

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Yields Trimmed for \$111.7 mln Chicago Sales Tax Bonds.**

Investor demand allowed Chicago to lower yields on \$111.7 mln of sales tax revenue refunding bonds that were priced on Wednesday, according to details of the deal released on Thursday.

But Chicago continues to pay a penalty for its financial woes, which include a \$20 billion unfunded pension liability.

Yields fell one to five basis points in most maturities in a repricing through lead underwriter RBC Capital Markets that dropped the top yield to 4.62 percent from an initial 4.67 percent for bonds due in 2034 with a 5 percent coupon, according to the final pricing scale.

That narrowed the spread over Municipal Market Data's benchmark triple-A scale for the U.S. municipal bond market from the initial pricing by 10 basis points to 160 basis points, indicating investors continue to demand much fatter yields from Chicago compared to most other issuers.

The issue is part of the city's plan to convert certain variable-rate debt into fixed-rate bonds to end bank letters of credit and interest-rate swaps. Last week, big investor demand drove yields down by as much as 16 basis points for \$674 million of Chicago general obligation bonds. Still, the spread over the MMD scale was a hefty 264 basis points for bonds due in 2042.

Chicago officials said investors put in \$464 million of orders for the \$111.7 million of sales tax bonds, which were rated AAA by Standard & Poor's, AA-plus by Kroll Bond Rating Agency and BBB-plus by Fitch Ratings.

The city did not request a rating from Moody's Investors Service, which pushed its rating on Chicago's GO and sales tax bonds into the junk level last month.

The Moody's downgrade triggered \$2.2 billion in accelerated debt and fee payments by Chicago. However, the city entered into forbearance agreements with banks that provided letters of credit backing the variable-rate debt or swaps used to hedge interest-rate risk on it to allow time for the bond conversions, according to city bond offering documents.

Reuters

Thu Jun 4, 2015 2:31pm EDT

(Reporting By Karen Pierog; Editing by Chris Reese)