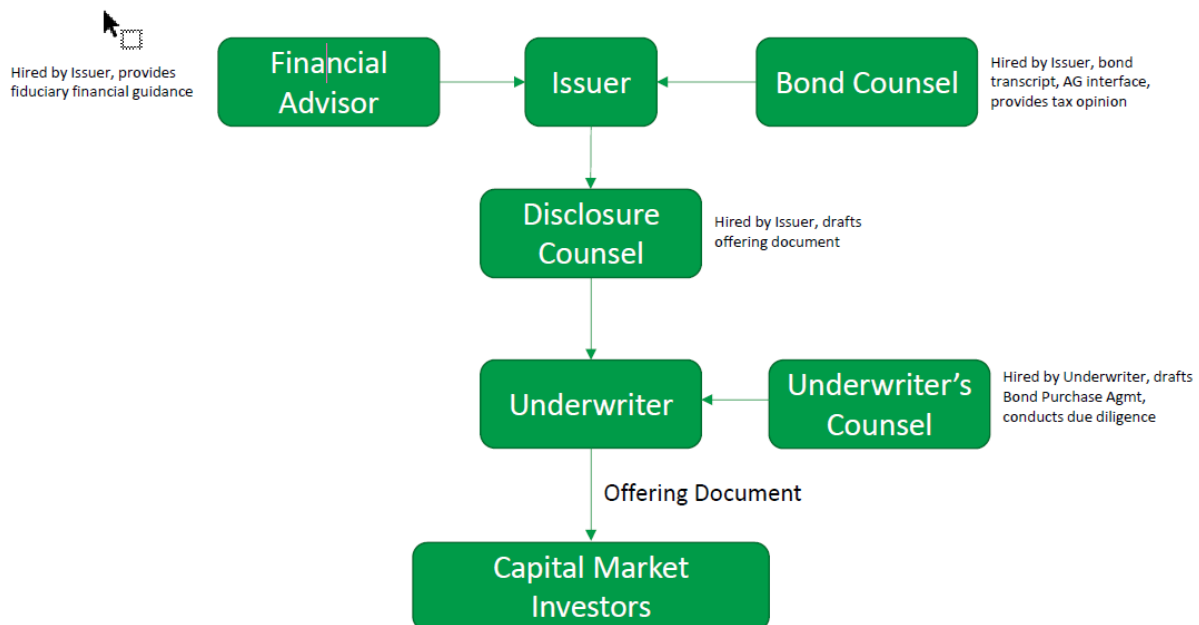
### Back to Basics

#### What is a Municipal Bond?

A municipal bond is an interest-bearing security issued by or on behalf of a variety of governmental entities to finance certain capital projects and address cash flow needs. Because interest on these securities is exempt from taxation, they are also called tax-exempt bonds. Municipal bonds represent a promise to repay to lenders by state or local government units, which are referred to as the Issuer on a bond transaction.

Municipal bonds mature 1 to 40 years from the date of issue.

#### Who are the Relevant Parties?



Issuer – Borrower/ Municipalities

Underwriter – facilitates the purchase of the bonds from Issuer through a competitive or negotiated sale to institutions and/or individual investors

Financial Advisor – represents the Issuer; advises the Issuer on financial issues

## Lawyers

Bond Counsel – provides a legal opinion that: Issuer is authorized to issue proposed municipal securities and has met all legal and procedural requirements necessary for issuance; drafts most of the bond documents and interfaces with the Attorney General's office; hosts the pre-closing and closing and prepares and distributes transcripts of the proceeding. Bond Counsel reviews and examines applicable laws (including federal tax laws) authorizing issuance of bonds and confirms all steps have been completed to assure proper authorization and issuance of the bonds. In addition, Bond Counsel provides a “tax exemption opinion” which is the base on which the entire transaction stands.

Disclosure Counsel – represents the Issuer, drafts the offering document (Official Statement/Offering Memorandum) and any other documents relevant to disclosure. Disclosure counsel plays a pivotal role in the transaction since they are responsible for articulating who the Issuer is and the ultimate security pledge; disclosure counsel's role has become more important over the past few years

Underwriter's Counsel – represents and conducts due diligence for the Underwriter; drafts the Bond Purchase Agreement ("BPA")

## Best Practices

- Debt policy / use of proceeds / refundings
- Council approves financing plan
- Engage financial advisor, counsel(s) immediately after you have decided to proceed with a bond offering
- Engage paying agent
- Financial advisor assists with the financing timing and ratings process
- Working group meetings / POS review
- Pricing/ parameter sale / council approves deal - to travel or not to travel for the pricing?
- Bond counsel distributes documents to the Issuer for review and signatures

## Issuer Questions

- How do finance directors select professionals (financial advisors, counsel, underwriters)
- Relationship between finance, city attorney and city secretary
- Negotiated vs competitive offerings

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## **Texas Legislature - Legislative Update**

**House Bill 1869**

**Senate Bill 19**

**Senate Bill 13**

**Net Zero Banking Alliance**

**Inflation Reduction Bill**