

CHAPTER 10

Municipal Financial Consultants*

NATURE AND FUNCTIONS

Municipal finance consulting as a profession has its roots in the great depression of the 1930's. Since many municipalities had predicated borrowing during the late 1920's on a never-ending boom, the suddenly shrinking tax revenues of the early and midthirties brought many to the brink of default. Debt reorganization and refunding became the order of the day as local governments sought to bring debt service schedules in line with revenues. The municipal finance expert was called in to act as liaison between the bondholder and the issuer and work out a debt reorganization plan acceptable to both.

Since then municipal finance consulting owes its development to the increasingly complex and competitive nature of the business of marketing debt securities of State and local governments.

SCOPE OF DUTIES

The scope of duties performed by a municipal finance consultant vary considerably depending on the nature of the issue, its size, and the standing of the issuer. Generally, however, the consultant provides the following services:

- (a) Surveys issuer's debt structure and financial resources to determine borrowing capacity for future capital financing requirements.
- (b) Gathers all pertinent financial statistics and economic data such as debt retirement schedule, tax rates, overlapping debt, etc., that would affect or reflect on the issuer's ability and willingness to repay its obligations.
- (c) Advises on the time and method of marketing; terms of bond issues, including maturity schedule, interest payment dates, call features and bidding limitations.
- (d) Prepares an overall financing plan detailing the recommended approach and probable timetable.
- (e) Prepares, in cooperation with bond counsel, an official statement, notice of sale, and bid form and distributes same to all prospective underwriters and investors.
- (f) Assists the issuer in getting local public acceptance and support of the proposed financing.
- (g) Keeps in constant contact with the rating services to insure that they have all the information and data they require to properly evaluate the credit.

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