When accessing the market, issuers have several options for selling bonds to investors, commonly referred to as “method of bond sale”. The characteristics of the bond issue itself will be the criteria used to determine the economics of the “method of sale”. The bond type, the credit quality, the length of amortization are just three factors that an issuer will consider determining the bond sale. Additionally, other factors such timing and the current marketplace are also important considerations. Consultation with the municipal finance professional, can help define the various method of sale characteristics.

Each of the following options have both adverse and constructive values. Since the market is constantly evolving, the method of sale should considered on a financing by financing decision.

Private Placement of Direct Placement: A municipal advisor or placement agent arranges a direct placement of the bond to one (occasional more than one) purchaser, usually a bank. The advantages of a private placement can be less transactional costs and ease of raising funds. Generally, private placements have higher interest rates (lack of investor competition) but can eliminate some of the costs of issuance such as a disclosure document and bond ratings.

Public Offering via a negotiated Sale: An underwriter serves as liaison between the issuer of bonds and the bond market place. On average over $50 billion in municipal bonds are bought and sold weekly. In a negotiated sale, the underwriter works with the client to plan the financing and determine the timing of the bond sale. The underwriter represents the client and its bonds in the marketplace and negotiates with investors to arrive at the market price for the bonds

Public Offering via Competitive Sale: In a competitive-bid bond sale, the financial advisor manages the issue to the point of bid/sale. The advisor handles all elements of planning and structuring the sale and setting up the competitive sale. At the time determined, the Issuer will call/solicit bids from underwriters to sale/purchase all of the offered bonds.