

Southern Municipal Finance Society



Disaster Recovery, Rebuilding, and Resilience Conference

September 23 – 25, 2026

**What's This Thing Called
"Public Finance"?**



An aerial photograph of a city at dusk. The city is illuminated with warm lights, and the surrounding area is covered in dense green trees. In the background, a range of mountains is visible under a soft, orange-hued sky. The text "What's This Thing Called 'Public Finance'?" is overlaid in white, bold, sans-serif font.

What's This Thing Called "Public Finance"?

Speakers:

Adebola Kushimo, Executive Director, Moody's Investors Service

**Dean Michael Mead, Partner, Government & Public Sector Sub-Line Leader,
Carr, Riggs & Ingram, LLC**

How Does a City Pay for a \$50 Million Project?

- **Imagine your community needs to:**

- Build a new fire station
- Replace an aging water treatment plant
- Rebuild a major bridge
- Construct a new public safety facility

- **The problem: The project costs \$50 million**

- The city can't—or doesn't want to—pay the entire \$50 million from this year's taxes and revenues. *So what can it do?*

- **Borrow the money and pay it back over time**

What Is a Municipal Bond?

A municipal bond is essentially a loan to a government. The basic arrangement:

INVESTORS

Lend money



LOCAL GOVERNMENT

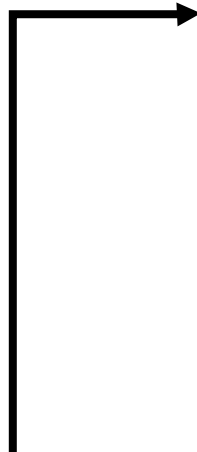
Uses the money for a project



COMMUNITY PROJECT

Provides benefits for many years

THEN...



LOCAL GOVERNMENT

Repays principal + interest



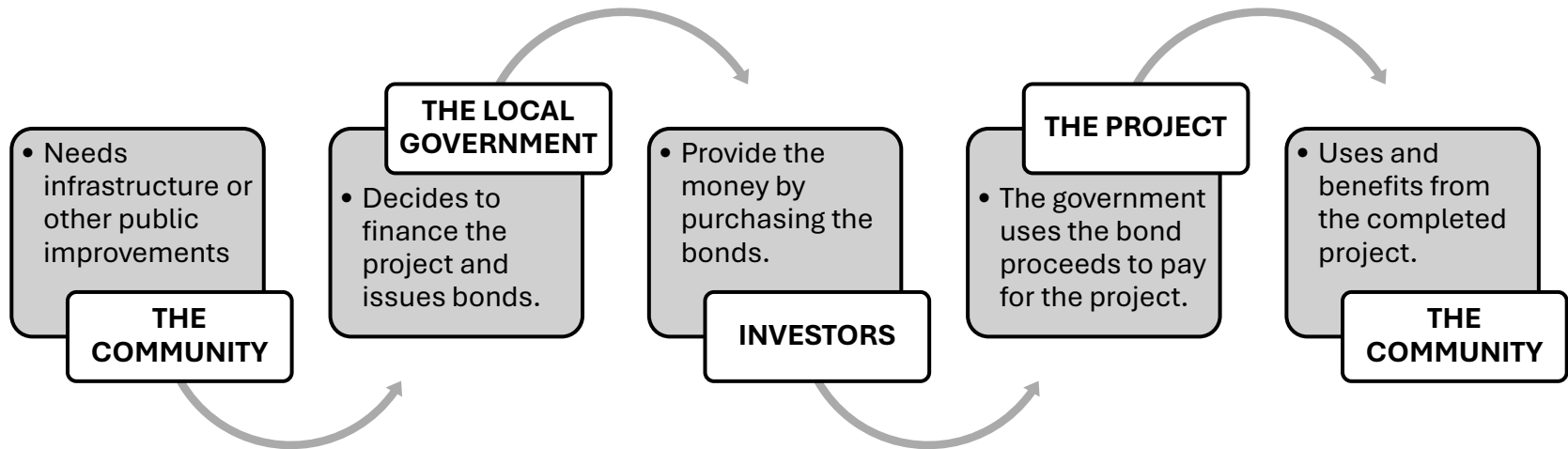
INVESTORS

Municipal Bonds Are Like a Mortgage

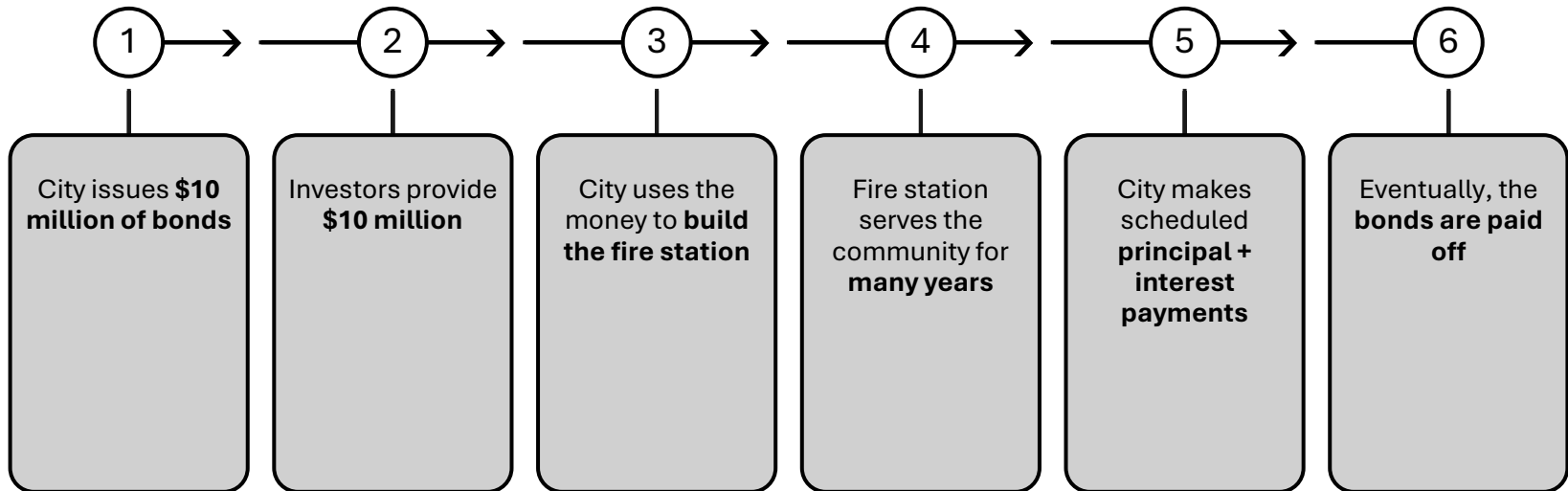
Buying a House	Financing a Public Project
You need a house	The community needs a facility
House costs \$500,000	Project costs \$50 million
You borrow money	Government borrows money
Bank/investor provides funds	Investors provide funds
You make payments over time	Government makes payments over time
You pay interest	Government pays interest
You use the house for many years	Community uses the project for many years

**The basic idea is the same:
Get the benefit now. Pay for it over time.**

Who's Involved?



A \$10 Million Flood Control System: Follow the Money



The community gets a \$10 million fire station today—without having to raise \$10 million in cash today

Two Basic Types of Municipal Bonds

General Obligation Bonds

- The government's general taxing power backs the bonds
- For example: A city finances a new public safety building and promises to use its general revenues/taxing power to repay the debt

Revenue Bonds

- A specific source of revenue backs the bonds
- For example: A city finances improvements to its water system and uses water and sewer charges to repay the debt

Why Use Municipal Bonds?

Borrowing can match the cost of a long-lived asset with the period over which the community benefits from it

Build important infrastructure sooner

- Instead of waiting years to accumulate enough cash.

Spread the cost over time

- Rather than asking today's taxpayers to pay the entire cost of a long-lived asset.

Support economic development

- Infrastructure can help attract businesses, housing, jobs, and investment.

Improve quality of life

- Better roads, water systems, schools, public safety facilities, parks, and other public assets.

But Isn't Government Debt Bad?

**Not
necessarily—
debt can be
useful when...**

- The project provides significant public benefits
- The government can afford the debt payments
- The borrowing is structured appropriately
- The asset will serve the community for many years

**But borrowing
has real costs**

- Interest has to be paid
- Debt payments compete with other government priorities
- Too much debt can create financial stress
- A poorly designed project can leave taxpayers paying for something that doesn't deliver the expected benefits

Who Is Involved in a Municipal Bond Sale?

The Issuer

A government that borrows money by issuing bonds to pay for public infrastructure or refinance existing debt

Municipal Advisor

An independent professional who guides the issuer, represents their best financial interests, and helps structure the bond terms and sale method

Bond Counsel

An independent law firm hired to write the official bond documentation and deliver a formal legal opinion confirming the validity of the bonds and their tax-exempt status

Underwriter

A broker-dealer or syndicate of banks that buys the newly issued bonds directly from the issuer and resells them to investors

Who Is Involved? (continued)

Underwriter Counsel

A legal team representing the underwriter to ensure the offering complies with securities laws and disclosure requirements

Trustee

A bank or trust company that acts as a custodian for the funds, handles payments of principal and interest to investors, and ensures the issuer follows the trust indenture rules

Rating Agencies

Organizations like Moody's, S&P, or Fitch that evaluate the credit quality of the issuer and assign a credit rating, which affects the interest rate the municipality must pay

Investors

Individuals and institutions like banks or mutual funds that lend money to governments by purchasing their bonds, receiving in return interest payments that often are exempt from income taxes

Q&A



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