

# **Bond Case Briefs**

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## **New York City, Other Municipal Bond Issuers Warn Investors on Trump Policies.**

CHICAGO - President Donald Trump's agenda to repeal the Affordable Care Act and punish 'sanctuary cities' for resisting him on immigration is making its presence felt in the \$3.8 trillion municipal bond market.

Municipal bond sales next week from New York City, the state of Oregon and a California health care provider worth nearly \$1.7 billion include warnings to potential buyers that Trump's policies could pose a financial risk to these issuers.

The Republican president signed an order on Jan. 25 directing the U.S. attorney general and Homeland Security secretary to withhold federal money from cities that adopted sanctuary policies for undocumented immigrants.

Trump is also pushing to repeal and replace the Affordable Care Act also known as Obamacare, reform the tax code and roll back some or all of the Dodd-Frank financial regulation law.

New York City on Tuesday told potential investors for its upcoming \$800 million bond sale that its sanctuary city status should not result in a substantial loss in federal funding due to Trump's recent executive order.

While sanctuary city is not an official designation, it represents policies adopted by municipalities where local law enforcement refuse to report undocumented immigrants they encounter to federal authorities. Municipalities have said this does not apply in the case of an undocumented immigrant involved in such things as violent crimes.

Self-proclaimed sanctuary cities say they have identified legal holes in the Trump Administration's arguments saying it cannot cut funding for health care and education.

In the preliminary official statement for the general obligation bonds pricing through Citigroup, New York said federal grants related directly to immigration enforcement comprise a small portion of its budget and that grants supporting law enforcement in general would be exempted from the order.

"If implementation of the executive order results in the reduction of federal aid to the city, the city expects that it would mount a vigorous legal challenge," the disclosure said. "However, there can be no guarantee that implementation of the executive order will not result in a significant reduction or delay in receiving such aid."

In addition to New York, other major cities offering some form of protection to illegal immigrants include Los Angeles, Chicago, Philadelphia, Boston, Denver, Washington, and Seattle.

Another sanctuary city, San Francisco, filed a legal challenge to the order this week. Billions of dollars in federal aid to those cities could be at risk.

Trump and the Republican-controlled Congress also have the repeal of the Affordable Care Act on their agenda.

Oregon, which is selling \$491 million of general obligation bonds through Citigroup, pointed to uncertainty surrounding the Affordable Care Act and its financial support for expanded numbers of Medicaid recipients. Any kind of repeal or replacement of the act “could have a material adverse effect on the financial condition of the state.”

The California Municipal Finance Authority also warned investors in a \$405 million conduit debt offering prospectus for a nonprofit health care provider, Community Medical Centers. The document said federal tax reform, the rollback of Dodd-Frank, or replacing the ACA “could have a material impact on the Obligated Group’s operations and financial results.”

By Karen Pierog and Hilary Russ • Reuters Feb 3, 2017