



School Law *Bullet*

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Education Law Practice Group, John E. Freund, III, Chair and
Public Finance Law Practice Group, Kevin C. Reid, Chair

To: Public Education Clients and Friends

By: Kevin C. Reid, Esquire, Public Finance Law Chair

Credit Markets

Understanding Variable Rate Debt and Swaps

Over the last several weeks, municipal credit markets have been negatively impacted by current economic conditions. Municipal issuers such as cities, counties, townships and school districts have been unable to access the markets to issue debt.

At present, liquidity has not been available and variable interest rates have spiked dramatically upward. The impact of the current credit situation on districts can vary widely depending on numerous factors, including but not limited to debt portfolio allocation between fixed and variable debt, swap portfolios and the duration of the lack of liquidity in the markets.

To the extent that districts do not presently have in place periodic monitoring systems, districts are well advised to consult

with their financial advisors to (1) determine present impact of current market conditions, if any, on the district's existing debt and future projects; and (2) receive options with regards to managing its debt portfolio under the current economic climate.

Should you have questions regarding variable rate debt and swap structure, you may contact our Public Finance Law department.

** This School Law Bulletin is meant to be informational and does not constitute legal advice.*

Should districts wish legal advice on this matter, they should contact their legal counsel or request a legal opinion from KingSpry.

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