

Pittsburgh is Back from Near Bankruptcy.

Municipalities in danger of bankruptcy can be resurrected. Pittsburgh turned deficits to surpluses, cut costs and created standards for best financial practices to get released from state oversight.

While companies with a Pittsburgh presence, like Westinghouse and Bon-Ton, file for bankruptcy, Steel City itself is back from the deep red.

Pennsylvania Governor Tom Wolf joined Pittsburgh Mayor Bill Peduto recently to formally announce the city's release from the state's financially distressed municipality's act, known as Act 47, according to the Pittsburgh Post Gazette.

The city has been building its financial solvency for 14 years, turning deficits to surpluses, cutting costs and creating standards for best financial practices, which included setting realistic revenue projections.

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by Andrea Fox

February 16, 2018

EFFICIENTGOV.COM

California Cities' Pension Bills May Rise With Calpers Move.

- **Calpers to review shortening amortization to 20 years**
- **"Death knell" for some cities in down markets, official says**

California cities may see their annual pension costs rise under a new policy from the state's retirement system, threatening to foist added financial pressure on those already struggling to pay for promises to public employees.

The California Public Employees' Retirement System is advancing a staff recommendation that would shorten the amortization period for new pension liabilities from 30 years to 20. That would boost the system's funded ratio, require localities to pay off the debt sooner and allow the pension to recover faster from market downturns, according to a staff report. Approved by a Calpers committee Tuesday, the full board is set to vote on the changes Wednesday.

The ramped up schedule, while positive for the solvency of the pension system by letting it book gains faster, would make market losses felt more swiftly by local governments and require them to

pay more into the retirement fund in at least the first few years.

The shorter period reduces the possibility that the system, which currently has about 68 cents for every dollar in liabilities, falls below 50 percent funding, board member Bill Slaton said during the meeting.

“That is not a great position to be in,” said Slaton. “All it takes is another movement or two, and we could find ourselves in a position where we cannot recover.”

The shorter amortization period would be effective in June 2019 and would affect contributions by local governments in fiscal 2022.

While many cities would welcome paying off the debt more quickly to rack up less interest, others that are already struggling with high fixed costs would find it difficult to meet the stepped-up pace, said Dane Hutchings, lobbyist for the League of California Cities. And in the event of poor market performance, municipal contributions to make up the difference would be even higher than projected, compounding the burden.

Such an outcome, when combined with other pressure facing cities, could push a few into bankruptcy, Hutchings said. “It would be their death knell” for some, he said.

California municipalities are already absorbing the effect of the board’s decision in December 2016 to lower the assumed rate of return to 7 percent from 7.50 percent by fiscal 2020, which will also require them to increase their contributions to cover the gap.

The system’s 3,000 cities, counties, school districts and other public agencies have also seen costs rise from several factors, including investment losses and perks granted in boom times. A report this month by the League of California Cities found that under current assumptions, cities in fiscal 2025 would pay Calpers more than 50 percent the amount expected to pay in fiscal 2019.

“Cities are struggling to keep up,” Mike Futrell, city manager for South San Francisco, told the committee before the vote Tuesday in a request to delay changes. The municipality had already been considering whether to ask voters in November to approve a tax increase to help pay its obligations, he said.

Calpers’s review comes as the system is likely to experience more market volatility in 2018 than it had over the past couple of years, Chief Investment Officer Ted Eliopoulos told the board Monday. Meanwhile, the fund’s 20-year return is lagging at 6.7 percent, according to a Calpers’s estimate.

A survey of 164 public pensions by the National Conference on Public Employee Retirement Systems, a trade association, showed that the average amortization period in 2017 was 23.8 years.

Bloomberg

By Romy Varghese

February 13, 2018, 8:03 AM PST Updated on February 13, 2018, 3:49 PM PST

— *With assistance by John Gittelsohn*

Fitch: IL Governor's Budget Proposal Relies on Significant Cost Shifts.

Fitch Ratings-New York-16 February 2018: Governor Rauner's fiscal year 2019 budget proposal for Illinois – which utilizes measures including a pension cost shift to school districts and changes to state employee health insurance to generate a modest surplus – is likely to face significant legislative opposition and Illinois will remain challenged in achieving fiscal balance, Fitch Ratings says. A re-emergence of political stalemate that negatively affects fiscal operations, including a material increase in accounts payable, could trigger a downgrade.

If implemented, the governor's proposed pension cost shifting could pressure budgets for school districts, and would reverse a change implemented just six months ago that increased funding for Chicago Public Schools (CPS). Illinois' accounts payables would remain very high under the governor's budget, but could gradually be reduced over multiple years if some of his most significant proposals were implemented. The \$37.6 billion general funds budget does not incorporate any rollback of recent tax increases. But the governor proposes that the legislature consider pension benefit changes to generate \$900 million in savings in support of a partial individual income tax rollback. Fitch believes that this proposal too will face significant legislative opposition, and, if enacted, would likely be subject to legal challenge.

ACCOUNTS PAYABLE REMAINS A KEY CHALLENGE

By the end of fiscal year 2019, the governor's budget office estimates unpaid bills will be \$7.4 billion, slightly higher than the \$7.1 billion average between December 2010 and June 2015, but more than double what the administration considers a long-term target of 30 days. This is down considerably from a peak of \$16.2 billion in October 2017, reflecting a \$6 billion November 2017 bond sale, receipt of significant federal Medicaid matching funds following the enactment of a state budget after a two-year delay, and interfund borrowing. But the still extraordinary overhang of budgetary liabilities, nearly nine years into the national economic expansion, reflects the depth of fiscal and policymaking challenges Illinois faces.

Material progress in reducing accounts payable appears unlikely over the next several years, absent unexpectedly robust economic and revenue growth. The governor's budget includes the first year of a proposed four year plan to shift pension costs to school districts and public colleges and universities, with \$1.4 billion in annual budgetary savings estimated upon full implementation in fiscal year 2022. The administration anticipates dedicating these savings, along with future operating surpluses, to reducing accounts payable over time. At that rate, it could still be many years before accounts payable approaches a level the state considers normal.

CURRENT YEAR GAP

For the current year, the governor estimates a \$590 million operating deficit, despite the large tax increase passed in July 2017 and the resulting 20% increase in revenues, and balancing actions taken by the governor earlier this year. Delays in both implementation of budgeted pension changes and the sale of the Thompson Center state office building in Chicago (now forecast in the fiscal 2019 budget) are key factors behind the projected deficit. Additionally, the governor anticipates \$1.1 billion in supplemental needs to address unappropriated spending from fiscal year 2017. On a budgetary, or cash, basis, the gaps are addressed mainly through proceeds from last November's GO sale and matching federal Medicaid funds, and the state ends with a \$2 billion surplus in the executive budget projection.

FISCAL 2019 BUDGET DEPENDENT ON SIGNIFICANT COST SAVINGS

For fiscal year 2019, the governor projects a \$2 billion general revenue funds structural budget gap, or approximately 5% of projected operating sources. To address the gap the governor proposes several steps including shifting the normal costs for pensions to school districts (\$490 million) and public colleges and universities (\$101 million). Twenty five percent of the normal costs, or \$262 million, would shift to most school districts in fiscal year 2019, the first of a four-year transition envisioned by the governor. But CPS (Issuer Default Rating of BB-/Stable), would see an immediate 100% shift costing \$228 million. Just last summer, CPS won legislative and gubernatorial approval for the state to cover the normal cost for pensions, in line with other school districts in the state, which this budget proposal would immediately reverse. Fitch believes it is unlikely that the legislature would revisit this change for CPS so quickly, or push higher pension costs onto other school districts. The executive budget calls for increased evidence based funding formula aid of \$350 million, or 5%, for school districts.

The governor also proposes removing health insurance from collective bargaining with state employees, and instead giving the administration the ability to impose terms that would yield an estimated \$470 million in savings for fiscal year 2019. Other proposed changes to group health insurance include shifting costs to public universities (\$105 million) and ending subsidies for retired teachers and community college employees (\$129 million).

For fiscal 2019, the governor proposes offsetting the higher pension and group health costs for public colleges and universities with higher operating appropriations. But the pension cost shift would ramp up over three additional years, without any commitment for additional state support in those years. Public colleges and universities could be challenged to absorb these cost shifts, particularly following several years of severely delayed state appropriations that weakened their liquidity positions.

The governor proposes closing the remainder of the \$2 billion gap primarily through \$600 million in interfund borrowing and \$150 million from Medicaid provider rate reductions. Interfund borrowing could become outright transfers without a repayment requirement if the legislature approves a related gubernatorial proposal. And the Medicaid rate cuts would require federal approval, which the budget anticipates would take up to six months to secure.

TAX ROLLBACK NOT BUILT INTO BUDGET PLAN

For fiscal 2018, the legislature's budget (enacted over the governor's veto) included \$4.5 billion in new revenue from increases in the individual income tax (4.95% from 3.75%) and corporate income tax rates (7% from 5.25%), and the fiscal 2019 executive budget retains those increases. But the governor proposes the legislature enact pension benefit changes to generate \$900 million in savings that the governor would use to fund a rollback of 0.25% of the individual income tax rate to 4.7%. Pension changes, even the considerations model the governor suggests, are likely to face legal challenges given the strong constitutional protections for pension benefits in Illinois. Fitch notes that the fiscal 2019 executive budget does not assume savings from the proposed pension benefit changes.

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Fitch: CalPERS Funding Change Means More Pressure for California Local Governments.

Fitch Ratings-San Francisco-16 February 2018: A recent change to the California Public Employees' Retirement System's (CalPERS) pension funding rules could heighten budgetary pressure on some of the state's local governments, according to Fitch Ratings.

The action by CalPERS (the nation's largest public employee pension plan) would shorten the amortization period for unfunded liabilities from 30 years to 20 years and raise employer contributions beginning in 2021. It follows previous CalPERS steps that phase in lower assumed earnings on pension assets and revise mortality assumptions for plan members, which have likewise led to earlier contribution increases for participating governmental employers. These actions together are intended to accelerate funding progress and improve CalPERS' long-term sustainability.

That said, the changes are likely to precipitate short-term pressure to some governmental budgets. Potential cost pressures will vary by locality and may depend on legal decisions going forward, but local governments in California will be especially challenged given their limited ability to raise revenues and a history of judicial decisions protecting existing pension arrangements.

California's Supreme Court is expected to soon review several recent appellate decisions that have questioned the "California Rule," a 1955 precedent that established pension benefits, once granted, as a vested contractual right that cannot be subsequently impaired unless offset by a comparable new benefit. This principle has been cited as an impediment to pension benefit reductions in 12 states in addition to California. Some clarity on this point may be forthcoming from California's Supreme Court, but Fitch expects that legal challenges will continue to slow governmental efforts to reduce pension liabilities.

CalPERS changes are emblematic of a larger trend throughout the country of public pensions accounting for an increasing share of many local governments' expenses, not just in California. A recent report by the League of California Cities found that pension contributions will double as a share of governmental budgets in the next seven years. These pending increases follow a steady expansion in pension costs for local governments over the past decade.

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[Puerto Rico's Creditors Unite To Call For A Credible, Pro-Growth Fiscal Plan.](#)

NEW YORK, Feb. 14, 2018 /PRNewswire/ — A group of creditors (the “Creditors” or “we”), which collectively holds a substantial portion of Puerto Rico’s outstanding debt, released the below statement today in response to the most recent version of the Commonwealth’s Fiscal and Economic Growth Plan (the “Plan” or “FEGP”):

Although Puerto Rico’s creditors have differing perspectives on a number of issues related to the ongoing restructuring, we share a unified view that a pragmatic, transparent and growth-focused policy agenda is critical to the island’s recovery. This view has only strengthened since the devastation caused by Hurricanes Irma and Maria exacerbated the already difficult economic situation on the island. Unfortunately, we believe the Commonwealth’s recently proposed FEGP represents a major step backward on the road to recovery. The Plan fails to provide a credible basis on which to restructure the island’s debt, while completely lacking a foundation for revitalizing the local economy and restoring access to the capital markets.

Perhaps the most troubling issue with the FEGP is that it was developed in an opaque manner, essentially relying on outputs from underlying analyses that have never been made public. This flies in the face of the Commonwealth’s commitment to transparency and undermines recent guidance from House Natural Resources Committee Chairman Rob Bishop, who stated “[i]t is imperative the Oversight Board and Governor fully integrate those who hold the debt into the development of these [fiscal] plans, thereby guaranteeing accuracy and transparency in the underlying assumptions.”

[Continue reading.](#)

[Creditors Cry Foul on Puerto Rico's Latest Fiscal Plan.](#)

NEW YORK (Reuters) – A large group of Puerto Rico’s creditors united on Wednesday in condemning the U.S. commonwealth’s revised fiscal plan, calling it a step backwards in rebuilding from years of mismanagement and the devastation caused by Hurricanes Irma and Maria.

Puerto Rico Governor Ricardo Rossello speaks during a Facebook live broadcast in the library of the governor’s mansion, in San Juan, Puerto Rico January 24, 2018. REUTERS/Alvin Baez
Unveiled by Governor Ricardo Rossello on Tuesday, the plan highlighted the use of \$18 billion in additional money from the U.S. federal budget to turn a deficit into a surplus of \$3.4 billion within six years.

“The Plan fails to provide a credible basis on which to restructure the island’s debt, while completely

lacking a foundation for revitalizing the local economy and restoring access to the capital markets,” the creditors said in a joint news release.

Before the storms, the recovery plan had projected a nearly \$4 billion surplus through 2021. But after the hurricanes, the government forecast a \$3.4 billion gap for the same period that would not allow any repayment of the island’s debt.

Puerto Rico was already in crisis when Maria smashed into it. The bankrupt U.S. territory, whose finances the U.S. Congress placed under federal oversight, owed \$120 billion in combined bond and pension debt. It had near-insolvent public health and retirement systems, and was suffering from a shrinking population.

The creditors say the new plan remains opaque on issues such defining essential services versus what the government wants to pay; not fully accounting for cash held in accounts that might be available to meet fiscal plan needs; not sharing 2015 audited financial statements; using an outdated migration forecast; and using healthcare cost and plan participation assumptions that contradict the government’s own outmigration forecast.

Puerto Rico’s financial oversight board is expected to evaluate Rossello’s revised plan in the coming weeks and, after a public hearing, determine whether to certify it.

The benchmark GO bond, trading in default without a yield, traded just under 60 U.S. cents on the dollar before Maria hit. On Wednesday it traded at 29.25 cents, up from an all-time low of 21.1820 cents on Dec. 14 74514LE86=MSRB, according to Thomson Reuters. COFINA senior bonds last traded at 50.90 cents 74529JAR6=MSRB from 59.11 cents the day before Maria hit.

This group of debt holders, some of whom are fighting one another over who should be paid first out of any available debt servicing funds, are: bond insurers Ambac, Assured Guaranty, National Public Finance Guarantee Corp; holders of so-called COFINA senior debt which is backed by sales tax receipts; a group of mutual fund creditors that includes Franklin Advisers and OppenheimerFunds; Syncora; The Puerto Rico Funds; and individual investors.

by Daniel Bases

FEBRUARY 14, 2018

[Puerto Rico Bonds Stage Record Rally as Surplus Projected.](#)

- **Most active securities jump by 11% on new recovery forecasts**
- **With federal aid coming in, government now expects a surplus**

Puerto Rico bonds rallied the most since the island collapsed into a financial crisis, with prices jumping almost 11 percent after the territory projected budget surpluses that may allow it to resume bond payments in as little as two years.

General obligations with an 8 percent coupon and maturing in 2035, the territory’s most active securities, rose Wednesday to an average price of 29 cents on the dollar, the highest since Nov. 1 and up from 26.2 cents Tuesday. It was the biggest one-day gain since the bonds were first issued in March 2014.

The increase reflects a more optimistic view by investors, who dumped the island's debt after it was battered by Hurricane Maria in September amid speculation they faced even deeper losses once the government emerges from bankruptcy.

But the influx of federal aid has left Puerto Rico anticipating a more rapid financial recovery than it did just last month. The updated fiscal plan released Tuesday projects that it will have a \$2.8 billion surplus through fiscal 2023, after accounting for bankruptcy costs and other expenses. That's a stark shift from its forecast in January that it would have a large deficit over the next five years.

"The dearth of good news, when there is some, gets a quick positive reaction," said Matt Dalton, chief executive officer of Rye Brook, New York-based Belle Haven Investments, which manages \$6.8 billion of municipal bonds, including insured Puerto Rico debt. "Surplus buy, deficit sell."

The rally extended to other commonwealth debt. Senior sales-tax bonds maturing in 2040 traded at an average 51.1 cents on the dollar Wednesday, the highest since Sept. 27, according to data compiled by Bloomberg. Securities issued by the public buildings authority that are due in 2039 rose to 26.9 cents from 24.2 cents.

Puerto Rico has been defaulting on bond payments since 2015 and last year filed for bankruptcy protection from creditors, as allowed under a law signed by then-President Barack Obama to help the island arrest its debt crisis.

The projected surplus could allow Puerto Rico to pay about 14 percent of the \$20 billion of debt service due from fiscal 2018 through 2023, according to the plans, though whether any bonds are ultimately paid will be hashed out in bankruptcy court. The surpluses are projected to begin in 2020.

"It seems like the governor is getting what he wants, which is federal help," said David Tawil, president and co-founder of Maglan Capital LP, which bought Puerto Rico general obligations in the past few weeks after spurning the debt since 2014. "And on the basis of that federal help he is at least willing to play ball at some level with the bondholders."

Puerto Rico also provided the first public estimate of how much of the central government's approximately \$41 billion of debt it may be able to repay, saying it could cover as much as \$19.1 billion of principal if the debt can be restructured with an interest rate of 4.5 percent. The analysis doesn't spell out how that may be divided among varying classes of bondholders who are fighting in court, nor does it apply to debt sold by other arms of the government, such as the electric and water companies.

Even with Wednesday's gain, Puerto Rico bonds are still selling for roughly half what they were before the September hurricane, when they traded for about 56.7 cents.

Creditors are still at odds with the government over its efforts to plot a recovery. A group of bond-insurance companies and investors Wednesday said the commonwealth's federal oversight board and island lawmakers should reconsider the "flawed" turnaround plan and that the debt sustainability analysis relies on sparse data and "outright mischaracterizations."

Bloomberg Markets

By Michelle Kaske and Danielle Moran

February 14, 2018

Gov. Dannel Malloy Offers Plan To Ease Connecticut Tax Burden.

Proposed legislation would help residents make up for \$10 billion in lost federal tax deductions under recent overhaul

Gov. Dannel Malloy on Monday proposed legislation to help Connecticut residents make up for \$10 billion in lost federal tax deductions under the recent tax overhaul.

His plan aims to assist Connecticut homeowners who face higher federal tax bills because the new law caps state and local tax deductions at \$10,000 a year. To get around that cap, Mr. Malloy's proposal would give towns authority to form charitable organizations that residents can contribute to in exchange for property tax credits.

Charitable contributions kept their full deductibility under the tax overhaul.

"It would be unreasonable for us as a state to not propose ways to assist our taxpayers," said Mr. Malloy, a Democrat. His plan requires approval by the state legislature.

The governor included the strategy among his recommended revisions to the state budget for the fiscal year that begins in July. The revisions in his \$20.73 billion proposal are applied to the two-year budget lawmakers approved last year.

Other high-tax states such as New York and New Jersey have been searching for ways to ease the impact of the federal tax changes. Some New Jersey towns also have expressed interest in developing a plan similar to the one proposed by Mr. Malloy.

New Jersey Gov. Phil Murphy, a Democrat, supports those efforts. New York Gov. Andrew Cuomo has proposed changing some of the state income tax into a payroll tax on employers.

The Internal Revenue Service didn't respond to a request for comment.

The governors of New York, New Jersey and Connecticut also said in January they would sue the federal government to overturn the new tax law, saying it intentionally discriminates against Democratic-leaning states.

New York tax filers claimed about \$22,000 on average in state and local tax deductions in 2015, the highest figure in the U.S., according to the Government Finance Officers Association. Connecticut tax filers claimed more than \$19,000 on average and New Jersey nearly \$18,000 on average.

Instead of funding municipal services through property taxes, cities and towns would tap a mix of property taxes and money raised from the charitable organizations, under Mr. Malloy's proposal. Details of the plan haven't been fully established.

"The specifics of how that will work will have to be worked out at a local level," said Ben Barnes, the budget chief for the Malloy administration.

Some towns have expressed interest in exploring whether using charities is a viable option, said Elizabeth Gara, executive director of the Connecticut Council of Small Towns.

"But there is a lot of uncertainty as to how the IRS will treat those contributions," Ms. Gara said. She said her group hasn't taken a position on the proposal and would continue to study it.

Mr. Malloy said his administration has determined that his plan would be allowed under the current federal law.

The Wall Street Journal

By Joseph De Avila

Feb. 5, 2018 5:35 p.m. ET

Fitch: PA Budget Proposal Would Close Gap; Prospects Uncertain.

Fitch Ratings-New York-08 February 2018: Governor Wolf's fiscal year 2019 executive budget for Pennsylvania - which utilizes a severance tax, solid revenue growth and targeted savings efforts to support a roughly 3% increase in the general fund budget - will likely face headwinds in the legislature, Fitch Ratings says. The governor has advanced a severance tax proposal since his election campaign four years ago but has not won sufficient legislative support to date. This budget plan comes at the start of an election year for the governor, all members of the commonwealth's house and half of the senate. Fitch's focus during the commonwealth's budget process will be on whether Pennsylvania is able to continue making progress in addressing its still sizable structural budget gap. Fitch's 'AA-' Issuer Default Rating and Negative Outlook reflect concerns that the commonwealth may be challenged in continuing its current path of slow progress in reducing the imbalance. A pattern of weakening fiscal practices, including growth in the structural deficit, could trigger a downgrade.

PROGRESS IN REDUCING STRUCTURAL GAP

Based on analysis from the commonwealth's Independent Fiscal Office (IFO), Fitch estimates the current year (fiscal 2018) budget includes approximately \$600 million in non-recurring revenues on a \$32 billion general fund spending plan (2%). This is lower than prior years, reflecting recurring revenue increases and savings measures. In January 2016, the IFO estimated a \$2.5 billion general fund structural gap for fiscal 2019 - by this past November, the IFO reported that gap had narrowed to \$1.1 billion, or 3% of projected spending.

UNCERTAIN BUDGET PLAN PROSPECTS

While the budget proposal from the Democratic governor does not appear to include material non-recurring revenues, Fitch anticipates the Republican-led legislature will develop its own set of budget measures, leading to a final budget that could vary considerably from the original. Three previous budgets under the current governor, and the last one under the prior governor, were enacted after the start of the fiscal year due to policy and fiscal disagreements. This November's election adds additional uncertainty to the budget process - the speaker of the house is vying for the Republican nomination to replace the current governor, which could make for a particularly complicated political dynamic during budget negotiations.

LIMITED REVENUE MEASURES

The key revenue measure is a natural gas severance tax estimated to generate \$250 million annually. The governor's three prior executive budgets unsuccessfully proposed a different version of the proposed severance tax. Last summer, the senate did approve a severance tax as part of a revenue package. While the measure did not pass the house, last year's senate passage could lead to

additional momentum behind the measure this year. Notably, in contrast to prior years, the governor did not include any personal income or sales and use tax changes in his proposal. Instead, the executive budget forecasts steady organic growth in both sources this year and next. The IFO's revenue forecasts also anticipate continued growth, though at a somewhat more modest pace. Through January, the Department of Revenue reports general fund collections for fiscal 2018 are tracking \$90 million (1%) ahead of the official estimate. Of the key tax revenues, sales and use taxes are essentially in line with the estimate while personal income tax revenues were 2% above estimate. An outsized increase in collections for non-withholding personal income taxes in December could be a one-time behavioral shift in reaction to the recent federal tax changes.

EDUCATION AND PENSION SPENDING DRIVE INCREASES

On the spending side, proposed general fund spending of \$32.9 billion is up 3%, or just under \$1 billion, over the enacted fiscal 2018 budget. The executive budget includes a \$100 million increase in basic education aid funding (approximately 2%) for K-12 public schools. If approved, approximately 7% (\$400 million) of \$6.1 billion in basic education aid would be distributed using a new funding formula adopted in 2016. The governor also proposes increased funding for the Pennsylvania State System of Higher Education (PASSHE, revenue bonds rated AA-/Negative) for the fourth consecutive year.

For pensions, the executive budget proposes full funding of actuarially determined contributions for both the state employees retirement system (SERS) and the public school employees retirement system (PSERS) for the first time since fiscal 2004. The SERS contribution of \$685 million is funded directly by the commonwealth, while the more significant PSERS contribution of \$2.5 billion flows through school districts via commonwealth appropriations.

As in prior years, savings measures are a key focus of this executive plan. "Complement" (the commonwealth's term for its total workforce), continues trending downward and the administration reports the proposed level would be the lowest in over four decades.

MEDICAID SPENDING DOMINATES

Medicaid remains a major driver of the budget, with the fiscal 2019 budget proposing \$7 billion in general fund spending, or more than one-fifth of the total general fund budget. Commonwealth Medicaid spending would increase less than 2% from the enacted fiscal 2018 amount under the executive budget, well below the rate of national medical inflation. The budget includes continued shifting of Medicaid services to a managed care model, including for long-term care which is a likely driver of future Medicaid spending.

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State of California Launches New Bond Investor Platform Powered by BondLink.

BOSTON, Feb. 8, 2018 /PRNewswire/ — BondLink today announced that the State of California has launched a new, dedicated investor platform to provide additional transparency to bond investors. The new website, which can be found at www.BuyCaliforniaBonds.com, is part of the state's enhanced disclosure efforts.

"I am on a mission to make California government more transparent, accountable and responsive to the needs of the public through technological innovation," said Treasurer John Chiang. "By making the 'what, when and whys' about the state's finances, debt, and economic outlook available with a simple mouse click, I hope to entice more investors to finance projects of critical importance to our state, from transportation and clean water to schools and affordable housing.

"More data that is easy to access and slice-and-dice will translate into more investor interest. More investors mean more competition and - ultimately - better deals for California taxpayers," said Chiang.

The new website is powered by BondLink, a Boston-based financial technology company that provides investor outreach solutions to issuers in the municipal bond market. The company was co-founded by Colin MacNaught, a former issuer for the Commonwealth of Massachusetts.

"The new investor website validates the importance of disclosure, and the belief in the effectiveness of technology to improve disclosure. For an issuer the size and prominence of California to be using BondLink truly illustrates the State's commitment to expanding its investor base through enhanced transparency," said MacNaught, BondLink CEO. "We're proud to partner with Treasurer Chiang to improve the efficiency of the state's bond financings."

With more than 13,000 pages of data and documents, the corporate-style investor platform provides insight into the credit fundamentals behind California's outstanding bond ratings. This new tool is a free and open resource that provides a seamless online experience for both large institutional investors as well as smaller local bond investors including California residents.

The website consolidates the state's credit data and documents that are important to bond investors and rating agencies, providing quick and easy access to extensive financial information. The long-term goal of an investor platform like www.BuyCaliforniaBonds.com is to attract more investors to the state's bond program in order to increase demand for its bonds and diversify its investor base - ultimately to lower the cost of borrowing for public infrastructure and lowering the burden on taxpayers. Using a dedicated investor website for disclosure also follows best practices from government finance organizations such as the Government Finance Officers of America.

Reaction from Market Experts

"I think California's focus on enhanced disclosure is exactly what issuers should be doing," said Colleen Woodell, former Chief Credit Officer for S&P Global Ratings and past chair of the Municipal

Securities Rulemaking Board. "Investors need more current disclosure and they need it through better technology. When an issuer shares more financial data, it enhances the investors' ability to make more accurate credit judgments and may improve the liquidity of the issuer's bonds."

"Research shows that better, more accessible disclosure can lead to lower bond yields for issuers and lower trading costs for investors," said Christine Cuny, Assistant Professor of Accounting at New York University Stern School of Business. "California's taxpayers and investors can benefit from easier access to the state's financial information."

About BondLink

Led by founders Colin MacNaught, CEO, and Carl Query, CTO, BondLink helps issuers in the \$4 trillion municipal bond market attract more investors through better disclosure and enhanced technology. BondLink enables institutional investors to automate their credit surveillance of an issuer, and makes it easier for smaller investors, including individuals, to participate in public bond sales.

Since going live in 2016, BondLink's investor platform has helped states, counties, cities, school districts, universities, hospitals, public utilities and ports across the country improve their transparency to the bond market.

Headquartered in Boston, BondLink is backed by top investors, including Franklin Templeton Investments, one of the largest municipal bond fund managers in the country, Coatue and Accomplice.

For more information about the State of California's investor website or BondLink, please contact Colin MacNaught at 617-797-3632 or email colin@bondlink.com.

[S&P: Former Kansas Governor's Final Budget Proposal Shows Both Structural Imbalance And Revenue Growth](#)

Shortly before resigning last month, former Kansas Governor Samuel Brownback submitted his executive budget proposal for the 2018-2019 biennium. Despite projected higher revenues from recent tax increases adopted by the state legislature in 2017—over the governor's veto—S&P Global Ratings...

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Feb. 8, 2018

[S&P: Can Texas Local Governments Afford Their Pension Obligations?](#)

For the vast majority of local Texas issuers, pension pressures will remain manageable compared with those of peers across the country. Although Texas issuers typically have very weak debt and contingent liability profiles, this is often attributable to local governments having high overall net debt as a percent of market value...

[Continue Reading](#)

Feb. 9, 2018

S&P: Everything's Bigger In Texas, Including Potential Pressure To Fund Pension Benefits.

With its resilient and broad-based economy, favorable financial management practices, and low debt burden, Texas (AAA/Stable) is well positioned to weather potential budgetary headwinds related to growing Medicaid expenditures and a reduction in operating revenue as constitutionally required sales tax transfers to the State Highway Fund begin in fiscal 2018.

[Continue Reading](#)

Feb. 8, 2018

Illinois' Lousy Credit Rating: It's Contagious.

Illinois has a bond problem, and it's not just at the state level. While many Illinoisans know the state's financial troubles have led to the worst state bond rating in the country, what they may not know is that those problems are amplified on the local level. When the state sells municipal bonds, it has to pay investors more interest to take on increased risk—and the same thing happens at the local level, thanks to the state's problems. In the bond world, it's called a "contagion."

For counties, cities, schools, hospitals, airports and nonprofits across the state that sell municipal bonds to construct buildings or repair infrastructure, the Illinois contagion means they're all stuck paying investors more interest, too. They may not be able to afford to raise as much money, and will be burdened with higher debt payments in the future. One bond expert estimates that the "Illinois effect" results in the state's local issuers shouldering an additional billion dollars in annual debt payments.

The negative impact shows in Illinois issuers' average bond yield, which is higher than the national average. Even when their bond ratings are comparable to those of peers in other states, they pay a penalty.

Find out what the worst credit ratings in the country means for cities, suburbs and counties all over Illinois. [Read more here.](#)

CRAIN'S CHICAGO BUSINESS

By LYNNE MAREK

February 09, 2018

Detroit City Council Approves \$55 Million Bond Repurchase Plan.

(Reuters) – Detroit will tap up to \$55 million in surplus cash to retire some of the debt the city issued in 2014 as part of its exit from bankruptcy, under a plan approved on Tuesday by the city council.

With debt service on outstanding bonds expected to substantially increase in 2025 with the commencement of principal payments on various bonds, the city is taking steps to lower costs by allocating some of the \$169 million unassigned budget surplus it has accumulated for debt repurchases.

John Naglick, Detroit's finance director, told the city council that pending final approval by a state oversight board, the money will be used to obtain financial recovery series B bonds, which carry a 4 percent coupon, at a discount, or series C bonds, which have a 5 percent coupon.

"By retiring them now, it's like paying off your mortgage early. You're going to save all that interest," he said.

The city ended what was then the biggest-ever U.S. municipal bankruptcy in December 2014 after shedding about \$7 billion of its \$18 billion of debt and obligations.

Michigan's biggest city is on track to end state supervision of its finances this spring after an audit released last week showed it completed a third-straight fiscal year with a balanced budget. One element of the city's federal court-approved bankruptcy exit plan was Michigan's creation of an oversight board.

The city reported another positive development on Monday — residential property values had a net increase for the first time in at least 17 years. Higher assessed values, which rose to \$3 billion from \$2.8 billion last year, could lead to more property tax revenue for Detroit.

By REUTERS

FEB. 6, 2018, 1:39 P.M. E.S.T.

(Reporting by Karen Pierog in Chicago. Editing by Matthew Lewis)

Column: Proposed \$107 Billion Bond Isn't the Cure for Illinois' Public Pension Crisis.

A big, bold plan to save the state's debt-strapped public pension funds is being floated this week in Springfield. But don't get your hopes up.

It's not the cure to Illinois' festering financial crisis.

An influential state employee advocacy group, the State Universities Annuitants Association, is urging Illinois to issue \$107 billion in bonds to pay off shortfalls in the state's five leading pension funds.

Yep, that's a whopping \$107 billion — backed by taxpayers who will be on the hook, especially if this deal goes bad. And the odds of that occurring look pretty good.

"It's a big gamble," says Howard Cure, director of municipal bond credit research for Evercore Wealth Management in New York.

While full details of this plan are expected to be unveiled Tuesday before a state panel, bond and public finance experts are already highly skeptical. They're concerned it will add to Illinois' pension burdens — now estimated at \$130 billion in unfunded liabilities and growing — and further hinder the state's sorry overall financial health.

Let's start with the bond market.

At \$107 billion in 27-year fixed-rate bonds, it would be the largest amount of debt the state ever sought from investors. Bond experts wonder if Illinois — with its record of political dysfunction, inability to pay its bills in a timely way and \$25 billion in general obligation debt — will attract enough hungry investors.

One way to lure wary backers is to spice up the bonds and sell them at above-market interest rates. Such a premium would likely attract risk-taking investors, probably from overseas funds, or deep-pocketed individuals hoping to make a killing.

But higher rates are tougher to pay off and investors' bond payments must be paid on time, says Evercore's Cure. Missing a debt payment means riling angry bondholders, who could quickly sue the state or take other legal actions to recoup their investments, he adds.

Laurence Msall, president of the Civic Federation — a nonpartisan government research group — says his organization has "serious concerns and reservations" about the proposed bond effort too.

On top of the gargantuan amount, the bond is limited to pensions and not linked to any comprehensive financial plan for improving state finances, Msall asserts. The bond's size could also impede the state's ability to seek borrowing or bond financing for infrastructure or other basic needs, he says.

Despite these somber concerns, no one should be beating up on the State Universities Annuitants Association, which represents more than 200,000 current and retired employees, for leading this charge.

The group believes many initial concerns will be addressed when it reveals the details of its plan to the General Assembly committee exploring public pension matters. It will argue that its refinancing proposal will lop \$103 billion off state pension costs through 2045 while increasing the pensions' funding levels to 90 percent.

Rep. Robert Martwick, the Chicago Democrat who heads the House pension committee, has no position on the bond plan but wants it to become part of a larger pension reform debate. In the coming weeks, the \$107 billion initiative will be fully discussed by finance experts, labor and taxpayer advocates, he stresses.

Of course, when it comes to Illinois' public pension crisis, there's no shortage of issues to chew over.

Government leaders have been doing that for way too many years with few results, mainly because of state underfunding of pensions, feisty union opposition and a provision in the state constitution that prohibits any structural changes to the funds or benefits.

Those who want to totally dump public pension plans haven't had any better luck getting around that provision.

It's a nasty trick bag because, in the meantime, the amount of public pension liabilities keeps stacking up and strapped taxpayers are increasingly responsible for paying more.

It's a mess.

But this big, bold but flawed bond plan isn't the solution to the public pension crisis.

We can't be that desperate.

Chicago Tribune

by Robert Reed

January 31, 2017

Illinois's Magic Pension Trick.

Close your eyes, issue 27-year bonds and watch liabilities disappear.

Democratic politicians in left-leaning states have been brainstorming ideas to avoid serious pension and tax reforms. The creative financial geniuses in Illinois have come up with a doozy: a magic bond that would save the state as much as it borrows.

Democrats in the state House have proposed issuing \$107 billion in bonds to backfill the state's pension funds, which are short \$129 billion. Annual state pension payments are projected to increase to \$20 billion in 2045 from \$8.5 billion—not including interest on \$17 billion in debt the state previously issued to pay for pensions.

At the request of state retirees, a University of Illinois math professor performed a crack analysis showing how the state could use interest-rate arbitrage to shave its pension costs. Under the professor's math, the state could sell 27-year, fixed-rate taxable bonds and invest the proceeds into its pension funds. This would supposedly stabilize the state's pension payments at \$8.5 billion annually, save taxpayers \$103 billion over three decades and increase the state retirement system's funding level to 90% from 40%. Can the mathematician make House Speaker Michael Madigan disappear too?

The professor based his analysis on pension obligation bonds issued under former Gov. Rod Blagojevich in 2003 with a 5.05% coupon that have earned on average 7.62% in the pension system. But that period included two bull equity markets, and even the state pension funds project only a 7% long-term return.

Illinois's borrowing costs have also increased as its credit rating has slipped to a notch above junk from double-A. Last year the state's taxable bonds due in 2035 traded at yields up to 7.2%. Investors may demand even higher rates because of the substantial interest-rate and credit risk given rising rates and the length of the 27-year bonds.

These magic bonds wouldn't carry the state's "full faith and credit" protection, for whatever that's worth nowadays in Springfield. In effect, public workers' pensions would be the bond security.

Two relevant precedents are the cities of Detroit and Stockton, California. Both borrowed to finance pensions and then later defaulted. Creditors had no recourse when the cities went bankrupt. States

can't file for bankruptcy under federal law, but Illinois lawmakers could seek to extend maturities or reduce interest payments on the bonds. Good luck to creditors in court.

The real goal with these bonds is to shift the pension-liability risk from public workers and retirees to investors and taxpayers. This would liberate politicians to spend more and remove any incentive unions have to reform pensions. After borrowing for pensions in 2003, state lawmakers skipped payments, increased spending and scrapped retirement reforms for new workers.

Republican Gov. Bruce Rauner won't fall for this ruse. But if a Democrat defeats him this fall, unions may pull this magic bond out of their bag of political tricks.

The Wall Street Journal

By The Editorial Board

Feb. 4, 2018

[Survey: Mayors View Climate Change as Pressing Urban Issue.](#)

BOSTON — U.S. mayors increasingly view climate change as a pressing urban issue, so much so that many advocate policies that could inconvenience residents or even hurt their cities financially.

The annual survey of big-city executives, released Tuesday by the Boston University Initiative on Cities, also reflected the nation's sharp political divide. Ninety-five percent of Democratic mayors who responded believed climate change was caused by human activities, a view shared by only half of Republican mayors.

A clear majority of mayors were prepared to confront President Donald Trump's administration over climate change and felt their cities could be influential in counteracting the policies of the Republican president, who at times has called global warming a hoax and last year withdrew the U.S. from the Paris climate accord.

"A striking 68 percent of mayors agree that cities should play a strong role in reducing the effects of climate change, even if it means sacrificing revenues or increasing expenditures," a report accompanying the survey stated.

In all, 115 mayors of cities with at least 75,000 residents answered the fourth annual survey named for Thomas Menino, a longtime Democratic mayor of Boston who founded the university program before his death in 2014. The survey was sponsored in part by The Rockefeller Foundation and Citigroup.

Organizers of the survey declined to release a list of the 115 mayors who responded, citing confidentially agreements. According to the report, nearly two-thirds of the mayors were Democrats and the cities had an average population of 233,000.

The survey cited the availability and affordability of housing as the single most pressing concern of mayors, followed closely by climate change and municipal budget pressures caused in part by federal and state cuts.

A foreword to the report, signed by Democratic Los Angeles Mayor Eric Garcetti and Betsy Price, the

Republican mayor of Fort Worth, Texas, argued that cities can exert formidable influence over U.S. and global policies.

"At a time when the national conversation is divisive, cities offer a sense of hope and shared identity," the mayors said.

Sixty-eight percent of mayors said they would be willing to expend additional resources or sacrifice revenue to combat climate change.

Democrats were more than twice as likely as Republicans to promote environmental policies that might inconvenience motorists in their cities, and almost three times as likely to support entering into regional climate pacts or networks. Yet only 26 percent of Democrats and 5 percent of Republican mayors were eager to slap any costly new regulations on the private sector.

The survey found that attitudes about climate change differed geographically as well as politically. For example, 90 percent of all Eastern mayors and 97 percent from the Midwest blamed human activities for climate change, compared to 70 percent from Southern cities.

By THE ASSOCIATED PRESS

JAN. 23, 2018, 1:00 P.M. E.S.T.

[Fitch: Governor Brown's Final Budget Proposal Points to Sustainable Path for California.](#)

Fitch Ratings-New York-25 January 2018: The fiscal 2019 California state budget proposed by Governor Brown appears prudent, in Fitch Ratings' view, and an enacted budget with similar priorities would bode well for continued fiscal stability in light of the state's volatile tax structure and the inevitability of a future economic downturn. While the budget would invest in many of the governor's priorities, it also continues his policy of restraining growth in ongoing spending while paying down long-term liabilities and funding the rainy day fund. This approach has contributed to improved fiscal stability and resilience and has led Fitch to upgrade the state's Issuer Default Rating three times since 2013, most recently to 'AA-/Stable.

Fitch's assessment of the state's credit quality assumes a continuation of the strong budget management the state has demonstrated through this extended period of economic recovery and expansion; the governor's proposed budget is consistent with this assumption. The 'AA-' rating also recognizes California's large and diverse economy, solid ability to manage expenses through the economic cycle and moderate level of liabilities, although California's flexibility is somewhat more restricted than is true for most states due to its constitutional requirement for funding education and voter initiatives that limit policymakers' discretion. Going forward, Fitch will continue to assess the extent to which these strong management practices have become institutionalized and not limited to a particular governor's approach.

The governor's budget proposal, which fully funds both the rainy-day reserve and the school funding formula ahead of schedule, is based on a revenue forecast of modest growth that reflects the continued expansion of the California economy tempered by the risk that the current economic expansion has passed its peak and that federal tax reform (not included in the revenue forecast due to timing) could have a negative impact on state revenues.

Rainy Day Reserve Fully Funded

The governor is proposing to set aside \$5 billion from fiscal 2019 revenues in the state's rainy day fund (the Budget Stabilization Account), \$3.5 billion above what would be required by law. This would bring the balance to \$13.5 billion, reaching 100% of the target of 10% of tax revenues detailed in Proposition 2, which established the fund. A fully funded rainy day fund provides the state with strong gap-closing capacity and would help it to weather a downturn in the economy while maintaining adequate financial flexibility, in contrast to prior economic downturns. Pursuant to Proposition 2, once the rainy day fund is fully funded, "excess revenues" will be set aside to address the state's considerable infrastructure needs.

In addition to the rainy day fund, the budget maintains approximately \$2.3 billion in the state's Fund for Economic Uncertainty, which can be tapped for unexpected events such as natural disasters. The state used \$43 million from this fund for costs related to the recent wildfires. The governor's budget proposal would backfill approximately \$48 million in local property taxes in affected areas from the general fund. Budgetary borrowing, which peaked at approximately \$35 billion in fiscal 2011, will be further reduced to \$1.1 billion from \$2.2 billion by the end of fiscal 2019 as the state repays special funds, uses one-time funds to "settle-up" prior year Proposition 98 obligations, and repays transportation loans.

Reasonable Assumptions for Revenue Growth

The proposed general fund budget assumes 4.5% growth in revenues over the current fiscal year to \$135 billion and estimates that current year revenues will exceed budget by \$1.4 billion (1%) and total \$127.3 billion, driven by strong wage withholding and capital gains. The 4.5% growth rate is below the average growth rate experienced by the state since emerging from the recession, taking into account various changes in tax law related to personal income and sales taxes. Much of the increase in revenue will be automatically allocated to K-14 education under Proposition 98 but will also support increased spending for Medi-Cal (California's Medicaid program), higher education, programs that counteract poverty and climate change, and infrastructure.

Medicaid Spending Stable

Medi-Cal is the state's single-largest all-funds expenditure and the second-largest general fund expenditure after education. The state expects to spend \$101.5 billion on Medi-Cal, including state and federal funds. The budget does not propose significant programmatic changes although increasing state revenues have allowed the restoration of program reductions taken during the great recession and increases in the state's portion of the cost for optional Medicaid expansion under the Affordable Care Act. The Proposition 56 increase in cigarette taxes is expected to generate \$1.3 billion in fiscal 2019, which, after mandated transfers, will support supplemental payments and provider rate increases as well as partially covering costs of caseload growth.

Big Boost to School Funding/Future Funding More Modest

The proposed budget boosts Proposition 98 (school funding formula) K-12 funding by \$3.8 billion (5.1%) compared to the fiscal 2018 budget, including full implementation of the Local Control Funding Formula (LCFF; enacted in 2013) two years earlier than originally projected. Proposition 98 funding includes \$1.8 billion in discretionary one-time funding to settle up prior-year obligations. If districts use these funds one time rather than for funding ongoing programs, the downside risk of recession could be partially mitigated. The boost in funding for fiscal 2019 may alleviate some of the budget pressure being felt by school districts, many of which may need to make budget cuts in fiscal 2019 in order to maintain fiscal balance.

The proposed budget is consistent with Fitch's expectations that once the LCFF target funding level has been reached, annual increases to K-12 funding will generally be for cost of living adjustments (COLA). Individual district's revenues will depend on the COLA and relative increases/decreases in

average daily attendance.

Community College Proposal

The governor is proposing a shift in incentives for community colleges (CCD) that will focus funding on outcomes (such as for certificates and degrees) and serving low-income students, rather than solely on the number of full time equivalent students (FTES). Base grants (approximately 50% of funding) would be based on FTES, with supplemental grants (25%) for low-income students and incentive grants (25%) for the number of degrees and certificates granted. For fiscal 2019, districts would receive at least the funding received in fiscal 2018 with adjustments made thereafter. If a new funding formula alters Fitch's expectations for revenue growth, there could be a positive or negative credit impact. If implemented in the final budget, Fitch will analyze its impact on its CCD portfolio.

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Hawaii Gives Bond Buyers Something Else to Fret About: Missiles.

As if investors didn't have enough to worry about when buying municipal bonds, Hawaii has added the threat of widespread pandemonium to the list.

The state has included a mention of a false alert of an incoming ballistic missile that panicked the island-state this month in disclosure documents provided to potential investors in Hawaii's upcoming \$775 million bond sale. It's listed under "Recent Events" and below the dangers of computer hackers and climate change.

The bond disclosure note says the governor has taken steps to avert future incidents and has appointed a brigadier general from the Hawaii Army National Guard to review the alert system and recommend fixes.

The state plans to borrow \$648 million of tax-exempt general obligation bonds and \$127 million of taxable bonds next week.

Bloomberg Markets

By Michael B Marois

Illinois Bond Spread Hits Six-Month High Over Political Discord.

- **Political uncertainty spooks investors in run up to election**
- **Governor wants to roll back tax hike that ended impasse**

Six months after Illinois resolved a budget stalemate that pushed its bonds close to a junk rating, investors are concerned that another political fight may be on the horizon.

In a sign that bondholders are bracing for election-year dysfunction from the worst-rated U.S. state, the extra yield that investors demand to hold Illinois's 10-year general-obligation bonds instead of benchmark debt rose to about 1.9 percentage points, according to data compiled by Bloomberg. That's the most since July 20.

Illinois avoided becoming the first state to be downgraded below investment grade after it ended a record, two-year budget impasse in July, when the Democrat-led legislature approved an income-tax hike over Republican Governor Bruce Rauner's veto. But on Monday, Rauner reiterated plans to roll back that increase, telling reporters he will lay out a process to do so during his budget address next month, fueling speculation of another standoff with Democrats.

"The market doesn't know what to expect from the political perspective," said Guy Davidson, director of municipal investments at AllianceBernstein LP, which oversees about \$40 billion of municipal fixed income securities.

Another impasse could again threaten the state's rating and leave the government reckoning with unpaid bills. Last year, Illinois spent \$1 billion on fees for not paying its bills on time, according to the comptroller's office.

"This is like putting \$1 billion in the street and lighting it on fire," said Laurence Msall, president of the Civic Federation, a nonprofit that monitors the state's finances. "It's a penalty of our own creation from our own financial recklessness."

Concerns about another impasse may be "providing a degree of caution" for investors, said Neene Jenkins, vice president and municipal credit analyst at AllianceBernstein. Rauner, a Republican, is up for re-election on Nov. 6, 2018, assuming he survives a primary challenge in March.

A potentially contentious budget and election season could mean extra yield for Illinois bondholders.

"You're going to be paid by the state," said Davidson who doesn't think Illinois is a default risk. "It could be a volatile period ahead due to politics."

Bloomberg Markets

By Elizabeth Campbell and Zachary Hansen

January 24, 2018, 5:45 AM PST

Hope, Fear as Puerto Rico Moves to Privatize Power Company.

SAN JUAN, Puerto Rico — One of the largest public utilities in the U.S. might soon be up for sale, but many wonder who would want to buy a power company that is worth roughly half of the \$9 billion debt it holds and has an infrastructure nearly three times older than the industry average.

Concerns also are growing about whether plans to privatize Puerto Rico's Electric Power Authority will translate into more affordable electric bills and better service. People in the U.S. territory say they cannot afford another financial blow amid an 11-year-old recession and many complain about receiving high power bills after Hurricane Maria when they didn't even have electricity.

"Some people have faith that privatization will improve everything, but it's not a guarantee," said Puerto Rico economist Jose Caraballo. "If a good deal isn't hammered out, Puerto Rico can end up worse than it is."

The power company once known as the government's crown jewel has seen a reduction in employees and a drop in the demand for energy amid a deep economic crisis and recent austerity measures. The agency now has some 5,800 employees and serves nearly 1.5 million customers with infrastructure that is roughly 45 years old, which officials say caused frequent power outages before the hurricane and an island-wide blackout in September 2016 that lasted a couple of days.

The company also has long been criticized for political patronage and inefficiency, and recently faced accusations of corruption. In June 2016, the owner of the U.S. territory's biggest oil supplier was arrested after being charged with misappropriating \$11 million in public funds. Jose Gonzalez Amador and his company, PetroWest, are accused of charging the power company a 0.5 percent municipal tax even though some municipalities granted them a lower rate or waived the tax altogether. Authorities say the charge was then passed on to consumers.

Given that situation, can the U.S. territory attract any takers?

Industry analysts say it's a bit too early to tell, noting that it all depends on the type of measure the governor expects to submit in upcoming days to start the privatization process.

"It's a complicated arrangement: What's going to happen to the workers? Where is the debt going to land? What are the contracts going to look like? There are a lot of details here that have very real implications on how much electricity is going to cost for Puerto Rican customers," said Cathy Kunkel, an energy analyst with the Ohio-based Institute for Energy Economics and Financial Analysis.

She said her main concern is that privatization could occur without a regulatory body, which is needed in part to look after consumers' interests on an island where power bills have been double the average of those on the U.S. mainland, in part because imported fuel supplies three-fourths of the energy consumed in Puerto Rico, according to the U.S. Energy Information Administration.

The terms of the contract will determine the interest, Kunkel said, noting that the cost of any new investment in the electrical system will be paid by consumers.

"Private investors will want to make a profit," she said. "But you have to contrast that with the waste and mismanagement that the (power company) has shown over the years."

Any sale would have to be approved by a federal judge because the power company entered a bankruptcy-like process last year, and approval is first needed from legislators, which is unclear will

happen.

Puerto Rico Senate President Thomas Rivera Schatz said Tuesday that he will study the upcoming measure to ensure it's in the best interest of Puerto Rico and no one else.

"Privatization can be a great tool, but it is not a magic wand," he said, noting that Puerto Rico once privatized its water and sewer company only to have the government take it back in the early 2000s after problems with service, billing and quality requirements set by the U.S. Environmental Protection Agency.

If legislators approve the governor's measure, then Gov. Ricardo Rossello said his administration will monitor the market and start accepting offers from those interested in buying the power company's assets. He said privatization would both improve service and lower power bills to about 20 cents per kilowatt hour, compared with the U.S. average of 10 cents per kilowatt hour. He also predicted it would lead to more investment in renewable energy projects.

Rossello said the electrical grid is not designed for Puerto Rico's current needs, noting that the greatest demand exists in the north part of the island while the main generation plants are in the south. In addition to its aging infrastructure, the company known by its initials PREPA has lost 30 percent of its employees in the last five years, 86 percent of whom worked in maintenance, he added.

The company also has faced internal turmoil. Its director was forced out in November after the utility failed to immediately call for help from its mainland counterparts after Hurricane Maria. Instead, PREPA granted a power-restoration contract to a little-known company that the utility later scrapped. Most recently, PREPA was blamed for the failure to distribute badly needed parts found in one of its warehouses even as repairs to the storm-damaged power system went undone for lack of supplies.

Monday's announcement by Rossello comes as more than 30 percent of customers remain without electricity more than four months after Hurricane Maria, and critics say he took advantage of that situation to rally support for his plan.

Union leader Angel Figueroa said Tuesday that workers oppose the governor's plan but will not go on strike, noting that nearly half a million Puerto Ricans are still without power. However, he said the union will take other undisclosed measures, noting they have the support of unions that represent other types of workers including teachers.

"It's not every man for himself," he said. "Everyone here will be affected."

Figueroa warned that power bills would only increase given the drop in demand for electricity in recent years as roughly half a million Puerto Ricans have fled for the U.S. mainland, and especially if a private company decides to invest in new infrastructure.

Rossello has said the privatization process could take 18 months, a timeframe that Moody's on Tuesday called "quite aggressive." The agency said it supports privatization because it would bring in more capital, but noted that challenges remain, including "negotiating a price in an environment of declining Puerto Rico population, investing in rebuilding aging infrastructure, and how PREPA's pension liability will be handled."

By THE ASSOCIATED PRESS

JAN. 23, 2018, 4:39 P.M. E.S.T.

Puerto Rico Bondholders, Undeterred by Plan, Await Day in Court.

- **Debt gains after island says virtually no money for bonds**
- **With deep losses anticipated, bankruptcy rulings seen as key**

Puerto Rico bondholders got some unwelcome, if widely expected, news from the insolvent island: For the next five years, there's basically no money for repaying debt. So now, they're left waiting to see how the fight over the territory's scarce funds plays out in bankruptcy court.

The prices of most Puerto Rico securities, which tumbled after Hurricane Maria ravaged the island in September, edged up Thursday, despite the government's forecast that it will have a \$3.4 billion deficit over the next five years, even if it doesn't pay any of the \$17 billion it owes over that time.

While it's disappointing that Puerto Rico didn't include principal and interest payments, investors are more interested in how the government's proposals fare in court, said Daniel Solender, head of municipals at Lord Abbett & Co.

"Everyone's waiting for the court to go through their process," said Solender, whose firm holds \$20 billion of municipal bonds, including those issued by Puerto Rico. "That's more important than this fiscal plan."

Puerto Rico, which fell into bankruptcy in May, revised its proposal to take account of the impact of the storm, which devastated the electrical grid, sent residents fleeing to the U.S. mainland and pushed the economy into a deep contraction this year. A lawyer for the federal board in November said in court that Puerto Rico may need a five-year moratorium. The island's federal oversight board, which must approve the plan, is evaluating it and intends to weigh in by Feb. 23.

But the developments this week haven't been entirely negative for investors. The Puerto Rico Aqueduct and Sewer Authority's revised fiscal plan, also released late Wednesday, showed the water utility will have about \$854 million less than it needs to cover \$1.6 billion of debt service due in the next five years, down from a \$916 million shortfall in its prior plan. That agency's most actively traded bonds Thursday, those due in 2037, rose to an average of about 70 cents on the dollar, the highest since Sept. 26 and up from 68.3 cents on Wednesday, according to data compiled by Bloomberg.

General obligations with an 8 percent coupon and maturing in 2035 traded Thursday at an average price of 26.8 cents on the dollar, up from 26 cents Wednesday, according to data compiled by Bloomberg. Those securities, the island's most actively traded, were first issued for 93 cents four years ago.

"It's hard to picture investors who are still holding these bonds selling based on this news because this is what they expected to happen," said Matt Fabian, a partner at Municipal Market Analytics.

Bloomberg Markets

By Michelle Kaske

January 25, 2018, 10:50 AM PST

For Sale: One Bankrupt, Hated, Hurricane-Ravaged Power Utility.

- **Puerto Rico governor's plan to sell Prepa faces many hurdles**
- **'We just have no idea what kind of price we're talking about'**

Bondholders are wondering what their payouts would be. Residents are wondering when the lights will come on.

And Puerto Rico Governor Ricardo Rossello is wondering whether his plan to privatize the U.S. territory's bankrupt and storm-ravaged Electric Power Authority can navigate the legislature, the courts and a federal control board.

Prepa, as the utility is known, is so short of cash it shut down production Tuesday because it couldn't afford fuel, and more than four months after Hurricane Maria it's still trying to repair the damage. Reviving the moribund agency is key to rejuvenating bankrupt Puerto Rico, which has lost tens of thousands of residents since the storm.

On the one hand the governor's push to privatize the utility, which has more customers than any other U.S. public power utility, could attract buyers looking to profit by serving a massive customer base with little competition. But its ancient generation plants are falling apart, the storm destroyed the electrical grid and it owes \$9 billion to creditors who are already facing off in court over who has rightful claim to the utility's cash.

"Prepa needs to make an enormous amount of capital investments and Prepa doesn't have the money for it," said Sergio Marxuach, policy director at the Center for a New Economy, which researches the island's finances. "And the government of Puerto Rico doesn't have it, so it has to come from the private sector."

Bond Optimism

Prices on most Puerto Rico bonds increased Tuesday after Rossello announced the plan late the previous day, with some trading at the highest price in more than two months. Still, the optimism was tempered by concerns that even the cash from a sale wouldn't provide a significant recovery on securities now trading at about a third of face value, even if Rossello successfully runs the legal gantlet needed to complete it.

"It would be good to get a capital infusion, but we just have no idea what kind of price we're talking about for bondholders, and what the courts will say about this and what the board will say," said Daniel Solender, head of municipals at Lord Abbett & Co., which manages \$20 billion of state and local government securities, including commonwealth bonds.

Last Ditch

Prepa will run out of cash at the beginning of February without loans, Rossello said in a Tuesday evening statement announcing it would mothball two units. He said lawmakers and the oversight board have committed to prevent "operational collapse."

In the long term, residents would be better served by a privately run utility with a proven record, an investor group holding Prepa debt said. The bondholder group warned that any plan must acknowledge creditors who have a lien on Prepa's revenue.

"The only path for any proposal to deliver low cost and reliable power will be if it respects property rights, since failure to do so will result in years of litigation," the group said in a statement.

Essential Need

Angel Figueroa, a Prepa union leader, spoke out Tuesday against privatizing the utility, saying it would increase rates for impoverished residents. Senate President Thomas Rivera Schatz, who is from Rossello's New Progressive Party, said he would try to protect the jobs of employees, presumably obligating bidders to make a commitment to them.

Repairing Puerto Rico's grid — and providing jobs for residents — are vital to restoring its economy, which has been in decline for more than a decade. The commonwealth is negotiating a bankruptcy process to reduce \$74 billion of debt and a pension liability of almost \$50 billion. The population drain means fewer people are left to repay the island's obligations.

Prepa on Wednesday announced it had restored power to more than 1 million customers, or two-thirds of its clients. The system was generating about 83 percent of its capacity. Years of mismanagement, lack of infrastructure investment, theft and a high dependence on fuel to generate electricity pushed Prepa into insolvency.

Eileen Cruz, a retired teacher, has been without power in her home in Palmas Altas for four months and three days. Though she has a generator, she turns it on only a few hours at night for sake of her mother, 87, and father, 93.

"I have already gone through the period of being depressed and having courage. I am resigned to having to live in darkness, and that the lack of energy dictates the routine of all my days," Cruz said.

Prepa's privatization would end "a monopoly of incompetence," she said.

'Continual Bleed'

A buyer would need to weigh Prepa's obligations against its size and role as a essential-service provider. It has more than \$10 billion in liabilities that it must restructure "to operate as a viable business entity," according to its bankruptcy petition. Along with its bonded debt, Prepa has an unfunded pension liability of as much as \$2.2 billion, \$384 million in retirement health-care costs and another \$465 million in unpaid bills to vendors and suppliers.

Reworking those obligations would be a central part of discussions between Puerto Rico and prospective buyers, said John Donahue, a privatization expert at the Harvard Kennedy School.

"I would be very surprised if you'd find a private company that's willing to take on all the burdens of the existing public utility," Donahue said.

Most Puerto Rico bonds traded up following Rossello's announcement. Prepa bonds maturing in 2042 changed hands Tuesday at an average 33.3 cents on the dollar, the highest since Nov. 10, according to data compiled by Bloomberg. General obligations with an 8 percent coupon and maturing in 2035 traded at an average of 26.2 cents on the dollar, the highest since Nov. 14, Bloomberg data show.

While it's unclear how a privatization would affect bondholder recoveries, the better Prepa's financial health, the better suited it is to repay what it owes, said Rick Donner, an analyst at Moody's Investors Service.

"If Prepa's able to survive and stabilize its financial situation with a buyer coming in, that's got to be better for bondholders than the current situation, which is a continual bleed," Donner said.

Bloomberg Markets

By Michelle Kaske

January 24, 2018, 6:00 AM PST

— *With assistance by Yalixa Rivera*

Kroll Bond Rating Agency Affirms Assured Guaranty Municipal's AA+ Financial Strength Rating with Stable Outlook.

NEW YORK-(BUSINESS WIRE)-Kroll Bond Rating Agency (KBRA) affirmed its insurance financial strength rating of AA+, with a Stable Outlook, for Assured Guaranty Municipal Corp. (AGM), a financial guaranty subsidiary of Assured Guaranty Ltd. (together with its subsidiaries, Assured Guaranty)(NYSE:AGO).

In the report, KBRA noted the following key strengths supporting AGM's AA+ rating:

- AGM demonstrated the ability to withstand KBRA's conservative stress case loss assumptions across the breadth of its insured portfolio.
- AGM has strong governance, credit and risk management protocols and a well-developed governance framework.
- AGM's tested management team is well positioned to address future portfolio risk issues should they develop given their experience through the credit crisis.
- AGM's substantial and continuing runoff in the structured finance components of its insured portfolio, down nearly 95% since the end of 2009, continues to moderate risk.

"Once again, KBRA has affirmed AGM's strong AA+ rating, reflecting the high level of protection available to investors in AGM-insured bonds," said Dominic Frederico, President and CEO of Assured Guaranty. "KBRA subjected AGM's insured portfolio to rigorous statistical modeling with elevated levels of assumed economic stress, including case-by case-stress analysis of our Puerto Rico credits. They found that, even in this highly unlikely scenario, AGM satisfied all claims in full and on time with a comfortable balance remaining."

This most recent affirmation follows KBRA's affirmations last year of Municipal Assurance Corp. at AA+ in July and of Assured Guaranty Corp. at AA in December, both with stable outlooks.

January 24, 2018

Calif. Cities Should Look to this S.F. Affordable Housing Finance Model.

With rent exceeding \$4,500 a month for a two-bedroom apartment in San Francisco, housing is unaffordable for 73 percent of the city's residents. We are losing teachers, artists, bus drivers, police officers, nonprofit workers and families every single day. The high cost of housing affects the very

fabric of our neighborhoods and character of our iconic city, and impacts households across the income spectrum, directly connecting to many of the city's challenges, from homelessness, to health, to education. Now more than ever we must apply our collective brainpower and resources — private and public — to housing.

Affordable housing in a high-cost city like San Francisco — and the Bay Area as a whole — can't be built without the substantial investment of the public sector. But accessing government money is, by nature, a bureaucratic process that can be too slow to be competitive. Financing bottlenecks are one of several reasons that housing development is both costly and slow. The San Francisco Housing Accelerator Fund, where I'm executive director, is an example of a solution that coordinates public, private and philanthropic capital to remedy this particular contributor to our affordability crisis. The public-private model can be scaled up and is replicable — and just became even more relevant in California.

In September, the state legislature passed several bills that could generate billions for affordable housing, and more local governments are passing bond measures to support similar development. Cities around California that are concerned about affordability, and how to enable mission-driven developers to compete to secure sites for preservation or new affordable housing, can look to the [San Francisco Housing Accelerator Fund](#) while considering how to best leverage this money.

Two types of capital are critical for housing development. Acquisition capital buys land or buildings, and needs to be nimble, efficient and tolerant of the higher risk of early-stage development. Permanent capital, which subsidizes the most significant long-term costs of the housing, ensures affordability into the future.

The city of San Francisco has put a significant amount, over \$100 million annually, toward dedicated funding for affordable housing, and the new state measures and local efforts in other counties will add more to the pot of permanent capital available across localities. These dollars are essential to support the creation and preservation of housing for lower-income individuals, but it is hard for government capital to be nimble and flexible. A flexible financing vehicle, like the Fund, can bridge the gap between what's required in our real estate market — fast capital with an appetite for risk — and the government's long-term funds.

Public-private coordinated funds can take advantage of the efficiency of the private sector, while also ensuring the absolutely necessary collaboration with the public sector. Our fund was incubated within the Mayor's Office of Housing and Community Development, and we continue to closely coordinate with the city, following its policy leadership — but we can move with the agility of a startup.

The SF Housing Accelerator Fund is a nonprofit and acts as a financial intermediary that creates efficiencies by combining capital from a variety of sources — public, private and philanthropic — into a single independent capital pool. We closed on our first round of capital in April, \$37 million in total led by investments of \$20 million from Citibank, \$10 million from the city of San Francisco, and \$6.5 million philanthropic capital from Dignity Health, the San Francisco Foundation, and the Hewlett Foundation. Our startup year was supported with seed funding led by Citi Community Development, but our business model is structured to be self-sustaining without additional fundraising.

We aim to accelerate the production and preservation of over 1,500 homes in our first five years of operations, and to grow our balance sheet, partnerships and products, to create more housing opportunities in San Francisco's future. Ten months in from our first capital raise, we are working on our sixth loan, and with the first five we've preserved or accelerated over 200 units of affordable

housing.

This is urgent. We are losing affordable units at a concerning pace in the city, due to both evictions — with eviction notices increasing 87 percent between 2010 and 2016 — and drastically rising rents in rent-controlled buildings where prices reset with new tenants.

Our first transactions have included a large land purchase and the preservation of four multifamily buildings. Our land acquisition and predevelopment loan to real estate developer Bridge Housing allowed them to lock up a key site for 175 units of new affordable housing before their purchase option expired. The Fund's loans to the Mission Economic Development Agency ("MEDA"), a nonprofit that supports low-income and immigrant Latinos, provided the capital to save four six to sixteen-unit buildings from the speculative market, protecting existing tenants and ensuring the permanent affordability of the households, in addition to covering the cost of the rehabilitation of the units and the buildings' foundation. For two of the buildings, our loans are also financing the construction of new additional dwelling units in the buildings' existing garages, together representing loan sizes and risk tolerance that is only possible due to our unique mix of public, private and philanthropic capital. We have since raised an additional \$3 million from First Republic Bank, \$3 million from Beneficial State Bank, and are working towards closing on another \$3 million from another local financial institution this month. We are working through a pipeline of over \$25 million in additional building acquisitions, which will immediately prevent displacement and create permanent affordability for dozens of additional households.

Statewide, even with the promise of new funding and increasing interest among private investors, the housing shortage is so acute that the effect of the bills passed in September will not be felt immediately. Developers need to build about 100,000 new homes each year beyond what's already planned, simply to keep pace with California's population growth. The new legislation is expected to add 14,000 new homes each year. Unfortunately, years of policy restricting development can't be undone quickly. And despite this show of urgency in Sacramento, there continues to be vocal opposition to robust affordable housing development.

Financing affordable housing is already complicated. So why add a new approach to the mix with a model like the SF Housing Accelerator Fund? Public-private partnerships are inherently hard work and often messy, and require bringing many different backgrounds, priorities and assumptions to the table. Could the private sector get affordable housing built faster without any government funding? Could San Francisco deploy its pipeline of affordable subsidy dollars without the Fund? The answer to both of these questions is yes, probably. But does the private sector have the capacity to build affordable housing at scale without the government? Unlikely. And are our best and brightest public servants in local government content with doing things the way they have always been done, especially as they sit at the front lines of an affordability crisis? Absolutely not. The Housing Accelerator Fund was created to stretch private sector and philanthropic dollars to achieve more impact, more quickly. Ultimately, the goal is to leverage the public sector's dollars to achieve innovation in housing delivery. Building and growing this public-private partnership is exactly the messy, hard work we should be challenging ourselves to do.

And we must keep at it. The need remains for all types of capital to support housing, from "fast-acting" philanthropic and private dollars to our public sector's permanent subsidy dollars. We need to continue to innovate and collaborate to add to the resource pot and to leverage more dollars to put them to their highest and best use. We need more housing, faster, and we need to protect our current tenants.

The opportunity for impact — in our neighborhoods, in our schools, at our workplaces — as we all step up together to meet our housing challenges together, is huge.

MARKET WATCH

BY REBECCA FOSTER | OP-ED | JANUARY 18, 2018

Rebecca Foster is the executive director of the San Francisco Housing Accelerator Fund. Prior to leading the SFHAF, Rebecca was director of social impact investment for San Francisco Mayor Ed Lee, where she led the city's exploration of results-driven contracting and social impact finance, and developed capital tools to address the city's housing shortage. Prior to her work for Mayor Lee, Rebecca was an associate and vice president in public sector and infrastructure investment banking at Goldman Sachs for eight years, where she raised capital for local governments, universities, nonprofits and utilities around the U.S.

Fitch: California Pension Ruling Highlights Reform Obstacles.

Fitch Ratings-New York-18 January 2018: A recent California judicial ruling underscores Fitch Ratings' view that reducing public pension liabilities will be politically challenging for most state and local governments and that some will depend on favorable judicial outcomes.

The January 8 ruling by California's First Appellate District of the Court of Appeal is one example. It affects a narrow class of plaintiffs in three counties and follows several previous legal challenges to state pension reforms adopted in 2012. The state Supreme Court has agreed to review the earlier cases but has not yet indicated a timeframe for such consideration.

The new ruling confirmed prior courts' conclusions that future pension benefits for existing public employees may be reduced, but the circumstances under which such changes are permissible are limited. The appellate court directed the trial court to consider the financial impacts of eliminating several provisions that allowed some public workers to boost retirement pay in its assessment of whether such modifications were reasonable. In addition, the appellate court rejected the argument that pension benefit reductions were warranted by the challenged financial circumstances of public pension plans and directed the trial court to assess how such plans would be specifically impaired by the continuation of the disputed benefits.

Much of the recent California pension litigation has centered on interpretation of the "California Rule," a state Supreme Court precedent from 1955 that established pension benefits, once granted, as a vested contractual right that cannot be subsequently impaired unless offset by a comparable new benefit. This principle has been cited as an impediment to pension benefit reductions in twelve states in addition to California. Some clarity on this point may be forthcoming from California's Supreme Court, but we expect that legal challenges will continue to slow governmental efforts to reduce pension liabilities.

Public pensions account for an increasing share of long-term governmental liabilities across the U.S. Fitch Ratings' median long-term liability burden for states in fiscal 2016 represents 6.0% of U.S. 2016 personal income, up from 5.6% in fiscal 2015. However, long-term liabilities vary widely across states, ranging from 1.4% of personal income for Nebraska to 28.5% for Illinois. Thus, potential credit pressures due to long-term liabilities vary significantly as well. We expect many efforts to reduce pension liabilities to depend on legal decisions going forward.

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S&P: California's Governor Brown, In Final Budget Proposal, Seeks To Preserve Fiscal Gains.

On Jan 10, 2018, California Governor Edmund G. Brown, Jr. unveiled his \$131.7 billion general fund (\$190 billion all-funds) budget proposal for fiscal 2019. The proposal is the final of the governor's tenure and, despite a recent revenue surge, arrives amid signs of a slowing state economy.

[Continue Reading](#)

Jan. 16, 2018

Chicago To Go To Market Next Week With Smaller Bond Sale.

* Chicago plans \$661 mln bond sale, down from \$898 mln

* Muni market should see little impact from any govt shutdown

Jan 19 (Reuters) - Chicago will hit the U.S. municipal market next week with a downsized version of a bond issue that originally had been slated to sell this week.

Chicago's Sales Tax Securitization Corp plans to sell \$661 million of tax-exempt and taxable bonds, according to a market source familiar with the deal. The bonds will refinance some of the city's outstanding general obligation debt.

The city had initially planned to lead this week's sales with an \$898 million tax-exempt bond issue. But it postponed the sale, citing weaker market conditions and the possibility of restructuring to include taxable debt.

The biggest market story going into next week is whether the U.S. Senate will avert a government shutdown on Friday ahead of a midnight deadline.

The effect of a shutdown, if it occurs, should be marginal on the U.S. municipal market, Barclays reported on Friday. During previous government shutdowns, municipal yields have tended to underperform U.S. Treasuries, but the underperformance was relatively small.

The municipal market will see an increase in new sales next week as \$7.15 billion of bonds and notes are expected to come to market, according to preliminary Thomson Reuters data.

The surge is nearly triple the amount of issuance from this week and an uptick from the slow start to the new year after record-breaking municipal sales in December.

Other large deals on the calendar for next week are \$832 million of Port Authority of New York and New Jersey bonds pricing through Bank of America Merrill Lynch on Tuesday and \$800 million of Connecticut special tax obligation bonds pricing through Goldman Sachs & Co on Wednesday.

Municipal funds had a second consecutive week of over \$1 billion of net inflows in the week that ended Jan. 17.

By Robin Respaut and Karen Pierog

Report: Other Cities Not Likely to Follow Hartford's Financial Path.

A variety of factors have led Hartford down the path of financial hardship, but it is a route not likely to be followed by other cities in the state, according to a report by Fitch Ratings.

The report, titled "Connecticut City Review: Hartford Weaknesses Not Common," outlines the capital city's financial state and compares it to that of other cities in the state of similar size and demographics: Bridgeport, New Haven, Waterbury and New Britain.

The comparable cities maintain stable ratings with New Haven and New Britain having A- grades, Bridgeport an A and Waterbury a AA-. The other Fairfield County cities — Danbury, Stamford, Norwalk and Greenwich — all have a AAA grade from Fitch Ratings.

Meanwhile, Hartford teetered on the brink of bankruptcy last year before being bailed out by the state budget that was finally passed in late October.

Fitch does not rate Hartford, but the other two major credit rating agencies — Moody's and Standard & Poor's — rate the state's capital city in the junk range.

A city or town's credit rating is an indicator to potential investors about the quality of bonds or other debt securities offered by the municipality.

"The surprise (of the report) was the extent of the deterioration of Hartford's financial position," said Kevin Dolan, director in Fitch's U.S. Public Finance group. "The level of debt ramped up quickly and there wasn't the revenue to support it. You don't typically see that in other Connecticut towns — at least not to that magnitude."

The other cities analyzed stand apart from Hartford because of their financial flexibility, deeper reserves, ability to obtain employee labor concessions and other factors.

"Fitch does not believe that the Connecticut cities that Fitch rates are on the path that led Hartford to its recent crisis," the report reads.

How Hartford got there

There are many reasons Hartford is in financial dire straits.

Because it is the state's capital city and has a number of state buildings in its downtown, Hartford has an inordinate number of properties that are tax-exempt. In fact, Hartford does not collect taxes on nearly half the properties in the city.

Property taxes are a main source of revenue for municipalities and, indeed, for Hartford it is the second-largest source of revenue. The city has argued it should be reimbursed more for its tax-exempt situation because the city provides services to those properties.

To combat that loss of revenue, Hartford has raised taxes to the point it has the highest property tax rate in the state for fiscal 2017. It nearly doubled the rate between 2001 and 2005, and continued to slowly increase property taxes through 2013.

Hartford has squeezed about as much as it can out of its taxable properties, the report reads.

"Hartford has little practical ability to raise rates given steep increases since 2001 and the challenged economic base," according to the report, which also notes that one-third of the population has a wealth level below the poverty line.

Dolan added the high tax rate "makes it less desirable to live there or start a business there and causes property values to drop."

Hartford has also seen its population decline over the last several decades and its median household income is 44 percent of state levels.

While the other cities in the report negotiated employee benefit concessions following the recession, Hartford had only limited success.

"Annual pension expenses are expected to continue to rise due to aggressive investment return assumptions," the report reads. The Fitch analysis shows annual carrying costs for debt services, pension contributions and other employee benefits to be about 15 percent of total city spending in 2016, compared to 7 percent in 2010.

Long-term liabilities for city and school projects contributed to Hartford's financial decline, as well, with outstanding debt up nearly 66 percent since 2012.

Throughout much of 2017, it looked as though Hartford was headed toward declaring bankruptcy. It turned to the state for help, but the state budget had its own financial difficulties. When the state finally passed a budget in late October, it included an additional \$40 million for Hartford.

The funding may have held off bankruptcy, but the financial challenges persist.

"Enactment of the state budget improves near-term clarity of municipal revenue and expenditure assumptions; however, the reprieve for local governments may prove temporary," the Fitch report reads. "The state's finances continue to be stressed, and local aid cuts are sure to continue to be part of budget balancing discussions."

Other cities stable

While potential investors see Hartford surrounded in red flags, New Haven, Waterbury, New Britain and Bridgeport all received stable outlooks from Fitch Ratings.

New Haven feels pressure from growing pension and debt service costs, but the city has increased its tax base through new development and associated construction fees. New Haven's tax rate of

38.7 mills is significantly lower than Hartford's 74.3.

Waterbury, which has seen financial hardships in the past, is on stable footing due to solid reserves, strong financial policies and consistent revenue, the report said. New Britain has "relatively stable revenue" and "adequate expenditure flexibility," as well as strong reserve levels.

The Fitch report said Bridgeport, while dealing with spending pressures, mitigated budget imbalances by cutting costs, refunding debt, increasing the tax rate and receiving state aid.

"Such actions helped restore balanced operations and management is making efforts to increase fund balance," reads the report. "Fitch expects economic development underway and planned to lead to gradual growth in the tax base over the next several years."

High-functioning schools, location, housing stock, quality of life, commercial development and high incomes are among the factors that contribute to other Fairfield County cities receiving AAA ratings.

"There has been a considerable amount of new development in the last few years (in Fairfield County) and we expect moderate development to continue," Dolan said.

newstimes

By Chris Bosak

January 21, 2018

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Moody's Raises Newark's Credit Outlook To Positive.

Ratings firm cites development projects, better financial management; it maintains Baa3 rating for New Jersey's largest city

Moody's Investors Service has raised its rating outlook for Newark to positive from negative, citing ongoing development projects and improving financial management in New Jersey's largest city.

Newark Mayor Ras Baraka said the change marked the first time in eight years that the city received a positive credit-rating outlook.

Newark's credit rating for its general-obligation bonds remains unchanged at Baa3, Moody's lowest investment grade rating, although the positive outlook indicates an upgrade is possible in one to two years.

The city has been downgraded four notches by Moody's since June 2010, when its credit-rating was A2 with a negative outlook.

The city's finances and economy are still in a "challenged state" with poverty, crime and budget strains continuing to pose problems, Moody's said in a report published Thursday.

Newark, the state's largest city with a population of more than 280,000, has long relied on state aid to stay afloat. But recent interest by developers seeking to capitalize on ample vacant land and easy access to New York City has helped the city's tax base, which expanded for two consecutive years

for the first time since the recession and reached \$16 billion in 2017, according to Moody's.

"That was key to us, seeing the economic growth translate into tax base growth," said Orlie Prince, vice president and senior credit officer at Moody's. "There was no need to rely on short-term borrowing to get through the fiscal year, which for us was a telling sign that things were on the mend."

Newark's Mr. Baraka said in a statement that Moody's outlook represented "confirmation of our progress in restoring the city's financial health" through efforts such as recruiting new businesses, hiring more police officers, expanding affordable housing and improving the city's roads.

Newark's liquidity has improved from 2014, when it had a cash deficit by Moody's calculations. The city ended 2016 with \$64.8 million in operating cash, representing 9.8% of revenues, Moody's said. The ratings firm said it will watch for continued improvements in budget management and sustained economic development in considering whether to upgrade the city's credit rating.

Also on Thursday, New Jersey Gov. Chris Christie signed legislation authorizing a multi-billion dollar tax-incentive package for Amazon if it builds its second headquarters in New Jersey. Mr. Christie has proposed Newark as the ideal location, and the city has offered up to \$2 billion in tax abatements and wage-tax waivers to lure the online retailer. The state, through its Economic Development Authority, has offered up to \$5 billion in tax incentives over 20 years if Amazon creates 50,000 new jobs.

Mr. Christie, a Republican, will leave office Tuesday after eight years in Trenton. He will be replaced by Gov.-elect Phil Murphy, a Democrat.

THE WALL STREET JOURNAL

by KATE KING

Jan. 11, 2018 5:22 p.m. ET

[KBRA Assigns a Long-Term Rating of AA with a Stable Outlook to TBTA's General Revenue Bonds, Series 2018A.](#)

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of AA with a Stable Outlook to the Triborough Bridge and Tunnel Authority (TBTA), General Revenue Bonds, Series 2018A. KBRA has affirmed the long-term rating of AA with a Stable Outlook on the TBTA's outstanding general revenue bonds and the long-term rating of AA- with a Stable Outlook on TBTA's outstanding subordinate revenue bonds. KBRA has also affirmed the short-term rating of K1+ on the TBTA's General Revenue Bond Anticipation Notes, Series 2017A.

To access the full report, please click on the link below:

[TBTA's General Revenue Bonds, Series 2018A](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

KBRA Assigns Rating of AA+/Stable Outlook to Connecticut's Special Tax Obligation Bonds Transportation Infrastructure Purposes.

Kroll Bond Rating Agency (KBRA) has assigned a AA+ with a Stable Outlook to the State of Connecticut's Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2018 Series A. Additionally, KBRA has assigned a AA+ with a Stable Outlook to the State of Connecticut's outstanding Special Tax Obligation Bonds Transportation Infrastructure Purposes; and has assigned a AA+ with a Stable Outlook to the State of Connecticut's outstanding Second Lien Special Tax Obligation Bonds Transportation Infrastructure Purposes.

The long-term rating assignment is based on KBRA's [U.S. Special Tax Revenue Bond Rating Methodology](#).

To access the full report, please click on the link below:

[State of CT's Special Tax Obligation Bonds Transportation Infrastructure Purposes](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

Moody's Raises Newark's Credit Outlook To Positive.

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The Wall Street Journal

By Kate King

Jan. 11, 2018 5:22 p.m. ET

[Fitch: Diverse Economy Buoy Puget Sound Local Governments.](#)

Fitch Ratings-San Francisco-11 January 2018: Washington’s economic epicenter will continue to benefit from key local governments’ robust revenue growth and strong operating performance, according to Fitch Ratings in a new report.

More people are finding favor with this cluster of counties and cities by Puget Sound as seen by a spike in population growth and a strong post-recession economic bounce-back. Market participants point to the Puget Sound region’s increasingly diverse economy as a key driver of the region’s rising appeal.

“While heavy manufacturing is still important, the Puget Sound region’s ongoing diversification into information technology has been a big driver of growth, particularly for Seattle,” said Alan Gibson. “Even a city like Tacoma that has had a tougher time transitioning away from heavy industry is benefiting from a diversifying economy and a competitively priced housing market.” As a result, Seattle and Tacoma’s revenue growth is far exceeding the pace throughout the rest of the country.

Fitch expects that overall debt and retiree benefits will remain low to moderate relative to local economic resource bases. This coupled with exceptionally strong gap-closing capacity and solid budget flexibility means ample reserve safety margins that King County, Seattle, and Tacoma can sustain throughout economic cycles.

As a result, Fitch-rated Puget Sound local government ratings, which range from ‘AAA’ to ‘AA’ along

with Stable Rating Outlooks, are likely to remain strong over the next couple of years. 'Credit Strengths of Puget Sound Local Governments' is available at 'www.fitchratings.com' or by clicking on the above link.

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Florida's Population Boom Helps Fuel Demand for Dirt Bonds.

- **Sunshine State may gain 6 million more residents by 2040**
- **Land-backed debt returned 8% in 2017, most in three years**

Florida's population boom and a shortage of housing are fueling demand for local municipal debt sold for neighborhood developments.

Community development district bonds, or CDDs, are sold in Florida to help finance home building projects. The debt, called dirt bonds, tends to offer higher yields as investors take on the risk that demand for housing may wane. That threat may be decreasing in Florida as its population is expected to swell nearly 30 percent by 2040 following a 9 percent increase since 2010.

"The housing construction has been really ratcheted down post 2008 so now you have a situation where household formation exceeds home construction, which means the demand profile is good for what they're building," said John Miller, co-head of fixed income at Nuveen Asset Management, which hold \$1.5 billion of Florida CDD bonds sold for 220 different communities, with \$1.7 million of that debt in default.

Jobs are luring people to Florida. The state's 3.6 percent unemployment rate is the lowest in a decade and below the 4.1 percent national average. Homes in the state are selling at the fastest pace in three years. The median time it took to sell a house in the third quarter of last year was 82 days, the lowest for any three months since at least 2014, according to FloridaRealtors, a trade association that collects housing data.

"We are seeing recoveries across numerous areas of Florida that were previously under a lot of financial pressure," Miller said.

Such land-backed debt is repaid with assessment fees that homeowners pay. Many of the developments fell into default during the housing crisis that began in 2008 and have been refinanced. Dirt bonds overall have gained in value, returning nearly 8 percent in 2017, the most since 2014, according to S&P Dow Jones Indices.

"They have done quite well in terms of the recoveries and the resuscitation of the project," said Richard Lehmann, publisher of the Distressed Debt Securities newsletter in Miami Lakes, Florida.

Corkscrew Farms, a district in Fort Myers, Florida, sold \$28 million of CDD bonds last month to help finance the construction of 696 single-family homes, part of a larger plan to build 1,325 houses on nearly 1,000 acres, according to the deal's offering documents. The debt doesn't carry credit ratings. Bonds maturing in 2050 sold at par with a yield of 5.124 percent and last traded Jan. 9 with a 4.924 percent yield, according to data compiled by Bloomberg.

While the bonds are benefiting from a stronger housing market, land-backed debt accounts for 25 percent of payment failures in the \$3.8 trillion municipal market. Of the \$9.3 billion of municipal debt in default — excluding Puerto Rico — \$2.3 billion, the largest portion, are dirt bonds, according to Municipal Market Analytics.

Florida's population is expected to reach 26.4 million by 2040, up from an estimated 20.5 million in 2017, for a gain of 5.9 million new residents, according to the Bureau of Economic and Business Research at the University of Florida.

Bloomberg Markets

By Michelle Kaske

January 11, 2018, 12:11 PM PST

California's Brown Backs Fiscal Restraint Cheered by Wall Street.

- **With reserves swelling, state eyes potential risks ahead**
- **Backed by financial turnaround, bonds trade near AAA yields**

California is raking in cash from surging stocks and is sitting on billions in reserves. Governor Jerry Brown is resisting the urge to spend it all, keeping with the fiscal restraint that's won applause from Wall Street.

The Democrat's proposed budget for the next fiscal year, released Wednesday, holds spending in line with the pace of revenue growth for the biggest U.S. state as the stock market hovers at record highs and its economy faces potential fallout from the federal tax overhaul enacted last month. It boosts the rainy day fund to \$13.5 billion with a supplemental transfer of \$3.5 billion.

"We've had 10 recessions since World War II and we have to get ready for the 11th," Brown said in a briefing in Sacramento. "The whole point is to think ahead and minimize the pain that is coming because of the way our business cycle works."

Brown, who took office in 2011 while the state was still reeling from the effects of the recession, has strove to keep more of a cushion for future downturns, a theme he kept in his last proposed budget as governor. He boosted reserves by 27 percent to \$8.5 billion in this year's \$126 billion plan.

The additional deposit in the coming year would make the rainy day fund fully meet the constitutional goal of saving 10 percent of tax revenue. His budget indicated that California also plans to slow the pace of general-obligation bond sales to about \$2.5 billion over next six months, down from \$3.4 billion estimated under the current budget. He proposed \$1.6 billion of sales in the

second half of the year.

Obstacles ahead include possible federal setbacks ranging from the effects of the recently enacted tax overhaul — which will fall heavily on some residents by capping state and local tax deductions — to the potential loss of funding for children's health insurance, the state said in budget documents released Wednesday.

Bond buyers have rewarded the fiscal turnaround in California, which has been boosted to the fourth-highest rank by the three major rating companies, its best standing since the turn of the century. The extra interest, or spread, investors demand to hold California 10-year bonds instead of top-rated debt is 0.09 percentage point and hit as little as 0.06 percentage point last month, the lowest since at least 2013. The spread was as high as 0.67 percentage point in June 2013, data compiled by Bloomberg show.

Investors have welcomed the government's restraint, given the state's vulnerability to booms and busts. California draws a large share of taxes from wealthy residents whose incomes are tied closely to the stock market, which saddled the state with huge budget deficits after the Internet and real estate bubbles burst. The top 1 percent of earners accounted for nearly half of the state's personal income-tax collections in 2015.

Bloomberg Markets

By Romy Varghese

January 10, 2018, 6:00 AM PST Updated on January 10, 2018, 11:34 AM PST

California's Brown Raises Prospect of Pension Cuts in Downturn.

- **Supreme Court is set to consider if benefit cuts permissible**
- **Ruling could provide relief to cash-strapped localities**

California Governor Jerry Brown said legal rulings may clear the way for making cuts to public pension benefits, which would go against long-standing assumptions and potentially provide financial relief to the state and its local governments.

Brown said he has a "hunch" the courts would "modify" the so-called California rule, which holds that benefits promised to public employees can't be rolled back. The state's Supreme Court is set to hear a case in which lower courts ruled that reductions to pensions are permissible if the payments remain "reasonable" for workers.

"There is more flexibility than there is currently assumed by those who discuss the California rule," Brown said during a briefing on the budget in Sacramento. He said that in the next recession, the governor "will have the option of considering pension cutbacks for the first time."

That would be a major shift in California, where municipal officials have long believed they couldn't adjust the benefits even as they struggle to cover the cost. They have raised taxes and dipped into reserves to meet rising contributions. The California Public Employees' Retirement System, the nation's largest public pension, has about 68 percent of assets needed to cover its liabilities. For the fiscal year beginning in July, the state's contribution to Calpers is double what it was in fiscal 2009.

Across the country, states and local governments have about \$1.7 trillion less than what they need to cover retirement benefits — the result of investment losses, the failure by governments to make adequate contributions and perks granted in boom times.

“In the next downturn, when things look pretty dire, that would be one of the items on the chopping block,” Brown said.

Bloomberg Politics

By Romy Varghese

January 10, 2018, 1:28 PM PST

— *With assistance by John Gittelsohn*

[S&P: Indiana, New York, Virginia State Aid Intercept Program-Based Local Government Ratings Withdrawn On Misapplied Criteria.](#)

CHICAGO (S&P Global Ratings) Jan. 8, 2018—S&P Global Ratings has withdrawn its ratings on various Indiana, New York, and Virginia local government issues that were based on state aid intercept programs following our determination that we misapplied our State Credit Enhancement Programs criteria.

[Continue Reading](#)

[S&P: List Of Current Credit Ratings Affected By Withdrawal Of Indiana, Virginia, And New York State Credit Enhancement Programs.](#)

On Jan. 8, 2018, S&P Global Ratings withdrew its ratings on various Indiana, New York, and Virginia local government issues that were based on state aid intercept programs following our determination that we misapplied our State Credit Enhancement Programs criteria.

[Continue Reading](#)

[S&P: Assessing Local Governments' Use Of New York State's Pension Smoothing Program.](#)

Since 2011, some New York local governments have used the state's Contribution Stabilization Program (CSP) to amortize a portion of current year pension expenses. S&P Global Ratings considers this amortization a deferral of annual operating expenses.

[Continue Reading](#)

Jan. 11, 2018

S&P: New Jersey And Local Governments Face Numerous Issues In 2018, Including Increased Pension Contributions And Tax Reform.

NEW YORK (S&P Global Ratings) Jan. 9, 2018-S&P Global Ratings today said that the State of New Jersey (A-/Stable) and its local governments face several challenges in 2018 given recent events.

[Continue Reading](#)

KBRA Affirms the Long-Term Rating of A+ with a Stable Outlook on the Township of Bethel Sewer Authority, Township of Bethel, PA

Kroll Bond Rating Agency (KBRA) has affirmed the long-term rating of A+ with a Stable Outlook on the Township of Bethel Sewer Authority (“the Authority”), Township of Bethel (“the Township”) Pennsylvania’s Guaranteed Revenue Notes and General Obligation Debt. This rating applies to all of the Township’s general obligation and guaranteed debt, except for bonds backed by a letter of credit or liquidity facility.

To access the full report, please click on the link below:

[Township of Bethel Sewer Authority, Township of Bethel, PA](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

KBRA Assigns Rating of AA+/Stable Outlook to Connecticut’s Special Tax Obligation Bonds Transportation Infrastructure Purposes.

Kroll Bond Rating Agency (KBRA) has assigned a AA+ with a Stable Outlook to the State of Connecticut’s Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2018 Series A. Additionally, KBRA has assigned a AA+ with a Stable Outlook to the State of Connecticut’s outstanding Special Tax Obligation Bonds Transportation Infrastructure Purposes; and has assigned a AA+ with a Stable Outlook to the State of Connecticut’s outstanding Second Lien Special Tax Obligation Bonds Transportation Infrastructure Purposes.

The long-term rating assignment is based on KBRA’s [U.S. Special Tax Revenue Bond Rating Methodology](#).

To access the full report, please click on the link below:

[State of CT’s Special Tax Obligation Bonds Transportation Infrastructure Purposes](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Assigns AA+ Rating with Stable Outlook to the MTA TRBs Series 2018A-1 & 2018A-2 and K1+ Rating to Transportation Revenue BANs Series 2018A.](#)

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of AA+ with a Stable Outlook to the Metropolitan Transportation Authority's (MTA) Transportation Revenue Bonds (TRBs), Series 2018A-1 and 2018A-2 (Mandatory Tender Bonds). KBRA has also assigned a short-term rating of K1+ to the MTA's Transportation Revenue Bond Anticipation Notes (BANs), Series 2018A.

KBRA has affirmed the long-term rating of AA+ with a Stable Outlook on the MTA's outstanding Transportation Revenue Bonds. KBRA has also affirmed the short-term rating of K1+ on the following outstanding MTA's BANs: Series 2015A-2F, Series 2017B, and Series 2017C.

To access the full report, please click on the link below:

[MTA TRBs Series 2018A-1 & 2018A-2](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Revises Ratings on the New York State Housing Finance Agency 160 Madison Housing Revenue Bonds.](#)

Kroll Bond Rating Agency (KBRA) has revised the long-term rating to AA- from A+ with a Stable Outlook and the short-term rating to K1+ from K1 on the New York State Housing Finance Agency 160 Madison Avenue Housing Revenue Bonds, 2013 Series A & B and 2014 Series A. The Bonds were issued as variable rate demand obligations with credit and liquidity support provided by an irrevocable Direct Pay Letter of Credit (DPLC) issued by PNC Bank, National Association. The DPLC was issued for a period of five years and will expire on December 5, 2018, unless extended for an additional one-year period. The rating action reflects KBRA's upgrade of PNC's long-term and short-term ratings to AA- and K1+, from A+ and K1, respectively, on January 4, 2018.

To access the full report, please click on the link below:

[NYSHFA 160 Madison Housing Revenue Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[Eckert Seamans Hires Municipal Bond Pros From Dissolving Rhoads & Sinon.](#)

Rhoads & Sinon's public finance group has found a new home one floor down.

The public finance group at rapidly-disintegrating Rhoads & Sinon has found a landing place in the Harrisburg office of Eckert Seamans Cherin & Mellott.

The four partners, an associate and two administrative assistants are set to join Pittsburgh-based Eckert Seamans on Jan. 8, the firm announced Wednesday.

Rhoads & Sinon's office was one floor above Eckert Seamans' office in the M&T Bank Building in Harrisburg, and the two firms' municipal finance practices have worked together often over the years, said Harold Balk, Eckert Seamans' chief development officer. With Rhoads & Sinon in the process of dissolving, Eckert Seamans saw an opportunity for them to combine.

"We've been interested in that group for quite some time," Balk said. "They bring different relationships to the firm, and they bring a local presence that adds to what we already have in Harrisburg."

The partners are Jens Damgaard, Jonathan Cox, Benjamin Ried and David Twaddell. Damgaard and Ried work with school districts and municipalities on tax-free bonds and other financing arrangements. Cox and Twaddell both serve as bond counsel and bank counsel for clients including school districts, hospitals and nonprofit entities.

The group ranks among the top municipal finance practices in Harrisburg, Balk said, and the new lawyers are expected to bring all of their clients with them.

"There were very few deals that Rhoads & Sinon wasn't involved in," he said.

Balk said the new lawyers will also be complementary to the employment practice in the Harrisburg office, which has more than 30 lawyers, as well as the office's work with public sector clients. As a whole, Eckert Seamans has more than 355 lawyers in 15 offices.

Others from Rhoads & Sinon have landed at Barley Snyder, where a group of 10 lawyers is starting a Harrisburg office for that firm in Rhoads & Sinon's former office space, and Stevens & Lee, which hired the firm's three-lawyer banking practice.

LAW.COM

By Lizzy McLellan | Jan 03, 2018

[S&P: Many Rocky Mountain Water And Wastewater Utilities With Strong Credit Profiles Face Growth-Related Infrastructure Needs.](#)

S&P Global Ratings maintains revenue debt ratings on 98 public water and wastewater utilities in Colorado, Montana, Utah, and Wyoming. This number includes multiple security types and issues but the same obligor (e.g., the city of Fort Collins, Colo. issues both water and wastewater revenue bonds that are separately secured by dedicated revenue streams).

[Continue Reading](#)

[S&P: Texas MUD Sector Stability Is Buoyed By Strong Economic Growth And Finances](#)

Overall, Texas' municipal utility districts (MUDs) have demonstrated favorable credit quality during the past eight years due to robust growth in the state's economy and a surging state population.

[Continue Reading](#)

Fitch: Other Connecticut Cities Not Likely to Follow Hartford's Path.

Fitch Ratings-New York-18 December 2017: The city of Hartford's prolonged financial troubles have drawn questions from some investors as to whether other Connecticut cities with comparable demographics could experience a similar fate, though a new Fitch Ratings report sees that scenario as unlikely.

Once viewed as a challenged but relatively stable credit, Hartford's financial standing has become more precarious in recent years to the point where bankruptcy was once considered a serious possibility. Many of Connecticut's local governments do not have the same practical revenue constraints as Hartford due to their stronger demographics, less reliance on state assistance, and lower property tax rates. That said, Fitch recently conducted an analysis of the Connecticut cities it rates that share some similar weaknesses with Hartford, namely New Haven (A-), New Britain (A-), Bridgeport (A), and Waterbury (AA-).

One major differentiating factor revolves around employee benefit concessions, according to Director Kevin Dolan: "Unlike Hartford, the ability of these other cities to secure employee benefit concessions has helped curb costs for both pensions and health insurance," said Dolan. "While debt levels are generally high for these other cities, their future debt service structure is not as burdensome as it is for Hartford and they all rely on an above-average level of state assistance similar to Hartford."

Like Hartford, the level of available reserves for cities such as New Haven and Bridgeport to withstand future economic downturns is low. A notable difference, however, is that both New Haven and Bridgeport have seen revenue growth associated with new development. Additionally, New Haven and Bridgeport both have flexibility to further increase revenues and make expenditure cuts if necessary. Sound reserve levels also distinguish such cities as Waterbury and New Britain from Hartford along with an adequate ability to manage expenditures.

'Hartford Weaknesses Not Common versus Fitch-Rated Cities in Connecticut' is available at 'www.fitchratings.com'

Fitch: Expiration of Public Safety Arbitration Cap Could Pressure New Jersey Local Finances.

Fitch Ratings-New York-20 December 2017: A New Jersey law that establishes a 2% cap on the base salary arbitration award for affected police and fire labor organizations is set to expire on Dec. 31 and could pressure N.J. local government finances, according to Fitch Ratings.

The public safety arbitration cap has been in effect since Jan. 1, 2011 (it was extended for a subsequent three-year period in 2014). The arbitration cap will likely expire on Dec. 31, at least temporarily, as the state legislature, the governor, and the governor-elect await a final report (also

due on Dec. 31) of the Police and Fire Public Interest Arbitration Impact Task Force (the task force), which was charged with studying the impact of the arbitration cap on property taxes, government spending, collective negotiation agreements, personnel, and crime.

Fitch believes the arbitration cap is beneficial to local government credit quality as it helps to align revenue and spending measures and supports structural balance in the context of statutory caps on property tax growth. Property taxes, which are the dominant source of funding for local governments, are subject to a permanent 2% cap on annual growth enacted in 2010, albeit with exemptions for debt service and certain increases in pension and health care costs. Without the cap arbitration awards would remain subject to a reasonable determination of the issues, including the financial impact on the local government and taxpayers, and the ability of the local government to maintain or expand its programs or services.

However, bargaining groups may become more emboldened to pursue arbitration as opposed to voluntary settlement if the arbitration cap expires. Arbitration awards were significantly higher prior to the cap, ranging from 2.50% to 5.65% from 1993-2010, according to a report of the New Jersey Public Employment Relations Commission (PERC). Voluntary settlements, which are not subject to the arbitration cap, were also higher in years preceding the arbitration cap according to data reported by the task force in a preliminary report released in September.

The majority of Fitch-rated New Jersey local governments exhibit a high level of fundamental financial flexibility. As such we do not expect immediate degradation of credit quality if the arbitration cap is not extended. However, elimination of the arbitration cap could force local governments to reduce governmental services and/or rely on one-time resources to accommodate higher wage expenses. Furthermore, elimination of the arbitration cap could also have an impact on pension liabilities and contribution levels, as plan benefits are based on employee wages, among other factors. Over time these risk factors may weaken some of the long-term credit fundamentals that underpin Fitch's Issuer Default Ratings assigned to New Jersey local governments. Fitch will continue to monitor the situation and comment as information warrants.

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[Puerto Rico Bond Buyers Wait for 'Teens' Price Before Jumping In.](#)

- **Investors wait for benchmark G.O. bond to fall below 20 cents**
- **Lower price could bring back tax-exempt mutual funds who sold**

How low will it go? That's what investors are wondering as they contemplate at what price Puerto Rico's most actively-traded security becomes a buy.

The price of the 8 percent general obligation bond due 2035 dropped nearly 60 percent since Hurricane Maria struck the island. It traded Thursday at an average price of 23 cents, down from 56.7 cents before the storm hit. Some investors are waiting for a price in the teens before buying.

While that may seem cheap, the commonwealth has yet to restructure its \$74 billion of debt and faces continued economic decline and persistent population loss. The bonds were sold in March 2014, the government's last long-term debt sale, and hedge funds bought most of the \$3.5 billion issue at 93 cents on the dollar.

A lower price on the G.O. bonds would help offset the island's financial challenges, said David Tawil, president and co-founder of Maglan Capital LP, who bought commonwealth bonds in 2013 and has since sold them. If the debt drops below 20 cents, he's back in, Tawil said.

"Once it goes below 20, I think people will see that as a threshold for capitulation," Tawil said. "And at that point it becomes investible."

A lower price could bring back tax-exempt mutual funds after most of those investors reduced their exposure over the past few years as the island inched closer to bankruptcy. Pacific Investment Management Co. last month said the commonwealth's general obligations were looking more favorable as prices declined. The lower the price, the more the municipal market is eyeing the debt, said Peter Hayes, head of municipal bonds at BlackRock Inc.

"As they continue to fall, it certainly gets more interesting and you have less downside," said Hayes, who helps manage \$124 billion of municipals. "The risk, reward — that changes the lower the prices go and I think it's certainly getting toward that point even for muni bondholders."

Puerto Rico has defaulted on most of its debt. The value of its securities has fallen since former Governor Alejandro Garcia Padilla in 2015 said the commonwealth was unable to repay all of its obligations. The island's bankruptcy filing in May and Hurricane Maria pushed prices down even more.

The storm's devastation has changed anticipated bondholder recoveries. Before Maria, Puerto Rico said it could direct \$8 billion for principal and interest payments through 2026, far short of the \$33.4 billion of debt service owed during that time. Island officials have said the commonwealth can no longer afford to pay even the \$8 billion amount. Puerto Rico may need to suspend debt payments for five years, a lawyer for Puerto Rico's federal oversight board said in court last month.

That has left investors wondering how much they'll get repaid and when. It's difficult for mutual funds to wait years for repayment while they allocate investment income to their clients. "It means you have a bond that doesn't accrue," Hayes said. "It's not additive to the income to your shareholders."

Puerto Rico Governor Ricardo Rossello is set to submit to Puerto Rico's federal oversight board a revised fiscal plan by Jan. 10 that will include how much the commonwealth estimates it can repay. Investors are eager to see how much lower those numbers are and which type of security will get more money for repayment, general obligations or debt backed by sales-tax receipts. Bad news for general obligation debt could push prices lower.

"If the prices get low enough, it might look attractive for the portfolios that can accept that type of risk," said Rob Amodeo, who manages \$25 billion as head of municipals at Western Asset Management.

While other Puerto Rico securities, including general obligations, trade below 20 cents, investors focus on the 8 percent G.O. because it's the most actively traded. It's easier to get in and out of that bond compared with the island's other securities.

Some general obligations have been trading in the teens for the past month, data compiled by Bloomberg show. Junior sales-tax bonds, which get repaid after senior bondholders, have been trading below 10 cents on the dollar in the past few weeks.

It's not just an additional potential price drop on the 8 percent G.O. that keeps investors poised for a possible opening on Puerto Rico's debt. At some point the island's economy and finances will improve, Tawil said.

"There will be some turning of the corner in terms of the fundamental story," Tawil said.

Bloomberg Markets

By Michelle Kaske

December 21, 2017, 9:00 AM PST

[Months After Federal Warnings About Russian Software, Local Governments Respond.](#)

President Trump signed a bill last week that bans Kaspersky Lab software on federal computers. Local governments were initially hesitant to stop using it, but most are now following the feds' lead.

Last week, due to fears about potential cyberespionage, President Donald Trump [signed a bill](#) banning the federal government's use of a Russia-based antivirus software.

The legislation comes three months after a federal directive advised civilian agencies to remove Kaspersky Lab within 90 days and nearly six months after the federal government [revoked](#) Kaspersky Lab from its list of approved vendors.

Neither last week's bill nor the September directive apply to state and local governments, several of which were still using Kaspersky software in July. *The Washington Post* [revealed](#) that month that Portland, Ore.; Fayetteville, Ga.; San Marcos, Texas; Picayune, Miss.; and the Connecticut Division of Public Defender Services were all using the software despite federal concerns about cyberespionage.

[Continue reading.](#)

GOVERNING

BY NATALIE DELGADILLO | DECEMBER 18, 2017

[KBRA Affirms the Long-Term Rating of A- with a Stable Outlook on Borough of Upland, PA](#)

Kroll Bond Rating Agency (KBRA) has affirmed the long-term rating of A- with a Stable Outlook to Upland Borough, PA's general obligation debt.

This affirmation is based on KBRA's [U.S. Local General Obligation Rating Methodology](#).

KBRA's rating of the long-term credit quality of the obligations focuses on four rating determinants. The rating determinants as well as KBRA's corresponding rating determinant ratings are listed below:

- Governance and Management Structure and Policies: A-
- Municipal Resource or Economic Base: BBB+
- Debt and Additional Continuing Obligations: A-
- Financial Performance and Liquidity: A-

To access the full report, please click on the link below:

[Borough of Upland, PA G.O. Debt](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Upgrades the Borough of Lansdowne Pennsylvania's G.O. Debt to A+ with a Stable Outlook.](#)

Kroll Bond Rating Agency (KBRA) has upgraded the long-term rating to A+ from A and revised the outlook to Stable from Positive on the Borough of Lansdowne, PA's general obligation debt.

KBRA's rating action reflects a trend of improved operating results which has reduced the reliance on cash flow notes to offset the seasonality of tax receipts. In addition, this rating reflects the Borough's continued willingness to increase its operating millage when needed which has helped improve its financial strength over the years.

To access the full report, please click on the link below:

[Borough of Lansdowne, PA](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Affirms State of New Jersey General Obligation Bonds Rating of A and Stable Outlook.](#)

Kroll Bond Rating Agency (KBRA) has affirmed the long-term rating of A and Stable Outlook on the

State of New Jersey's General Obligation Bonds. Additionally, KBRA has affirmed the long-term rating of A- and Stable Outlook on the New Jersey Educational Facilities Authority's (NJEFA) Revenue Bonds, Higher Education Capital Improvement Fund Issue and New Jersey Economic Development Authority's (NJEDA) State Lease Revenue Refunding Bonds (Liberty State Park Project), 2015 Series. KBRA's long-term ratings do not apply to bonds backed by a letter of credit or liquidity facility, unless otherwise noted.

To access the full reports, please click on the links below:

- [State of New Jersey General Obligation Bonds](#)
- [New Jersey Educational Facilities Authority Revenue Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Assigns AA+ Rating with a Stable Outlook to the State of Wisconsin's G.O. Refunding Bonds of 2017, Series 3.](#)

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of AA+ with a stable outlook to the State of Wisconsin General Obligation Refunding Bonds of 2017, Series 3. KBRA's long-term ratings do not apply to bonds backed by a letter of credit or liquidity facility, unless otherwise noted.

KBRA has also affirmed the long-term rating of AA+ with a stable outlook on the State's outstanding general obligation bonds. KBRA has also affirmed the long-term rating of AA with a Stable Outlook on the State's Master Lease Certificates of Participation (COPs). In addition, KBRA affirmed the short-term rating of K1+ on the State's GO Commercial Paper (CP) Program and GO Extendible Municipal Commercial Paper (EMCP) Program.

The long-term rating on the State's general obligation bonds is based on KBRA's [U.S. State General Obligation Rating Methodology](#).

The short-term ratings on the State's CP and EMCP programs are derived from the State's long-term general obligation rating and also reflects the State's strong liquidity, history of market access, and prior authorization to retire all CP and EMCP Notes with long term bonds. For mapping of the long-term rating to the short-term rating, please refer to the short-term KBRA Rating Scale.

To access the full report, please click on the link below:

[State of Wisconsin's G.O. Refunding Bonds of 2017, Series 3](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[Oakland's Municipal Workers Go On Strike.](#)

Unions, city face off over wages; sworn police and fire workers are on the job

About 3,000 city workers in Oakland, Calif. went on strike Tuesday, shutting down most

nonemergency services such as street cleaning, libraries and senior centers in California's eighth-largest city.

Walking off the job were members of the city's two largest unions—the Service Employees International Union, Local 1021 and the International Federation of Professional and Technical Engineers, Local 21.

Sworn police and fire personnel, which are represented separately, aren't striking.

The strike is the latest setback for the working-class city across the bay from San Francisco, as it struggles with rising costs and economic shifts brought on by the regional tech boom.

In recent years Oakland has seen its violent-crime rate fall and its arts and dining scene flourish as property values rise.

But there have been setbacks: Last year, a sex scandal year shook the police department, and a warehouse fire that killed 36 people highlighted the city's rising rents and poor building-code enforcement.

Earlier this year, the city's NFL team, the Raiders, said it would decamp for Las Vegas. And ride-sharing giant Uber Technologies Inc. canceled plans for an extension of its downtown headquarters this year.

Rob Szykowny, chief negotiator for the service employees union, said the city was to blame after it rejected two temporary proposals put forward by his union to avoid a strike.

One of those proposals would have accepted the city's terms for a one-year period, Mr. Szykowny said, and the other would have brought on a former San Francisco mayor to serve as a mediator.

"The city blew it up," he said. "We gave the city two different proposals...they did not agree to either of them."

The city called the strike unlawful, saying it hadn't reached an impasse with the labor unions and that the city hadn't had a chance to present the union offers to the City Council, which is scheduled to meet Wednesday.

"The City cannot unilaterally implement concessions and the unions cannot strike until the completion of those processes, including fact-finding," the city administrator's office said in a statement.

Oakland Mayor Libby Schaaf said the city values city workers but the city "cannot spend more than we can afford."

"The union's decision to strike Tuesday will impact all Oakland residents, and particularly the most vulnerable populations—our families who use libraries, our elders who rely on senior centers, our youth who play at rec centers, and our working mothers and youngest learners who rely on Head Start programs," she said.

Workers represented by the two unions have been without a contract since June. Both unions said the strike was legal.

In November, the service employees union held a one-day strike.

The city says that it has raised wages for city workers as the local economy has improved, but rising costs, including for employee health care and pensions, have outpaced revenue growth.

The city is offering the unions a wage increase of up to 6%, including a retroactive 4% wage increase, to July 1. The service employees union, which has received a last and best final offer from the city, is seeking a wage increase of 8% over two years.

The professional workers union, which hasn't received a final offer from the city, had opened negotiations with a 16% increase over a two-year period. That union hadn't had a chance to respond to the city's latest offer, said spokeswoman Jessica Bowker, but would conduct a sympathy strike to support service employees.

"As city workers we don't want to strike," said Wali Dieu, a member of that union's bargaining team. "But we are paid less than our counterparts in other jurisdictions and the current proposed wage increase will make us fall even further behind the cost of living."

The service employees union is also pushing for changes to what the SEIU local describes as unsafe working conditions for city workers handling the city's homeless population.

The SEIU local also says the city is requiring mandatory overtime for emergency dispatchers and is relying too much on temporary, part-time workers.

The Wall Street Journal

By Alejandro Lazo

Dec. 5, 2017 12:03 p.m. ET

Write to Alejandro Lazo at alejandro.lazo@wsj.com

[Fitch: Minnesota's Unresolved Political Dispute Clouds Next Legislative Session.](#)

Fitch Ratings-New York-06 December 2017: As Fitch Ratings expected, last Friday Minnesota made the \$1.9 million interest-only debt payment on certificates of participation (COPs) that were issued in 2014 to fund a legislative office facility. Debt service on the 2014 COPs has become embroiled in a dispute between Governor Dayton and the Minnesota legislature as a result of the governor's line-item veto of the legislature's biennial budget appropriation in May 2017 following the legislature's adjournment. The state has the option to fund debt service on the 2014 COPs from either the department of administration's or the state senate's budget but, as a practical matter, since issuance it has funded debt service through the senate budget.

Although Fitch is confident of the state's ability and willingness to ensure full and timely payment of debt service on June 1, 2018 — the next scheduled payment date for the COPs — a failure to resolve the impasse in the upcoming legislative session would suggest a level of political dysfunction that is inconsistent with Fitch's current ratings on the state. The dispute comes at a time of strong economic and revenue performance for Minnesota and, in fact, centers on a disagreement over the use of surplus funds related to the size of adopted tax cuts.

Budget negotiations during periods of divided government in Minnesota have often been marked by

brinksmanship. As Fitch rates to fundamental credit quality rather than political posturing, this has not kept the state from being rated 'AAA' with a Stable Rating Outlook.

What makes the current impasse unusual is that it has the potential, albeit remote, to affect a debt service payment, and resulted in the legislature bringing suit against the governor following his line-item veto. Members of the legislature have also stated publicly that they will not prioritize debt service over operations if the carryover funds they are currently relying on to fund operations near depletion. The Minnesota Supreme Court ordered the parties into mediation in September and ultimately declared the governor's line-item veto of the legislature's biennial budget appropriation constitutional on Nov. 16, 2017. While the question of the veto's constitutionality has been resolved, the two sides have so far failed to come to a political solution.

The legislature has sufficient carryover funds to support operations through Feb. 2018, and is scheduled to reconvene for a regular session on Feb. 20. Fitch expects one of its first acts will be to pass a supplemental appropriation to fund its operations, including COPs debt service, through the 2018-19 biennium. The governor could potentially veto that supplemental appropriation; however, the legislature would then have the option of overriding his veto by a two-thirds majority vote. Whatever twists and turns the disagreement between Governor Dayton and the legislature takes, Fitch expects the two sides to arrive at a resolution via the normal political process before the 2018 legislative session ends.

The next payment on the 2014 COPs on June 1, 2018 totals just \$4.1 million. Fitch believes ample time and resources exist for the situation to be resolved ahead of that date. However, if the dispute persists into the spring and the parties are unable to reach a political resolution, Fitch would see this as a sign that Minnesota's political discord has risen to the point where it is becoming inconsistent with the profile of a 'AAA' rated U.S. state credit.

Fitch would take the failure to achieve sustainable funding of the legislature in the regular session as a sign of significant dysfunction. An event of this kind, particularly if coupled with further statements by members of the legislature to the effect they do not regard payment of debt service as a priority, would likely result in Fitch downgrading the ratings of not only the series 2014 COPs directly affected by the conflict but also Minnesota's Issuer Default Rating (IDR) and the ratings on all of the state's general obligation (GO) and related debt.

Fitch's 'AAA' IDR on the State of Minnesota is based on the state's solid and broad-based economy, a revenue structure well designed to capture economic growth, a low long-term liability burden, and strong control over revenues and spending. In conjunction with a sophisticated approach to reserve funding, these features leave the state exceptionally well-positioned to manage through economic cycles while maintaining a high level of financial flexibility. The 'AA+' rating on appropriation-supported debt, one notch below the state's IDR, reflects the slightly higher degree of optionality associated with payments that are subject to appropriation.

The 2014 COPs are secured by biennially-appropriated payments made under a lease-purchase agreement between the state's commissioner of management & budget and the state's commissioner of administration. The department of administration's appropriation for fiscal 2018, which was enacted in May, totals \$24 million; it was not sized with the expectation of funding debt service on the COPs. If the department of administration does not have sufficient funds available to cover the June 1, 2018 debt service payment (in the absence of legislative action), the state could take other administrative actions to ensure the payment is made. Alternatively, a court could be asked to find that the lease payment for the COPs is a core spending item that should be funded even in the absence of an appropriation.

Ultimately, however, Fitch's expectation for a U.S. state rated at Minnesota's level is that it will act in a way that ensures full and timely payment of all its debt. Prolonged political brinksmanship is inconsistent with that expectation.

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[Georgetown Settles on Ratio for Repaying Revenue Bonds for Utility Projects.](#)

City of Georgetown electric customers will likely see a small increase in their utility bills starting next year now that the city has settled on how to split the savings from its peak-shaving program in order to repay revenue bonds.

The increase should amount to a few dollars more a month for the average residential customer, according to city officials.

Customers have been seeing lower bills for the past couple of years as a result of the electric department's initiative to reduce the amount of power the city buys from Santee Cooper.

In 2015, the city began leasing two large, diesel generators to produce energy during times of peak usage as part of an agreement with Santee Cooper — the city saved money by producing its own electricity. The city has been passing on 100 percent of those savings to customers in the form of cheaper utility bills. The average monthly savings for residential customers has been around \$6.50 while total annual savings average around \$700,000.

Now, after years of delay and cost increases, the city is finally in the process of building a facility at the wastewater plant to house its own generators. City Council this fall approved \$6 million in revenue bonds to finance the facility, the purchase of generators and improvements to the electrical infrastructure along Front Street.

The plan is to use most of the savings from peak shaving over the next 10 years to repay the bonds. Council agreed Nov. 30 to have 75 percent of the savings go toward annual debt payments — the first payment of \$670,000 is due next June. The other 25 percent will continue to be passed on to customers. Money from the electric department's reserves — \$126,000 a year — will cover the remaining balance of the debt service.

Debra Bivens, the city's finance director, said the cost increase for the average residential customer (1,200 kWh) will be about \$4 a month. The 75/25 ratio will start with the new fiscal year in July.

City staff planned to use savings from the peak shaving in the current fiscal year, which ends June 30, toward the first debt payment, but since half the year went by before a final decision was made on how to split the savings, no money was being allocated toward the payment. As a consequence, Bivens asked council to allow the city to put 100 percent of the savings for the rest of the fiscal year (starting with December) toward the first debt payment.

"We're halfway through the fiscal year and we have no portion of the (purchase-power cost adjustment) that we've allocated toward the debt-service payment," Bivens told council, "What we should have done was come to (council) earlier and ask for the allocation ... and we haven't so now we are at this point and we still have been passing all of that allocation on to the customers."

Council did not formally vote on the issue, but a consensus was reached.

Alan Loveless, head of the electric department, said several thousand feet of conduit has been installed at the site where the generators — scheduled for delivery in January — will be housed. Once the generators are installed, the building will be constructed, Loveless said.

"We're pretty much on schedule," he said.

Once complete, the facility will also serve as a backup-power source for the wastewater plant.

South Strand News

By David Purtell dpurtell@southstrandnews.com

Dec 5, 2017

[Puerto Rico Still Waits for \\$4.9 Billion From U.S. Treasury.](#)

- **Promised loans haven't arrived as island's cash dwindles**
- **Rossello administration in talks with Washington over funds**

Over two months after Hurricane Maria devastated Puerto Rico, the island's government still hasn't received any of the \$4.9 billion of short-term loans promised in the storm aid package Congress passed at the end of October.

Christian Sobrino, the governor's representative on the island's federal oversight board, confirmed Friday that no Puerto Rican entity has received any portion of the funds, which were requested for basic functions like making payroll. This week, the Puerto Rican government told the fiscal control board that the electric company, Prepa, and water utility, Prasa, would run out of money in December.

Sobrino said Friday that the island's fiscal agency was in talks with the U.S. Treasury and Department of Homeland Security about the money and how it would be disbursed.

A spokesperson for the Treasury Department wasn't immediately available to comment.

Puerto Rico's government has requested \$94 billion in federal aid, only a portion of which has been

granted. Members of Congress have raised concerns over how the island's government will steward billions in federal money. In what appeared to be an attempt to reassure Washington, Governor Ricardo Rossello said last month that he was giving Federal Emergency Management Agency unprecedented power to pre-approve relief spending.

Rafael "Tatito" Hernandez, a member of the island's House of Representatives, asked U.S. Treasury Secretary Steven Mnuchin about the status of the loan package in a Wednesday letter. He said in a telephone interview Friday that he has received no response.

Members of Congress still need reassurance that the funds will be well spent, Hernandez said. "A lot of them have some issues," he said.

"We're committed to the recovery in Puerto Rico, and the administration is doing all that it can," said White House spokesman Raj Shah, who declined to say why the funds haven't been disbursed.

Hurricane Maria caused as much as \$100 billion of damage to the island, which was already embroiled in the largest municipal bankruptcy in U.S. history. The commonwealth's government and the federal board overseeing its finances said it would have to redraw plans for economic reforms on the island, where years of borrowing to meet expenses left it with \$74 billion of debt.

The administration and the panel have clashed over how to impose cuts. The board even sued the governor this year to force its recommendation to furlough public employees, though they abandoned the challenge in the wake of Maria.

"There is a risk that Puerto Rico will use the operating loans and rebuilding dollars as short-term financing to avoid making hard choices in terms of making economic reforms," said Matt Fabian, a partner with Municipal Market Analytics, a Concord, Massachusetts-based firm. "The federal government has to be aware that is a risk."

The price of Puerto Rico's benchmark general-obligation bonds due in 2035 has declined about 60 percent since Hurricane Maria struck, changing hands at a record low average price of 21.8 cents on the dollar Tuesday.

The bond's value recovered slightly Friday, trading at an average price of 22.3 cents. On Friday, the island was generating only 68 percent of the power needed and 7 percent of customers still lacked access to clean water.

Bloomberg Politics

By Rebecca Spalding

December 8, 2017, 7:42 AM PST Updated on December 8, 2017, 7:25 PM PST

— With assistance by Saleha Mohsin

[KBRA Releases Report for the City of Chicago Second Lien Water Revenue Refunding Bonds, Series 2017-2.](#)

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of AA and Stable Outlook to the City of Chicago Second Lien Water Revenue Refunding Bonds, Series 2017-2. In addition, KBRA has

affirmed the long-term rating of AA with a Stable Outlook on the City's outstanding Second Lien Water Revenue Bonds. KBRA's long-term ratings do not apply to bonds backed by a letter of credit or liquidity facility, unless otherwise noted.

This rating action is based on KBRA's [U.S. Municipal Water and Sewer Revenue Bond Methodology](#). KBRA's rating evaluation focuses on the following key rating determinants:

- Management
- Legal Mechanics and Security Provisions
- Service Area & Economy
- System Characteristics
- Financial Metrics
- Debt Structure & Capital Plan Requirements

To access the full report, please click on the link below:

[City of Chicago Second Lien Water Revenue Refunding Bonds, Series 2017-2](#)

Illinois' \$750 mln Bonds Won by BofA with Still Hefty Yields.

CHICAGO, Nov 29 (Reuters) – Bank of America Merrill Lynch won \$750 million of Illinois bonds in competitive bidding on Wednesday as the state faced a lingering market penalty for its fiscal and political woes.

Spreads for the general obligation bonds over Municipal Market Data's benchmark triple-A yield scale tightened by about 2 to 5 basis points for 10-year and longer bonds in the deal, but widened by 4 to 10 basis points for some shorter-dated bonds, according to Randy Smolik, MMD's chief market analyst.

That indicated good performance for Illinois bonds mainly in the 10-year range compared with where they had been trading in the secondary market, he added.

Market conditions were tough for the two-part bond deal from Illinois, the lowest-rated U.S. state, as the muni market was hit with a sixth-straight session of falling prices and higher yields.

For Illinois bonds due in 2042 with a 5 percent coupon and priced with a 4.42 percent yield, the spread was 165 basis points over the benchmark scale's 2.77 percent yield for top-rated bonds, according to MMD, a unit of Thomson Reuters.

"It's the widest spread for a state GO bond by far," Smolik said.

An impasse between Illinois' Republican governor and Democrats who control the legislature left the state without a complete budget for an unprecedented two fiscal years. Lawmakers enacted a fiscal 2018 budget and income tax rate hikes in July over Governor Bruce Rauner's vetoes.

The stalemate ballooned the state's backlog of bills from vendors and service providers to an all-time high of nearly \$16.4 billion, which was deflated to \$9.1 billion as of Wednesday with the help of proceeds from Illinois' \$6 billion GO bond sale in October.

BofA was the winning bidder on Wednesday with an overall 4.33 percent interest cost for \$655

million of bonds with maturities from 2018 through 2042 to fund capital projects. The bank also won \$95 million of bonds due in 2018 through 2027 to finance information technology with a 3.71 percent interest cost.

Bank of America Merrill Lynch is the corporate and investment banking division of Bank of America Corp.

(Reporting by Karen Pierog; Editing by Matthew Lewis)

[House Tax Bill Threatens New D.C. Affordable Housing Preservation Fund.](#)

Washington, D.C.'s Council has approved a new \$10 million affordable housing preservation fund, and The Washington Post [reports](#) that whoever is hired to manage it will play a role in shaping the effort to preserve, acquire and rehabilitate the city's [existing affordable housing stock](#).

"The fund is an important step toward saving D.C.'s disappearing low-cost housing," Claire Zippel, a housing policy analyst at the DC Fiscal Policy Institute, told the Post.

According to the city's Department of Housing and Community Development (DHCD), the city lost at least 1,000 units of subsidized housing between 2006 and 2014. A further 13,700 units have subsidies that will expire in 2020 and are at risk of loss.

[Continue reading.](#)

NEXT CITY

BY OSCAR PERRY ABELLO | NOVEMBER 27, 2017

[D.C. Establishes \\$10 million Fund to Preserve Disappearing Affordable Housing.](#)

The D.C. Department of Housing and Community Development has a newly established \$10 million public-private fund dedicated to preserving affordable housing and is seeking a fund manager to manage the money.

The preservation fund, approved by the D.C. Council for the 2018 fiscal year, is in addition to the \$100 million in taxpayer money dedicated to the District's Housing Production Trust Fund, the city's biggest pot of money to encourage development of affordable housing.

"We know the needs are great . . . we know where properties are at risk," said Polly Donaldson, the director of DHCD. "We are working to identify those in need immediately and have the [fund] manager be able to start up immediately on that."

The goal of the preservation fund, Donaldson explained, is to preserve, acquire and rehabilitate the city's existing affordable housing stock.

According to the DHCD, the city lost at least 1,000 units of subsidized housing between 2006 and 2014. Another 1,750 units are at risk of being lost, according to the D.C. Preservation Network, a

group of government agencies and community-based organizations working to preserve affordable housing in the city. A further 13,700 units have subsidies that will expire in 2020 and are at risk of loss.

“The fund is an important step toward saving D.C.’s disappearing low-cost housing,” said Claire Zippel, a housing policy analyst at the D.C. Fiscal Policy Institute.

The new fund will help to increase the amount of public funds available, which has been the biggest constraint in the city’s push to preserve affordable housing, she added.

“In recent years, there’s been a lot of pressure on D.C.’s Housing Production Trust Fund to meet the full spectrum of affordable housing needs that the city has . . . so it’s great news that there’s now another tool in the city’s affordable housing toolbox,” Zippel said.

Creating the preservation fund is one of six recommendations made by the Housing Preservation Strike Force created by Mayor Muriel E. Bowser in 2015. The strike force set the goal of preserving 100 percent of the District’s existing federally- and city-assisted affordable rental homes. Establishing the preservation fund is part of a multipronged approach to that objective.

Also included in the recommendations was creating a preservation unit tasked to identify affordable housing at risk of being lost and to deploy resources to preserve them. The preservation unit would have preferential access to money from the fund, according to the strike force’s final report. The DHCD is currently in the process of hiring someone to head the unit.

In researching similar funds across the country, the strike force looked at successful examples in New York City, Los Angeles, Denver, Seattle and the San Francisco area. They found the funds all started with an initial government investment, which was used to leverage private investment.

San Francisco, for example, launched a public-private fund in February to preserve and produce affordable housing in one of the most expensive real estate markets in the United States. Like the District’s preservation fund, San Francisco’s Housing Accelerator Fund aims to use initial city funding to leverage private investment.

The goal in the District is to use the initial \$10 million to leverage an additional \$30 million in private or philanthropic resources.

But the D.C. government has been faulted for mismanagement of the Housing Production Trust Fund, the city’s biggest affordable housing program. In a report in March, the Office of the D.C. Auditor found that millions of dollars in loan repayments had likely gone uncollected from developers, and that many low-cost apartments in the program are occupied by tenants who may not be income-eligible. The auditor also criticized the DHCD, which oversees the fund, for “unreliable” records related to the fund.

The DHCD has laid out general guidelines regarding the new preservation fund’s structure and the types of projects it will finance, but details on the fund’s design will emerge from the competitive application process.

“We want the fund manager to have strong knowledge of the District and to develop the fund in relation to some of the unique characteristics of the District,” including the city’s geographic limitations, its high cost of living, its growing population, and the overlapping of state, local and county functions, said Donaldson.

Donaldson said the department expects to finalize arrangements with one or more of the selected

fund managers and to have the first project funded by the first quarter of 2018. The fund manager will report quarterly to DHCD.

An advantage of this kind of public-private fund is its flexibility, said Danilo Pelletiere, a senior policy adviser at DHCD.

"A fund like this can move more quickly," making it an apt tool to preserve affordable housing in a fast-changing real estate market, he said.

The Washington Post

By Mary Hui

November 26, 2017

[KBRA Assigns AA- Rating with a Stable Outlook to PA Turnpike Commission's MLF-Enhanced Turnpike Sub Sp. Rev Refunding Bonds, Third Series of 2017](#)

Kroll Bond Rating Agency (KBRA) has assigned a AA- long-term rating and Stable Outlook to the Pennsylvania Turnpike Commission Motor License Fund-Enhanced Turnpike Subordinate Special Revenue Refunding Bonds, Third Series of 2017. In addition, KBRA has affirmed the long-term rating of AA- with a Stable Outlook to all of the Commission's outstanding Motor License Fund-Enhanced Turnpike Subordinate Special Revenue Bonds, with the exception of those backed by a letter of credit or liquidity facility.

This rating is based on the below key rating determinants including the five determinants of [KBRA's U.S. Public Toll Roads, Bridges, & Tunnels Bond Rating Methodology](#) as well as the two below italicized elements of [KBRA's Special Tax Revenue Bond Rating Methodology](#) which were utilized to evaluate aspects of support from the Commonwealth's Motor License Fund:

- Size and Scope of Operations
- Demand Assessment
- Management/Regulatory Framework
- Financial Profile
- Nature of Special Tax Revenues
- Revenue Analysis
- Security Provisions

To access the full report, please click on the link below:

[PA Turnpike Commission's MLF-Enhanced Turnpike Sub Sp. Rev Refunding Bonds, Third Series of 2017](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Assigns A+ Rating with a Stable Outlook to Pennsylvania Turnpike Commission's Turnpike Sub Rev Refunding Bonds, Third Series of 2017](#)

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of A+ with a Stable Outlook to the Pennsylvania Turnpike Commission's Turnpike Subordinate Revenue Refunding Bonds, Third Series of 2017. At the same time, KBRA has affirmed the long-term rating of A+ with a Stable Outlook on the Commission's outstanding Turnpike Subordinate Revenue Bonds. Lastly, KBRA has affirmed the long-term rating of AA- with a Stable Outlook on the Commission's outstanding Turnpike Revenue Bonds. KBRA's long-term rating excludes bonds backed by a letter of credit or liquidity facility, unless otherwise noted.

This rating is based on the [KBRA's U.S. Public Toll Roads, Bridges, & Tunnels Rating Methodology](#). KBRA's rating evaluation focuses on the following key rating determinants:

- Size and Scope of Operations
- Demand Assessment
- Management/Regulatory Framework
- Security Provisions

To access the full report, please click on the link below:

[Pennsylvania Turnpike Commission's Turnpike Sub Rev Refunding Bonds, Third Series of 2017](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Affirms Long-Term Rating of AA- and Stable Outlook on Columbus Regional Airport Authority's Airport Revenue Bonds.](#)

Kroll Bond Rating Agency (KBRA) has affirmed the long-term rating of AA- with a Stable Outlook on the Columbus Regional Airport Authority's ("CRAA") Airport Revenue Bonds. This rating applies to all of the Authority's outstanding Airport Revenue debt, except for bonds backed by a letter of credit or liquidity facility. As of September 26, 2017, the Authority had approximately \$84.2 million of airport revenue bonds outstanding.

This affirmation is based on [KBRA's U.S. General Airport Revenue Bond Methodology](#).

To access the full report, please click on the link below:

[Columbus Regional Airport Authority's Airport Revenue Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[S&P: Ratings On Various Texas Cities That Were Damaged During Hurricane Harvey Remain Unchanged As Cleanup Continues.](#)

Since Hurricane Harvey made landfall in Texas, S&P Global Ratings has been evaluating the effect of the storm to our rated universe. In our view, many cities and counties—even those in the direct line of the storm—often do not sustain damage that we consider detrimental to long-term credit quality.

[Continue Reading](#)

Nov. 20, 2017

Council Saves Nearly \$650,000 by Refunding Municipal Bonds.

Warrensburg – Because Warrensburg moves faster than Washington, refunding the city’s 2009 and 2010 certificates of appreciation is expected to save money.

Refunding, much like refinancing a house, will save nearly \$648,000, city bond counsel Jack Dillingham of Piper Jaffray told the City Council on Monday. Taken together, the certificates are worth more than \$8 million.

“We’ll refund them to get a lower interest rate,” Finance Director Matthew Lue said.

Based on Lue’s advice, the council decided to move quickly to lock in savings rather than risk losing the refunding opportunity.

The tax-cut plan being discussed in Congress this year, if passed into law would take effect in 2018. The plan may restrict refunding bonds and the resulting savings the city expects, Lue said.

The concern about Washington’s tax-cut plan caused the council to accept the recommendation to advance the time line for the refunding process.

“We’re going to move it from January to December,” Lue said.

A Nov. 2 Wall Street Journal report states, “A separate provision in the Republican tax proposal would end governments’ ability to refinance their debt before the 10-year mark, when municipal bonds typically become eligible for refinancing. Though less useful in an era of persistently low and less volatile interest rates, that ability has in the past allowed governments to take advantage of drops in borrowing costs.”

The 2009 bond, issued for \$5,185,000, and the 2010 bond, issued for \$2,820,000, paid for building the police station, the public works building and expanding Nassif Pool into an aquatic center that includes the lazy river and other features.

WARRENSBURG DAILY STAR JOURNAL

JACK “MILES” VENTIMIGLIA Editor

Nov 16, 2017

Atlanta Passes Infrastructure Ordinance to Support EV Charging.

Dive Brief:

- The Atlanta City Council unanimously passed infrastructure regulations to boost the spread of electric vehicles (EV), according to the Atlanta Business Chronicle.
- Under the new regulations, builders must install electrical infrastructure that will support EV chargers in each new residential and commercial structure.
- Additionally, each new commercial parking structure must make sure that at least 20% of the spaces are EV-ready.

Dive Insight:

Atlanta has been passing various environmentally friendly initiatives lately — such as offering property owners funding for clean energy projects — despite spotty support at the state level. Georgia had been the top state for EV sales in 2014 thanks in a large part to its \$5,000 tax credit for zero-emission vehicles, but it experienced an 80% drop in EV sales statewide shortly after discontinuing the tax credit in 2015 and imposing a \$200 annual fee on EVs.

Some use the state as an example of what could happen to nationwide EV sales if the \$7,500 federal tax credit on EVs is repealed, as is proposed in the House tax bill. However, others point out that the tax credit is only good for 200,000 of each auto maker's electric vehicles registered in the United States, and some manufacturers — like Tesla — are approaching the tax credit cutoff point.

Georgia Power offers rebates to builders who install 240-volt chargers with a dedicated circuit. Atlanta's new ordinance instead makes the charger installation mandatory on new construction. Although some builders and building managers initially complained about the cost of installing the chargers, few voiced opposition as the city council vote neared.

The new ordinance addresses one of the main holdbacks of consumers purchasing electric vehicles, which is a lack of charging infrastructure when EV owners leave their homes. To further ensure that chargers are available to those who need them, drivers who park gas-powered vehicles in an EV-only spot can receive a \$35 citation on the first offense and a get booted or towed after that.

The regulations could help further boost interest in EVs in Atlanta, a city known for its congestion due to residents being car-dependent. The ordinance comes at a time when EV sales are up nationwide and there's greater interest in investing in charging infrastructure. The timing is also beneficial in that it coincides with falling electric battery prices, which will bring down manufacturer costs and should lower consumers' cost-per-mile.

Construction Dive

by Katie Pyzyk

Nov. 22, 2017

[California Agency Aims to Beat the Tax Bill and Allocate Bonds for Affordable Housing.](#)

LOS ANGELES — The California Debt Limit Allocation Committee is holding emergency meetings in the hope of allocating \$900 million in remaining private activity bond capacity for affordable housing by the end of the year.

The remaining bond capacity typically could be carried forward for three years, but with the looming Congressional threat of PABs being eliminated on Dec. 31, the state could lose the bond capacity it receives for affordable housing.

“The goal is to award all of the available money allocated for PABs,” said Laura Whittall-Scherfee, who was named CDLAC’s executive director in June. “So, if a tax reform bill passes that says PABs can’t be issued after Dec. 31, we have done everything we can.”

The full House of Representatives voted last week to enact a Tax Cuts and Jobs Act that eliminates PABs as of Dec. 31. The House bill would have to be reconciled with a Senate bill, which is still in the works, but so far preserves PABs.

CDLAC added meetings to its calendar to adopt emergency regulations to streamline the approval process and get the money out the door.

Proposed changes fall under three categories: to clean up typos and add clarity, to streamline the application process with CDLAC and the California Tax Credit Allocation Committee, and a process to fast-track applications in response to the proposed tax bills.

CDLAC and CTCAC are the two California treasurer’s office agencies that finance affordable housing. CDLAC oversees bond financing for affordable housing developments and administers the federal and state Low-Income Housing Tax Credit Program.

Under the new guidelines, applicants could file a joint application to be reviewed by the two agencies, said Jeree Glasser-Hedrick, deputy treasurer for retirement security and housing policy.

CDLAC will vote Tuesday on whether to approve asking the Office of Administrative Law to review streamlined regulations. If the committee votes in favor, it starts a five-day period of public comment on the matter and a 10-day review period by OAL.

After that, CDLAC would meet again on Dec. 1 to vote on whether to approve the emergency regulations. Issuers would then have until Dec. 5 to submit applications for affordable housing projects to CDLAC. At the Dec. 20 meeting, CDLAC would approve what could become a long-list of applications.

The agency and treasurer’s office have created an email service to keep issuers that frequently tap the program aware of the changes and deadlines for this year’s allocation, Whittall-Scherfee said.

Applicants would have to agree to issue bonds no later than midnight Dec. 31, Whittall-Scherfee said.

CDLAC’s role is to be a benefactor of private activity bond volume that is capped by the federal government, Glasser-Hedrick said. If PABs go away, so does CDLAC’s primary mission, she said. The state doesn’t have a replacement funding source, Glasser-Hendrick said.

“Given what has happened, we are just in wait-and-see mode,” she said. “We are hoping for the best and planning for the worst.”

CDLAC is proceeding on dual tracks, Whittall-Scherfee said.

“We want to get all the allocations out by the end of the year with the expectation that the bonds have to be issued or the bond capacity expires,” Westall-Scherfee said. “But, we are also proceeding as if we will be doing next year what we have been doing for the last 20 years, which is why we are

working on creating the joint applications with CTCAC to award bond allocations.”

The \$900 million in private activity bonds are tied to the 4% tax credit program. Under that program, issuers have to issue 50% of the cost of a project in PABs in order to qualify to receive money under the 4% tax credit program.

The Senate tax plan includes an increase in the separate 9% tax credit program that benefits affordable housing, but there is concern that corporations, who typically buy the tax credits, will not be as interested – or in need of the tax break – because both the House and Senate tax bills propose lowering corporate taxes from 35% to 20%.

The uncertainty currently surrounding the future of PABs is expected to drive issuance for the rest of the year.

Some issuers are planning to pull forward certain 2018 advance refundings and PAB issues into 2017 in order to beat the Dec. 31 deadline, according to the Ramirez & Co. Municipal Market Weekly.

The broker-dealer said in the report that it is anticipating \$29 billion in unanticipated gross supply could result from the accelerated issuance by year-end, which could bring its revised projection for total 2017 gross supply to about \$397 billion. The shift could lower the amount expected in 2018.

By Keeley Webster

BY SOURCEMEDIA | MUNICIPAL | 11/21/17 07:16 PM EST

[Boulder Pauses Talks of Re-Up with JP Morgan Chase, as Environmentalists Call for City-Owned Public Bank.](#)

Banking issue likely to be discussed next month, mayor says

Boulder is holding off, for now, on renewing a contract with JP Morgan Chase, the city’s longtime banking provider and a funder of controversial oil pipelines.

Meanwhile, environmental advocates are urging Boulder to ditch JP Morgan Chase and create a public bank — an idea that will at least be discussed in concept, according to the mayor.

About a year ago, the City Council passed a resolution in support of the Standing Rock Sioux and allies who protested the Dakota Access Pipeline, and in doing so also asked city finance staff to explore possibly severing ties with JP Morgan Chase, Boulder’s bank since 2004.

After issuing a request for proposals from banks and doing several months of exploration, staff returned in October to report to the council, via a memo, that it did not appear there were any banks both capable of handling the city’s significant banking needs and up to the city’s ethical standards on fossil fuels and other matters.

The recommendation from staff was that Boulder extend the city’s relationship with JP Morgan Chase.

But the memo containing that recommendation arrived at an awkward time, Mayor Suzanne Jones

said, since an election was around the corner.

"I imagined that few had had time to read (the memo) and respond," Jones said this week, in an email.

"And I had heard from at least one Council member that they were disappointed that a better banking entity option that was less involved in fossil fuel investing had not presented itself."

So, rather than authorize staff to negotiate an extension of the city contract with JP Morgan Chase, the council will discuss this as a group, likely on Dec. 19.

Said Jones, of her approach to that upcoming conversation, "I do think that, while council obviously needs to make sure that the city has reliable, secure, efficient and cost-effective banking services, we are also obligated to work with an institution that most aligns with our City's social and environmental values and goals.

"I was disappointed that the RFP process did not reveal an institution that maximizes both of those objectives."

A coalition of 23 different groups — among them: Earth Guardians, Elephant Journal, 350 Colorado, Kids Against Fracking and Rainforest Action Network — co-signed a letter to the council that argues there is, in fact, an option to maximize both objectives.

"We call on the city of Boulder to continue its climate leadership by moving our city's funds out of JP Morgan Chase as rapidly as feasible," the letter reads.

"Additionally, we urge you to find a suitable banking alternative that aligns with our city's values, using public funds for local renewable energy and community development projects instead of extreme energy extraction, beginning with authorizing a full feasibility analysis of creating a Boulder Public Bank."

The 23 groups condemned JP Morgan Chase not only for its relationship to the Dakota Access Pipeline, but also for its association with fracking projects in Colorado, and for its status as "the No. 1 funder of tar sands oil."

There's no evidence, for now, that the idea of a public bank will be of interest to the council, but, at a minimum, city staff will respond to the concept, Jones said.

"We have ... periodically had local citizens raise with us the idea of establishing a public bank here in Boulder, along the lines of North Dakota's public bank," Jones said.

"Similarly, in the past council members indicated interest in finding a mechanism to allow Boulder residents to invest their money in Boulder civic projects, including affordable housing as well as" a municipal electric utility.

"If Council was interested, we could also discuss the idea of negotiating an interim (rather than a long-term) agreement with our current bank while we took a deeper look at these other ideas."

The Boulder Daily Camera

By Alex Burness

Alex Burness: 303-473-1389, burnessa@dailycamera.com or twitter.com/alex_burness

[KBRA Affirms AA- Rating with a Stable Outlook on MICLA Taxable Lease Revenue Refunding Bonds, Series 2015-A.](#)

Kroll Bond Rating Agency (KBRA) has affirmed the long-term rating of AA- with a Stable Outlook on the Municipal Improvement Corporation of Los Angeles (MICLA) Taxable Lease Revenue Refunding Bonds, Series 2015-A (Los Angeles Convention Center). This rating is based on the City's long-term general obligation rating and evaluation of the factors discussed in [KBRA's U.S. State and Local Government Abatement Lease Methodology](#). Generally, ratings assigned to the majority of U.S. state and local government abatement lease obligations by KBRA will be one to two notches below the government lessee's general obligation rating.

KBRA has also affirmed the long-term rating AA with a Stable Outlook on the general obligation debt of the City of Los Angeles, California. This rating applies to the City's outstanding general obligation bonds except for bonds backed by a letter of credit or liquidity facility. This rating report is based on [KBRA's U.S. Local Government General Obligation Rating Methodology](#).

To access the full report, please click on the link below:

[MICLA Taxable Lease Revenue Refunding Bonds, Series 2015-A](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Assigns AAA Rating with a Stable Outlook on Wisconsin's Transportation Revenue Refunding Bonds, 2017 Series 2.](#)

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of AAA with a Stable Outlook on the State of Wisconsin Transportation Revenue Refunding Bonds, 2017 Series 2. KBRA has also affirmed the AAA rating with a Stable Outlook on the State's outstanding Transportation Revenue Bonds. The bonds are secured by a first lien pledge of Program Income which is defined as motor vehicle registration fees collected Statewide and certain other vehicle registration-related fees, such as personalized license plates charges, title transaction fees, and counter service fees.

To access the full report, please click on the link below:

[State of Wisconsin Transportation Revenue Refunding Bonds, 2017 Series 2](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[Fitch: Resilient Hawaiian Economy Supports Strong Municipal Credit](#)

Strength.

Fitch Ratings-San Francisco-14 November 2017: Hawaii's tax-supported local governments maintain strong Issuer Default Ratings (IDR), bolstered by the resilient state economy, according to new research from Fitch Ratings.

Statewide, credit characteristics support IDRs from Fitch in the 'AA' rating.

"The state has benefited from strong revenue growth, thanks in part to steady tourism growth in recent years and a substantial ongoing military presence," said Alan Gibson, Director of U.S. Public Finance. "Within that context, Hawaii local governments' operating performance has been strong."

Key local government credit strengths are their robust revenue frameworks and moderate debt and retiree benefit burdens. Cumulatively, these credit strengths offset some constraints on Hawaii local governments' ability to control their costs.

Fitch expects these positive characteristics to continue, and Stable Outlooks indicate Fitch does not expect significant rating changes over the next one to two years.

For more information, a special report titled "Strengths and Challenges of Hawaiian Local Governments" is available on the Fitch Ratings web site at www.fitchratings.com or by clicking on the link.

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Puerto Rico Bond-Trading Blitz Could Ease Path From Bankruptcy.

- **Securities changing hands at fastest pace in three years**
- **Those buying at record lows may be willing to settle for less**

Since Hurricane Maria struck Puerto Rico almost two months ago, investors have unloaded the island's bonds at the fastest pace in three years, pushing prices to one new low after another.

The selloff caused at least a fifth of the government's \$12 billion of general-obligation bonds to change hands, a shift that could help hasten Puerto Rico's emergence from its record-setting bankruptcy. That's because those who bought near now record lows may be willing to settle for far less than hedge funds and others that rushed in before the financial collapse.

"The market's resetting for the potential for a resolution," said Rob Amodeo, who manages \$25 billion as head of municipals at Western Asset Management. "That's where the trade is headed and you needed to get there because there's not enough capital to repay bondholders."

The bankruptcy in May initiated a court battle that's expected to last for months as Puerto Rico faces off against owners of \$74 billion of debt backed by various legal protections and sometimes competing claims to the government's cash. The outcome was made even more uncertain by the devastation caused by the hurricane, which has left much of the island still without power, crippled the economy and caused an estimated 100,000 residents to leave. Governor Ricardo Rossello has asked for \$94 billion of federal aid.

On Wednesday, Puerto Rico's most actively traded bonds dropped to as little as 24 cents on the dollar after the lawyer for the government's financial oversight board said that the island may need to suspend debt payments for five years. That price is the lowest since the securities were issued in 2014 and less than half what it was in mid-September.

Speculation that bondholders face an even deeper hit has pushed Puerto Rico debt trading to a three-year high. The trailing 30-day daily average of debt traded was \$455 million on Wednesday, the most since at least September 2014, according to data compiled by Bloomberg.

The rout has pushed bond prices closer to what the territory can afford to repay, said Brad Setser, a Treasury Department official under President Barack Obama who helped with the Puerto Rico rescue law enacted last year. Some securities, such as those issued by the highway and infrastructure agencies, are trading for pennies on the dollar.

"It is certainly helpful that market prices now reflect more realistic expectations about Puerto Rico's capacity to pay," said Setser, who is now a senior fellow at the Council on Foreign Relations.

Even so, an investor buying at record lows may still fight for as much as they can get, he said. "Just because you buy at a low price doesn't necessarily mean that you're willing to settle for a low recovery."

Bondholders' expectations will play an important role in how long Puerto Rico's various agencies must remain under court protection. To end the bankruptcy, the federal oversight board in charge of the case must convince a judge to approve a debt-cutting plan for each agency, including the central government. Creditors will get to vote on those plans, and U.S. Judge Laura Taylor Swain will take the result into account when deciding whether to approve Puerto Rico's proposals.

Before Maria, Puerto Rico said it could allocate \$8 billion for debt service payments through 2026, far short of the \$33.4 billion that's owed. The government plans to revise those plans by the end of

next month to account for the storm, which Puerto Rico's federal oversight board estimates may leave a budget shortfall of as much as \$21 billion over the next two years.

Bondholders have sold about \$2.5 billion of commonwealth general obligations to securities dealers since Maria made landfall in Puerto Rico, according to data compiled by Bloomberg. Those maturing in 2035, the most heavily traded security, changed hands Wednesday at an average of 25 cents on the dollar, down from 56.7 cents before the storm, Bloomberg data show. Many of those bonds were initially sold to hedge funds for 93 cents in March 2014, with the firms wagering that the government wouldn't be allowed to go broke.

"Now they're capitulating and selling to the distressed traders," said Western Asset's Amodeo, whose firm doesn't hold any Puerto Rico debt and has sat on the sidelines despite the recent price drop.

Bloomberg Markets

By Michelle Kaske

November 16, 2017, 8:04 AM PST

— With assistance by Steven Church

[Puerto Rico May Need to Skip Bond Payments for Five Years.](#)

- **Lead lawyer tells federal court island may need a moratorium**
- **Prices of most actively traded bonds fall to a record low**

Puerto Rico is considering suspending debt-service payments for five years, a lead lawyer for the territory's federal oversight board said, in the first indication of how the devastation caused by Hurricane Maria will affect the restructuring of the island's debt.

A moratorium may be included as part of Puerto Rico's plan to reduce what it owes through bankruptcy, Martin Bienenstock, a partner at Proskauer Rose LLP who represents the panel, said at a court hearing Wednesday in Manhattan. It wasn't immediately clear whether such a step would apply to all of government's \$74 billion of debt.

The government's most actively traded bonds fell Wednesday to an average of 25 cents on the dollar, the lowest since they were issued in 2014 and less than half what they were worth before the storm. The September hurricane worsened the financial pressure that had already pushed the Caribbean island of 3.4 million residents into a record-setting bankruptcy.

"It stands to be seen whether in five years they can stand back on their own feet," said Matt Dalton, chief executive officer of Rye Brook, New York-based Belle Haven Investments, which manages \$6.5 billion of municipal bonds, including insured Puerto Rico debt. "If it takes them three months to get power back on in the island, saying that they can make debt payments in five years seems aggressive."

The damage so badly crippled the electricity system that much of the island is still without power and an estimated 100,000 Puerto Ricans have since left, extending the long-running exodus that's kept the economy mired in a recession.

Reeling from its economic contraction and reeling from years of borrowing to keep the government afloat, Puerto Rico began defaulting on its bonds in 2015. It filed for bankruptcy in May after the U.S. enacted an emergency rescue law that gave it power to do so and installed the federal board to help the commonwealth's government chart a financial turnaround.

Puerto Rico this year initially said it could allocate \$8 billion for debt payments through 2026, far less than the \$33.4 billion that's owed. Those plans have since been upended by the fallout from the hurricane, which Puerto Rico's federal oversight board estimates may leave a budget shortfall of as much as \$21 billion over the next two years. Puerto Rico is currently revising the fiscal plan.

Much of the recovery will depend on the U.S. government. Governor Ricardo Rossello this week asked President Donald Trump to push for \$94 billion in aid for the territory to rebuild its electricity system, homes and other leveled infrastructure.

Puerto Rico's financial recovery plans have yet to detail how any losses would be distributed among various classes of bonds backed by different legal pledges and with sometimes competing claims to the government's cash. Groups of creditors are currently fighting over that issue in court.

Jose Luis Cedenio and Edward Zayas, spokesmen for the federal oversight board, and Monica Fierres and Elliot Rivera, spokespeople for Puerto Rico's fiscal agency, didn't immediately respond to phone calls and emails seeking comment. Nor did Yennifer Alvarez, a spokeswoman for the governor.

Prices on most commonwealth securities have tumbled over the past two months. General obligations with an 8 percent coupon and maturing in 2035 fell Wednesday to 25 cents on the dollar from an average of 26.2 cents Tuesday. Some bonds trade for even less, with those issued by the infrastructure and highway agencies being exchanged for pennies on the dollar.

Bloomberg Markets

By Steven Church and Michelle Kaske

November 15, 2017, 7:43 AM PST Updated on November 15, 2017, 10:04 AM PST

— *With assistance by Rebecca Spalding*

[Still No Solution To Minnesota's Budget Impasse, But Credit Quality Is Unaffected So Far.](#)

(S&P Global Ratings) Nov. 14, 2017—The Minnesota Senate announced on Nov. 10, 2017 that it intends to lay off all 205 of its legislative staff members and possibly shut down on Jan. 12, 2018, if there is no solution to the standoff between the legislature and administration.

[Continue Reading](#)

[S&P Medians And Credit Factors: New Jersey School Districts.](#)

Over the past decade, New Jersey school districts have seen their share of financial challenges including a recession, a state-imposed tax levy limit, mid-year aid reductions, and annual school

funding that is largely disconnected from enrollment changes.

[Continue Reading](#)

Nov. 13, 2017

S&P: Incoming New Jersey Governor's Decisions Could Have A Significant Impact On Local Governments' Credit Quality.

(S&P Global Ratings) Nov. 8, 2017—New Jersey's election is over, but the magnitude of the credit risks facing Governor-Elect Phil Murphy and the newly elected legislature means the state's long-term credit conditions will remain challenging for the foreseeable future, no matter what policy direction they choose.

[Continue Reading](#)

S&P: Despite Currently Stable Credit Quality, New Jersey Municipalities And Counties Face Long-Term Stress.

Overall, the credit quality of New Jersey municipalities and counties has been stable despite the state's recent and ongoing budget problems.

[Continue Reading](#)

Nov. 13, 2017

Chicago Schools Sell \$1 Billion Bonds With Lower Market Penalty.

CHICAGO — The junk-rated Chicago Board of Education completed an up-sized bond sale on Thursday with a pricing that indicated an easing in the municipal market penalty the district has been forced to pay due to its deep financial problems.

The new and refunding general obligation bond issue was increased to \$1.025 billion from \$857.5 million. Yields in the deal topped out at 4.80 percent for bonds due in 2046.

Greg Saulnier, an analyst at Municipal Market Data (MMD), said spreads over MMD's benchmark triple-A yield scale narrowed to 213 basis points for the deal's long bonds from around 230 basis points in secondary market trading. He added that the school system was also able to offer lower coupons of 5 percent throughout the deal.

A July bond sale for the Chicago Public Schools (CPS) included heftier 7 percent coupons.

"(CPS) should realize a fair amount of savings from tighter spreads and lower coupons," Saulnier said.

The district did not respond to requests for comment about the bond sale.

Escalating pension payments have led to junk credit ratings, drained reserves and debt dependency for the nation's third-largest public school system.

The formula, which was enacted in August, allocates an additional \$450 million to CPS in the current fiscal year from new state money for operations and pensions and a local property tax increase.

On Wednesday, CPS sold nearly \$65 million of A-rated capital improvement tax bonds with a top yield of 3.94 percent for bonds due in 2046 with a 5 percent coupon.

Yields in both deals were lowered in repricings through senior underwriter J.P. Morgan Securities.

By REUTERS

NOV. 16, 2017, 5:57 P.M. E.S.T.

(Reporting by Karen Pierog; Editing by Lisa Shumaker)

Denver Turns to P3s to Manage a Major Function.

Denver has been slow to jump on the bandwagon of public-private partnerships. Well, it used to be. The city recently embraced P3 deals in a big way.

In August, the city council gave final approval to a \$1.8 billion agreement to have private vendors, led by the Spanish company Ferrovial Airports, take over concessions and renovations at the Denver airport for 34 years. Mayor Michael Hancock told the council it was the best option on the table. "You either raise taxes, you raise costs or you enter into P3s that enable us to level off the costs and share the burden with private partners," he said.

Now the city is considering public-private partnerships to expand the convention center, renovate the performing arts center and convert the National Western Center, home of the annual livestock show, into a campus for food and agriculture research and development. "As a city, we need to ask with every project moving forward whether a P3 is a good fit," says Chris Herndon, a city council member.

Agreement on the airport deal is far from universal. The major airline carriers in Denver are worried about fee increases. Some citizens have raised concerns about losing accountability of a major public asset to private firms, with a foreign contractor in charge.

City Councilwoman Robin Kniech concedes that Ferrovial, which runs London's Heathrow and other big airports, knows a lot more about design issues than the city does. Still, she says, design work could have been contracted out, without entering into a public-private partnership. One mistake many states and localities have made in recent years is signing contracts and feeling like a problem has been taken off their hands. Good contract management remains essential when outsourcing services or programs.

In the end, though, a majority of the council concluded the deal with Ferrovial was a good move for the city. Kniech ultimately was won over by the fact that Denver is retaining ownership of the facility, with the right to renegotiate parts of the deal as circumstances evolve over time. "We

avoided a mistake other cities have made,” she says. “It’s not like we turned over the keys and said, ‘We’ll see you in 30 years.’”

But Kniech and her colleagues know that while a P3 can untangle many financing hurdles, it’s not a panacea. “Somewhere along the line, we’ve formed this notion that it’s free money, or someone else’s money,” she says. “You’re getting up-front private money, but you’re always paying that back over time.”

GOVERNING.COM

BY ALAN GREENBLATT | NOVEMBER 2017

Pimco Says Puerto Rico Bonds Look Better Since Prices Fell.

- **Price on island G.O. With 8% Coupon cut in half after storm**
- **Investors must consider untested bankruptcy process, firm says**

To Pacific Investment Management Co., Puerto Rico bonds are looking more attractive.

The island’s general-obligation debt due in 2035, the most actively traded security, has lost about half its value since Hurricane Maria ravaged the territory in September, threatening to worsen the government’s financial crisis by causing damage so severe that most of the electricity system is still down. The bonds traded for an average of 27.1 cents Wednesday, an all-time low.

“With Puerto Rico general obligation bond prices down more than 40 points since March, trading for roughly 30 cents on the dollar, we think valuations are looking more favorable than in the past,” David Hammer, Pimco’s head of municipal bond portfolio management for the Newport Beach, California-based firm, wrote in a quarterly report posted on the firm’s website.

Still, he said investors need to consider the risks posed by Puerto Rico’s record-setting bankruptcy and the potential impact of the storm — and the federal government’s response — on the island’s economy, Hammer wrote.

Agnes Crane, a spokeswoman for Pimco, didn’t immediately respond to a phone message and email about whether the firm has been buying Puerto Rico general-obligation bonds.

Bloomberg Markets

By Michelle Kaske

November 8, 2017, 10:54 AM PST Updated on November 8, 2017, 1:46 PM PST

Trading in Puerto Rico Debt Is at the Highest Level in Three Years.

The volume of trading for Puerto Rico debt is at the highest in at least three years as the island seeks as much as \$21 billion in aid to help keep the government operating and paying public employees after Hurricane Maria slammed into the island in September.

The trailing 30-day daily average of commonwealth securities traded reached \$423.3 million on Monday, the highest since at least September 2014, according to data compiled by Bloomberg. It was \$422.7 million on Tuesday.

- Puerto Rico general obligations with an 8 percent coupon and maturing in 2035 traded Tuesday at an average of 27.5 cents on the dollar, near the record-low of 27.4 cents seen Oct. 25, according to data compiled by Bloomberg. The debt first sold in March 2014 at 93 cents on the dollar
- An index of commonwealth securities has lost 16.8 percent this year through Nov. 7, the biggest decline since at least 2000, according to S&P Dow Jones Indices. The broader municipal-bond market gained about 5 percent during that time while high-yield tax-exempt debt advanced 4.6 percent
- A group of hedge funds investing in the island's general-obligation bonds decreased their holdings of such debt to \$2.1 billion, as of Nov. 1, down from \$3.3 billion on July 12, according to court documents filed last week
- Puerto Rico needs \$13 billion to \$21 billion over the next two years to meet payroll and keep the government running, Natalie Jaresko, the executive director of the island's federal oversight board, said Tuesday during a Congressional hearing about Puerto Rico's recovery after Hurricane Maria

Bloomberg Markets

By Michelle Kaske

November 8, 2017, 7:32 AM PST

[Ads or Free Speech? Court Ponders Signs Blasting a Business.](#)

HARTFORD, Conn. — The Connecticut Supreme Court heard arguments Tuesday on whether local governments have the right to regulate signs on private property that criticize local businesses.

Seven years ago, Milford resident Eileen Arisian erected signs on her lawn expressing her dissatisfaction with the work of a home contractor and pointing out that the business was facing lawsuits.

The city's zoning enforcement officer said the two signs violated local regulations and ordered Arisian to take them down. When Arisian didn't comply, the enforcement officer sued.

Scott T. Garosshen, an attorney for the city, argued before the court that the signs are public announcements and amount to advertising that can be regulated by local government.

He said the broad definition of advertising used by lawmakers in giving that power to municipal governments in 1931 had "nothing to do with whether the sign says, 'Stop,' 'Eat at Joe's,' or 'Joe's has bad food.'"

He also argued that the city was not concerned with the content of the signs, but rather the number of signs, their size and distance from the street.

Justice Andrew J. McDonald questioned whether that meant someone would need city approval to put up an oversized American flag or a sign that said "Impeach McDonald."

Eileen Reynolds Becker, an attorney representing the 76-year-old widow, told the justices that the

city had overstepped its authority. She argued the government only has the right to regulate advertising that promotes the sale of goods or services.

She said her client was angry over the quality of the work on her home, which included elevating it and putting a wrap-around deck on the second floor. The contractor also had failed to secure a certificate of occupancy for the work, forcing her to move out for a time, she said.

Arisian modified her signs in response to a letter from the city, but decided to go to court after officials told her that wasn't enough.

Outside the courthouse, Becker said it was clear to Arisian that the city was simply trying to censor her speech.

"People need to know what they are allowed to do with their own properties or not and how they can express their opinions," she said. "My client feels very strongly about her free speech rights and that if she wants to hang a sign on her property, she should be allowed to hang a sign on her property."

By THE ASSOCIATED PRESS

NOV. 7, 2017, 3:06 P.M. E.S.T.

Fitch: Philadelphia School District Takeover Presents Risks and Opportunity.

Fitch Ratings-New York-09 November 2017: Philadelphia's plan to take direct control over its school district could provide needed fiscal certainty for the school district, but also could pressure the city's expenditure framework and operating performance, according to Fitch Ratings. Last week, Philadelphia's (IDR of A-/Stable) mayor announced a proposal to take back direct control over the city's coterminous school district (IDR of BB-/Stable) from a state-controlled board, and provide significant additional funding from local sources. A strong public education system could be important for the city's long-term economic growth prospects and the mayor's proposal will give Philadelphia more direct control over this key local service. The school district's financial position has stabilized in the past several years, but remains somewhat precarious as the most recent published estimates project cumulative operating deficits over the next five years totalling over \$1 billion. By fiscal 2022, the projected \$300 million annual deficit would be nearly 9% of spending. With no independent revenue raising ability, the district is entirely reliant on support from the city and the commonwealth of Pennsylvania (IDR of AA-/Rating Watch Negative).

Fitch has previously noted that both the commonwealth and city have stepped up their support in recent years and provided additional resources to the district on a one-time and recurring basis. In the most recent move, the newly enacted commonwealth budget includes provisions that appear to resolve nearly \$300 million of the projected deficit through an adjustment in the property value assessment formula that affects the commonwealth's reimbursement of the district's pension expenses.

The mayor's announcement did not include specifics on how the school district would address its remaining substantial projected operating deficit, but he did indicate that additional city resources would be the key avenue. The mayor and city council have raised taxes on behalf of the school district several times over the past few years. Fitch anticipates additional support from the commonwealth will be extremely limited, beyond modest growth in statewide K-12 basic education aid.

Currently, the school district is an independent legal entity with its own assets and liabilities, including debt and pension obligations, but entirely reliant on external stakeholders for operating revenues. Fitch's commentaries on Philadelphia have noted the city's commitment to the school district as an ongoing expenditure pressure point, and closer integration could challenge Philadelphia's expenditure framework and operating performance assessments under Fitch's "U.S. Public Finance Tax-Supported Rating Criteria". Increased spending for schools could alter the trajectory of expenditure growth and limit the city's ability to maintain or grow already limited reserves. To assess rating implications for both the city and the district, Fitch will evaluate the terms of the city's proposed takeover of the school district once they are made clearer. We will focus on how the city finds the resources to address the district's significant fiscal needs, and whether the district retains some legal independence and distinct responsibility for its pension obligations. School district debt is already factored into Fitch's analysis for the city as overlapping debt.

Fitch anticipates the state board overseeing the schools, the School Reform Commission, will vote to dissolve itself at its next meeting scheduled for Nov. 16. The commonwealth's education commissioner, appointed by the Governor who has expressed support for reverting the district back to local control, must certify the commission's decision by Dec. 31, in order for the SRC to dissolve on June 30, 2018.

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[Fitch: Policy Options Allow Flexibility for Alaska's Permanent Fund.](#)

Fitch Ratings-New York-09 November 2017: The use of Alaska's Permanent Fund Earnings Reserve (PFER) to help fund state operations may result in wide ranging outcomes, from PFER exhaustion in the next decade to an indefinite life. However, Fitch Ratings believes the state has significant flexibility to take various policy actions that could greatly influence its ability to use this source of funds over the long term.

The state of Alaska is facing an approximately \$2.5 billion annual budget shortfall due to weakness in natural resource-based revenues. A new report from Fitch explores the sustainability of funding a significant part of state expenses on a continuous basis from the PFER, the "spendable" portion of the larger Permanent Fund (PF). Accessing the corpus of the PF itself requires a state constitutional amendment.

Alaska's PF was created 40 years ago, drawing annually from state oil royalty revenues, and currently has a total value of approximately \$60 billion. The fund provides significant financial flexibility to the state, allowing it to tap into earnings generated by the PF via the PFER, the account to which accumulated PF earnings accrue. The current value of the PFER is approximately \$13 billion.

Fitch's analysis shows that state policy actions are key to strategic use of the PF. "The amount of dividend payments made to state residents and other policy decisions can significantly impact the amount available to the state to fund its operations over time," said James Batterman, Fitch Senior Director. Consequently, policy with regard to the allocation of PF income to dividend payments, along with other considerations, factor significantly in the length of time the state could rely on this source of funding.

Regardless, the earnings generated by the PF and the corpus of the PF itself are positive credit factors. "Fitch views the state's ability to draw on the assets of the PFER as a significant budget cushion, subject to practical limits," said Marcy Block, Fitch Senior Director.

The full report, "Analyzing Alaska's Permanent Fund" is available at www.fitchratings.com.

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[\\$300 Billion War Beneath the Street: Fighting to Replace America's Water Pipes](#)

Bursting pipes. Leaks. Public health scares.

America is facing a crisis over its crumbling water infrastructure, and fixing it will be a monumental and expensive task.

Two powerful industries, plastic and iron, are locked a lobbying war over the estimated \$300 billion that local governments will spend on water and sewer pipes over the next decade.

It is a battle of titans, raging just inches beneath our feet.

"Things are moving so fast," said Reese Tisdale, president of the water advisory firm Bluefield Research. And it's a good thing, he says: "There are some pipes in the ground that are 150 years old."

[Continue reading.](#)

THE NEW YORK TIMES

By HIROKO TABUCHI

NOV. 10, 2017

Wells Fargo Names Stratford Shields Head of Public Finance.

Nov 8 (Reuters) - Wells Fargo on Wednesday named Stratford Shields as managing director and head of public finance, effective immediately.

Shields will oversee a team responsible for originating and structuring capital markets products and services for municipal and nonprofit clients. [reut.rs/2hevu4z](#)

He joins from RBC Capital Markets where he was managing director and Midwest regional manager.

(Reporting By Aparajita Saxena in Bengaluru; Editing by Sai Sachin Ravikumar)

Miami Gets \$200 million to Spend on Sea Rise as Voters Pass Miami Forever Bond.

Miami voters chose Tuesday to tax themselves in order to fund nearly a half-billion dollars in government spending to help quell flooding, fund affordable housing, and pay for a slew of other public projects.

In a city as vulnerable to climate change as it is resistant to taxes, unofficial results show about 55 percent of Miami's electorate voted in favor of outgoing Mayor Tomás Regalado's \$400 million Miami Forever general obligation bond with mail-in ballots, early voting and nearly three-fourths of the city's precincts reporting. By endorsing the bond, voters have given their government the ability to borrow the money on the municipal bond market, leveraging a new property tax to pay for storm drain upgrades, economic development grants and other government initiatives.

They also handed Regalado — who made the bond about climate change and referred to it early on as his legacy — a major win on his way out the door. Regalado could not be reached on his cellphone for comment.

"Mayor Regalado deserves a lot of credit for having a vision to bring the sea level rise issue to the forefront as he ends a successful mayorship," said Wayne Pathman, a land-use attorney who helms Miami's sea-rise committee. "This is a great step in the right direction."

With the new ability to take on debt, Miami's city officials have promised to spend \$192 million on storm drain upgrades, flood pumps and sea walls to curb flooding that has worsened in recent years

and begin to fund an estimated \$1 billion in projects needed to brace the city against rising seas. Another \$100 million will pay for affordable housing and economic development, \$78 million for parks and cultural facilities, \$23 million for road improvements and \$7 million for public safety.

That the bond initiative would pass was no guarantee.

Miami's labor unions came out strong against the proposal, arguing that the city should not add \$400 million in new debt at a time it may owe its police and fire pension fund nearly a quarter-billion dollars in back-benefits. A majority of the candidates running in the city's races for commission and mayor also were against the bond or at best avoided the topic.

But Regalado got a boost on the campaign trail from a sea-rise advocacy group out of New York that dropped more than \$350,000 in anonymous money on advertising. And mother nature got in on the campaign too, bringing flooding to downtown and Edgewater during Hurricane Irma, the Upper Eastside during the fall king tides, and the financial district during an unnamed August storm related to Tropical Storm Emily.

Polling also showed that the City Commission wisely pledged in the ballot language that the bonds would not result in an increase in the city's tax rate related to capital projects debt. That's because the city — which is in good financial shape and near to paying off debt from a 2001 bond issue — will take on new debt only as old debt comes off the books.

"The bonds are a great way to raise revenue for any municipality rather than raise taxes," said Jose Ignacio Denis, a west Brickell resident who says "I don't trust government" but believes the city needs money to address its problems. "Unless I missed something, I don't see it as a tax increase."

In other ballot news:

- More than 60 percent of voters chose to allow city commissioners to vote by a super-majority to approve a 32-year lease extension for Monty's Raw Bar and marina in Coconut Grove with increased payments in order to help finance improvements to the Dinner Key retail complex.

- Voters also passed two charter amendments intended to ensure the independence of employees working for Miami's auditor general by making them direct employees of the auditor instead of civil service employees overseen by Miami's administration.

- They passed a charter amendment that will allow a candidate selected in a special election to fill a vacancy on the commission or in the mayor's office to serve out the remainder of the term, and to allow an elected city official removed from office over allegations of misdeeds to be immediately returned if absolved.

THE MIAMI HERALD

BY DAVID SMILEY

dsmiley@miamiherald.com

NOVEMBER 07, 2017 8:12 PM

[KBRA Assigns AA+/Stable Rating on the State of Wisconsin General](#)

Obligation Bonds of 2017 Series B

Kroll Bond Rating Agency (KBRA) last published a report updating its rating of Wisconsin's GO bonds on October 18, 2017. At that time, in addition to speaking with state officials, KBRA reviewed the State's new Annual Fiscal Report (budgetary basis) which was released on October 16, 2017; reviewed the State's most recent Audit of the Wisconsin Retirement System which was released on September 28, 2017; and also reviewed the State's 2017-2019 Biennium budget which was adopted on September 21, 2017. This KBRA report is substantially the same as the October 18 report except for minor updates related to the State's having provided new information regarding the first two months of Fiscal 2018. KBRA notes that this information indicates the State's net receipts, disbursements, and cash flow are tracking very close to expectations and budget.

To access the full report, please click on the link below:

[State of Wisconsin General Obligation Bonds of 2017 Series B](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

KBRA Assigns AA/Stable Rating to the TBTA General Revenue Bonds, Subseries 2017C-2

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of AA with a Stable Outlook to the Triborough Bridge and Tunnel Authority (TBTA) General Revenue Bonds, Subseries 2017C-2. KBRA has affirmed the long-term rating of AA and the Stable Outlook on the TBTA's outstanding General Revenue Bonds and the long-term rating of AA- and Stable Outlook on the TBTA's outstanding Subordinate Revenue Bonds. KBRA has also affirmed the short-term rating of K1+ on the TBTA's General Revenue Bond Anticipation Notes Series 2017A.

To access the full report, please click on the link below:

[TBTA General Revenue Bonds, Subseries 2017C-2](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

KBRA Releases Report for City of Waterbury, CT's General Obligation Debt

Kroll Bond Rating Agency (KBRA) has assigned a AA- long-term rating and Stable Outlook of the City of Waterbury, Connecticut's General Obligation, Issue of 2017, Series A and General Obligation Refunding Bonds, Issue of 2017, Series B. Concurrently, KBRA has affirmed the AA- long-term rating and Stable Outlook on the City's outstanding general obligation bonds.

To access the full report, please click on the link below:

[City of Waterbury, CT's General Obligation Debt](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Releases Reports for Orange County, FL Sales Tax Revenue Bonds & G.O. Rating](#)

Kroll Bond Rating Agency (KBRA) affirms the long-term rating of AA+ and revises from Stable to Positive the Outlook for Orange County, Florida's Sales Tax Revenue Bonds. This rating applies to all of the County's outstanding Sales Tax Revenue Bonds with the exception of the Sales Tax Revenue Bond, Series 2015 and the Sales Tax Revenue Refunding Bond, Series 2015A which were privately placed. The outlook revision takes into account the sales tax's resilience and growth since the recession and the improved coverage provided to the outstanding Sales Tax Bonds. As of September 30, 2017, the County had approximately \$215.4 million in Sales Tax Revenue Bonds outstanding.

To access the full reports, click on the links below:

[Orange County, FL Sales Tax Revenue Bonds](#)

KBRA also affirms the general obligation long-term rating of AAA with a Stable Outlook as an assessment of the general obligation bond credit worthiness of Orange County, Florida. Orange County has no outstanding general obligation debt and approval of the electorate would be needed to issue such debt. The County's total debt outstanding as of September 30, 2017 is \$1.1 billion. The debt is secured by a range of excise taxes including sales taxes, public utility taxes, and tourism development taxes.

[Orange County, FL General Obligation](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[Campaign Asks If St. Louis Area Really Needs 91 Local Governments.](#)

Advocates see savings stemming from a merger of the city of St. Louis and St. Louis County; suburban leaders fear a loss of local controls

The St. Louis region is losing population, its economy is sluggish and violent crime is on the rise.

A group of business leaders with bipartisan political backing see a common issue behind the problems—the region's multitude of local governments.

They are pushing a plan to explore the reunification of the city and county to make the region of 1.3 million people more efficient and economically competitive.

[Continue reading.](#)

The Walls Street Journal

By Shayndi Raice

Updated Nov. 3, 2017 12:19 p.m. ET

As Wildfires Raged, Insurers Sent in Private Firefighters to Protect Homes of the Wealthy.

Insurers see boost in enrollments ‘as people have seen us save homes’; consumer advocates say programs mean rich get better protections

During the worst of last month’s wildfires in Northern California, Dick Fredericks got a phone call that passed on “some magical words”: His house was safe.

The message from a private firefighting service hired by his home insurer, Chubb Ltd. CB -0.66% , was accompanied by an email with some two dozen photos, including one of the service’s firefighters pumping water from Mr. Fredericks’s swimming pool to extinguish a brush fire on his Sonoma Valley property.

Increasingly, insurance carriers are finding wildfires, such as those in California, are an opportunity to provide protection beyond what most people get through publicly funded fire fighting. Some insurers say they typically get new customers when homeowners see the special treatment received by neighbors during big fires.

[Continue reading.](#)

The Wall Street Journal

By Leslie Scism

Updated Nov. 5, 2017 1:49 p.m. ET

Prepa Bondholders Ask Court to Intervene in Storm-Recovery Effort.

Investors including OppenheimerFunds and Knighthead Capital Management filed an objection against Puerto Rico’s power utility

A group of investors in Puerto Rico have asked a federal court to intervene in the island’s storm recovery, posing the latest challenge to the way the territory is responding to Hurricane Maria.

Bondholders of the Puerto Rico Electric Power Authority filed an objection asking a federal judge to block the installation of an emergency manager, who they say doesn’t have the experience necessary for the job. They also said in their filing that Prepa leaders failed to execute a storm-response plan, exaggerated damages, and signed a no-bid, \$300 million contract with an inexperienced firm that did little to restore Puerto Rico’s power lines.

Representatives for Prepa, Puerto Rico’s financial oversight board and the island’s governor didn’t immediately respond to requests for comment.

Federal officials and other stakeholders are also questioning Prepa’s work, including the authority’s no-bid contract with the Montana-firm Whitefish Energy Holdings LLC. The deal—which has since

been canceled—prohibited audits and paid what critics say were inflated rates to Whitefish. Congress and the Federal Bureau of Investigation are reviewing the details of the deal.

While the Whitefish deal isn't central to the creditors' claims, their filing cited it as evidence of Prepa's inefficiency and poor decision making. Instead of expediting the recovery, the utility created a bottleneck because Whitefish subcontracted with the same firms that otherwise would have sent workers to Puerto Rico under mutual-aid agreements Prepa has with other U.S. utilities, the filing said.

A Whitefish spokesman didn't respond directly to the filing but sent a statement the company had released about its progress Friday afternoon. Whitefish said it brought 350 linemen to the island who have helped restore 30 miles of transmission lines, replaced or repaired more than 60 towers with helicopter airlifts, and brought power back to 500,000 people in and around San Juan.

Both Puerto Rican and federal officials have faced criticism for the recovery efforts since Hurricane Maria made landfall Sept. 20. Officials have often attributed delays to the severity of the storm, the island's disconnect with the mainland U.S., and longstanding financial and infrastructure problems.

Nearly 3,000 people are still in shelters and about a fifth of the island doesn't have access to clean water, according to the territory's site Status.PR. A fifth of bank branches are still closed, and nearly half of cell sites are down.

The death toll rose to 55 as of Thursday. But that tally may underestimate the effect of the disaster, given more people are dying from illnesses and poor medical care that, while not officially attributed to the storm, resulted from the ensuing emergency that prevented people and hospitals from getting clean water and electricity.

It could take another month or two to restore power to just half the island, Trump administration officials said Thursday in front of the House Committee on Energy and Commerce. More than 85% of the grid was destroyed, and the storm's total damage to Prepa is likely more than \$5 billion, Prepa Chief Executive Ricardo Ramos has said.

The bondholders are disputing those figures. An analysis they commissioned from PA Consulting Group says more than 85% of the system's assets are intact and restoration could cost less than \$1 billion.

These investors, including Oppenheimer Funds Inc. and Knighthead Capital Management LLC, hold more than a third of Prepa's \$8.3 billion in total outstanding debt. Puerto Rican investments have been a source conflict between Wall Street firms and the territory for years, especially after the island filed the largest-ever municipal bankruptcy last year.

The condition of Prepa's assets will now become central to those conflicts. If the utility successfully claims the assets have been destroyed, it could make it harder for the investors to get paid.

"While there is no question that Hurricane Maria did extensive widespread damage to Puerto Rico, it is now clear that the vast majority of the assets of the PREPA system weathered the hurricane well and remain substantially intact," the investors said in their filing with U.S. District Court for the District of Puerto Rico on Friday afternoon.

"The electric system could expeditiously be restored to pre-hurricane conditions with industry standard and responsible efforts," the filing said.

Even though power generators were largely unscathed, federal officials have backed up local leaders

in saying damage to transmission lines is especially difficult and expensive to fix in Puerto Rico. The main arteries cross mountainous terrain to connect power plants in the south to population centers in the north.

The federal oversight board, created by Congress after last year's bankruptcy filing, tapped Noel Zamot, its top official for economic revitalization, to assume control of reconstruction as Prepa's emergency manager. But the investors asked judges to block that appointment. Mr. Zamot has spent his career in national security, not in the utility industry, and that should be a prerequisite for his new job, the filing said.

The Wall Street Journal

By Timothy Puko

Nov. 3, 2017 7:34 p.m. ET

—*Arian Campo-Flores and Andrew Scurria contributed to this article.*

Fitch: Kentucky Pension Proposal Will Require Funding Certainty.

Fitch Ratings-New York-30 October 2017: A wide ranging proposal to address Kentucky's underfunded pension plans could gradually improve the commonwealth's credit as large and growing pension obligations have been one of its key rating challenges, Fitch Ratings says. However, the proposal faces likely legal, and possibly legislative, challenges before becoming law. Kentucky's recurring funding of pension contributions also remains uncertain.

The governor's proposal is complex and the budgetary costs have yet to be formally estimated. The wide-ranging plan includes moving some new employees to defined contribution or hybrid plans, changing age and service requirements, and other reforms similar to those adopted in other states. The proposal would also statutorily require the commonwealth to make the actuarially required contributions (ARC) to the plans each year over the coming 30 years.

Republican leadership of the commonwealth's house and senate announced the plan with the governor last week but several Democrats and various employee and retiree groups have already gone public with their opposition. If the proposal passes the legislature with benefit cuts it would likely spur legal challenges.

Kentucky's ratio of long-term liabilities to personal income, which includes both net tax-supported debt and net pension liabilities, is among the highest of US states. Using recent data and applying Fitch's 6% investment return assumption, this metric for Kentucky measures 24%.

Setting Kentucky's pensions on a more sustainable path ultimately depends on the commonwealth consistently making ARC over time. The commonwealth has historically not met the full ARC for its two primary pensions systems, Kentucky Employee Retirement Systems Non-Hazardous Plan (KERS-NH) and the Teachers Retirement System (TRS). Recent legislative action corrected this situation for KERS-NH and the ARC was fully funded in the current biennial budget, ending on June 30, 2018, along with an additional \$126 million to help address the sizable unfunded liability. For TRS the current biennial budget includes appropriations for 94% of the ARC with nearly \$1 billion in additional funding. However, that funding is heavily reliant on nonrecurring revenue.

Fitch anticipates the governor will call a special session this year to consider the proposal and it may be more likely to be adopted as Kentucky's pension funding pressures are among the worst of any US state. KERS-NH reported a funded ratio of just 16% as of its 2016 valuation, the weakest of the commonwealth's plans. Fitch considers a plan at this level at risk of converting to a pay as you go system. We calculate converting KERS-NH to pay as you go would mean a 60% increase, or approximately \$300 million, in budgetary demands for benefits paid by that system.

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[Philadelphia Builds 'All-In-One' Property Mapping Tool.](#)

A new Web-based property data search tool in Philadelphia will bring zoning, assessment value, 311 reports and more under one application.

Open data is turning a corner in Philadelphia with the launch of a new city platform, Atlas.

The new Web-powered platform uses mapping to bring a property's deed information, value assessment, 311 call history, zoning and other data into one location, accessible by just a few mouse clicks.

"You might say that 90 percent of all the data that the city is managing has a location component," said Mark Wheeler, Philadelphia's chief geographic information officer and deputy CIO for Enterprise Data and Architecture, as he took reporters on a virtual tour this week. The new platform goes live on Nov. 14.

Atlas, described as an "all-in-one tool," was built largely in-house last year by the Office of Innovation and Technology. It's an address-based system, which means it will search by address, but also street intersections or a Department of Records registry number. You can also simply zoom into the map and click on a parcel. Atlas will then indicate the address, and offer four drop-down tabs labeled: assessments, deeds, permits and zoning. Click on, for example, deeds, and the tool will outline the property showing its borders and offer other information recorded on deeds, such as the property's square footage.

The power of Atlas, say its developers, is the way it takes disparate pieces of information related to the city's some 570,000 deeded lots, gathered over many years, and puts them in one place for easy searching by residents, city officials, real estate developers, economic development officials and others.

"Depending on the question you are asking related to what is happening at an address, you can use six apps, you could use up to a dozen apps," said Wheeler, recalling the tedious nature of sifting through property information.

"What the city and the public really need is an all-in-one tool," said Wheeler. "So, the team

developed Atlas.”

Atlas is designed for any type of user, using almost any type of device. City staff are currently working out the kinks for the app to operate on mobile devices, said Robert Martin, an application developer in OIT.

“The app will sort of rearrange itself so that the map will stay at the top of the screen on a phone ... and then you can scroll through the rest of the information,” he explained.

“I think the users are going to be anyone in community groups that want to know what’s happening in their neighborhood,” said Wheeler. “Anyone interested in what development, what projects, crime, 311. It will all be in one place.”

How often will Atlas be updated?

“It depends on who generates the data within the city,” Wheeler said. For example, data related to criminal activity or 311 is updated every 24 hours, he added.

“Other data, like zoning, happens when there’s a new ordinance,” Wheeler remarked.

Since Atlas is largely built around the searchability of addresses, these proved to be one of the biggest hurdles for the site’s developers. The system has to be able to decipher various address formats.

“City departments, and their own individual systems over time, have developed name changes to addresses,” said Wheeler.

“When you type in an address you’re reaching back to all of those systems to get information across many, many departments,” added Tom Swanson, chief enterprise architect for the project and a member of the city’s IT department.

“You type an address into Atlas and AIS (address information system) breaks it apart into components that we can match up to similar standardized addresses in the system,” Swanson explained.

Ultimately the concept of building an open data platform that could be replicated by other cities, remained a guiding concept throughout the platform’s development, say its developers.

“The goal was really to build a framework that any city could use,” said Swanson. “And we really tried to do that.”

Open data Web-mapping portals related to property, city finances, city infrastructure and other information are can also be found in many other cities like Tacoma, Wash., Modesto Calif., and Greensboro, N.C.

GOVTECH.COM

BY SKIP DESCANT / NOVEMBER 3, 2017

[KBRA Upgrades the City of Waterbury, CT’s General Obligation Debt Rating](#)

Kroll Bond Rating Agency (KBRA) has upgraded the long-term rating of the City of Waterbury, Connecticut's general obligation bonds to AA- from A+. The outlook is Stable.

KBRA's rating action reflects the continued strong fiscal controls of the city, recognition of the city's demographic recovery from the recession, improving taxbase, improved reserve position and containment of OPEB liabilities.

This rating is based on KBRA's [U.S. Local General Obligation Rating Methodology](#).

To access the full report, please click on the link below:

[City of Waterbury, CT G.O. Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Assigns AA/Stable to the Triborough Bridge and Tunnel Authority General Revenue Refunding Bonds, Series 2017C](#)

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of AA with a Stable Outlook to the Triborough Bridge and Tunnel Authority (TBTA) General Revenue Refunding Bonds, Series 2017C. KBRA has affirmed the long-term rating of AA and the Stable Outlook on the TBTA's outstanding General Revenue Bonds and the long-term rating of AA- and Stable Outlook on the TBTA's outstanding Subordinate Revenue Bonds. KBRA has also affirmed the short-term rating of K1+ on the TBTA's General Revenue Bond Anticipation Notes Series 2017A.

To access the full report, please click on the link below:

[TBTA General Revenue Refunding Bonds, Series 2017C](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Releases Rating Report for Chicago's Sales Tax Securitization Corporation's Sales Tax Securitization Bonds Series 2017 A&B](#)

Kroll Bond Rating Agency (KBRA) has assigned a AAA long-term rating to the Sales Tax Securitization Corporation's Sales Tax Securitization Bonds Series 2017 A and Taxable Series 2017B.

KBRA believes the Bonds have strong legal and structural protections that insulate its pledged Sales Tax Revenues from day-to-day operating and financial risk of the City. After review of the Public Act 100-0023, the transaction documents and legal opinions, KBRA believes these protections apply even in the unlikely event of an insolvency or bankruptcy of the City.

After reaching the opinion that the Corporation has effectively and irrevocably acquired the pledged revenues through a true sale, and that the pledged revenues are insulated from ongoing operating

and financial risk of the City, KBRA then examined and developed stress scenarios of the cash flow derived from the pledged revenues.

In all of the considered stress cases, the pledged revenues substantially covered annual debt service requirements. KBRA stated that even under severe economic downturns and other stressful scenarios, the pledged Sales Tax Revenues will remain more than sufficient to meet timely principal and interest requirements on the Bonds.

Please click on the link below to access the full report:

[Chicago's Sales Tax Securitization Corporation's Sales Tax Securitization Bonds Series 2017 A&B](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

KBRA Revises Outlook for Board of Ed of Chicago Dedicated Capital Improvement Tax Bonds to Positive from Negative & Assigns BBB to Board Series 2017

Kroll Bond Rating Agency (KBRA) has assigned a BBB long-term rating and Positive Outlook to the Board of Education of the City of Chicago ("Board") Dedicated Capital Improvement Tax Bonds Series 2017. Concurrently, KBRA has affirmed the BBB rating and revised the Negative Outlook to Positive for the Board's outstanding Dedicated Capital Improvement Tax Bonds Series 2016. These actions are summarized below.

The Positive outlook reflects KBRA's assessment of recent reforms that have provided the Board with additional state and local resources to re-build reserves, re-establish structural balance and improve liquidity, while reducing reliance on short-term borrowing and non-recurring sources. The hold harmless provision of the State's new school funding formula provides significant budget flexibility, and operations have additionally been abetted by an increase in local sources. KBRA will closely monitor operational and financial performance during the course of the current fiscal year.

To read the full press release, [click here](#).

KBRA Revises Outlook for Board of Ed of Chicago Ultd Tax GO Bonds (Dedicated Rev) Series 2016 A&B & Ultd Tax GO Bonds (Dedicated Alt Rev) to Positive

Kroll Bond Rating Agency (KBRA) has affirmed the BBB long-term rating and revised the Negative Outlook to Positive for the Board of Education of the City of Chicago ("Board") Unlimited Tax General Obligation Bonds (Dedicated Revenues) Series 2016 A&B. Concurrently, KBRA has affirmed the BBB- rating and revised the Negative Outlook to Positive for the Board's outstanding unlimited tax bonds. The rating distinction reflects an opinion reviewed by KBRA external counsel that pledged property taxes under the Alternate Revenue structure would likely be treated as special revenues in a Chapter 9 proceeding. This opinion was only provided in conjunction with the Series 2016 A&B Bond issuance. The rating actions are summarized below.

The Positive outlook reflects KBRA's assessment of recent reforms that have provided the Board with additional State and local resources to re-build reserves, re-establish structural balance and improve liquidity, while reducing reliance on short-term borrowing and non-recurring sources. The hold harmless provision of the State's new school funding formula, provides significant budget flexibility, and operations have additionally been abetted by an increase in local sources. KBRA will closely monitor operational and financial performance during the course of the current fiscal year.

To read the full press release, [click here](#).

Connecticut Lawmakers Approve Budget That Rescues Hartford.

- **City's bonds gain as aid eases the risk of default, bankruptcy**
- **Senate, House approve it with enough support to override veto**

Connecticut lawmakers ended a four-month impasse over the budget by approving steps to close the state's \$3.5 billion deficit and provide nearly \$50 million keep Hartford from collapsing into bankruptcy.

The House of Representatives and the Senate both passed the spending bill Thursday with enough support to ensure it won't be struck down by Governor Dannel Malloy.

The plan closes the deficit in part by eliminating sales-tax transfers to a municipal aid fund, raising hospital taxes and reducing earned income tax credits for the poor. It also extends a financial rescue to the state capital, Hartford, whose mayor has said it could be forced to seek bankruptcy as soon as next month if the state didn't provide such help. The budget would give the city as much as \$48 million a year, enough to cover almost all of its deficit.

"We provide stabilization for the capital city of Hartford, avoiding, I pray, a bankruptcy that will reverberate well beyond the city," said Senator John Fonfara, a Democrat who represents parts of Hartford.

The rescue plan, which was cobbled together last week, has pushed up the price of Hartford bonds, with securities due in 2023 rising to an average of 83 cents on the dollar over the last two days from as little as 67 cents earlier this month. That pared the losses that came after Mayor Luke Bronin raised the specter of a potential bankruptcy and credit-rating companies cut its debt deeper into junk because of the risk of a default.

If Hartford went bankrupt, it would be the biggest U.S. city to do so since Detroit's collapse four years ago. Hartford, where a third of its 123,000 residents live in poverty, faces a \$50 million deficit, nearly 10 percent of its budget. The shortfall is projected to rise to \$83 million by 2023.

"We wish to express our sincere thanks to the legislative leaders of both political parties, who came together across party lines and embraced a responsible, collaborative approach," Bronin, Treasurer Adam Cloud and City Council President Thomas "TJ" Clarke II said in a joint statement.

"We cautioned against a short-term fix or Band-Aid, and our legislative leaders agreed, providing tools that make a sustainable solution possible."

The city will work with its "stakeholders" to stabilize and revitalize Hartford, they said.

In a statement shortly after the vote, the governor's office said a review of the legislature's budget had "already uncovered egregious problems" with the hospital tax that could put the spending plan out of balance by more than \$1 billion.

"Staff will continue to analyze the bill, weighing its merits and faults, so that the governor can arrive at an informed and carefully considered decision regarding his support," said Kelly Donnelly, a spokeswoman for Malloy.

The budget would lend the state's backing for a refinancing of Hartford's debt and provide \$20 million annually to cover interest payments. Refinancing some of the city's \$620 million debt would allow it to avoid a spike in interest and principal payments starting in 2021 by extending maturity dates on the securities. The budget also creates a \$28 million restructuring fund that Hartford could tap.

In an effort to deter Hartford from filing for bankruptcy, a step that would have to be approved by the state, the budget prohibits Connecticut from providing debt service assistance to any municipality that does so.

Assured Guaranty Ltd. and Build America Mutual Assurance Co., which insure more than half of Hartford's bonds, have offered to assist the city by guaranteeing a refinancing. Local insurance companies Hartford Financial Services Group Inc., Travelers Cos. and Aetna Inc. have pledged to give the city \$10 million a year for five years as part of a "comprehensive and sustainable solution for Hartford."

Connecticut has previously lent its commitment to pay debt service to a parking garage, convention center and science museum in Hartford. The state is rated A1 by Moody's and A+ by S&P Global Ratings and Fitch Ratings.

The state aid package won't be a "cure all" for the capital, said Tim Heaney, senior managing director at Newfleet Asset Management in Hartford, which does not own the city's debt.

"I don't think \$40 million is enough to wipe all their problems away," Heaney said.

Hartford's problems partly lie in its revenue structure, he said. About half of property is tax-exempt, and changing that would be contentious, he said. "If the state were to alter that payment process, then would the state do that for other cities?" he said.

Connecticut's aid to Hartford comes with strings attached. The budget would also establish a Municipal Accountability Review Board composed of representatives of the governor, the treasurer and labor that would have the power to review Hartford's budgets, bond issues and collective bargaining agreements.

"Hartford's got to know, this is your shot — don't screw it up," said Republican Senate Pro Tem Len Fasano.

Bloomberg Markets

By Martin Z Braun

October 25, 2017

— With assistance by Amanda Albright

One of Hartford's Big Bondholders Doesn't Foresee Default.

- **Connecticut doesn't want bankrupt capital, Wells Fargo wagers**
- **City bonds are trading for around 71 cents on the dollar**

One of Hartford, Connecticut's biggest bondholders isn't too worried the distressed capital city will default on its debt, even though Moody's Investors Service has warned that one could come as soon as next month.

Lyle Fitterer, the head of municipal securities investments for Wells Fargo Asset Management, said in an interview that the state is likely to help pull Hartford back from the financial brink. Wells Fargo holds \$40 million of Hartford general-obligation bonds, about \$26 million of which is insured against default, according to Sarah Kerr, a company spokeswoman. That's a bigger stake than any other firm that has disclosed its holdings in regulatory filings, according to data compiled by Bloomberg.

"We don't think the state wants to see Hartford file bankruptcy," he said, though the firm hasn't added to its investment recently. Mayor Luke Bronin has warned that it may need to seek court protection from creditors if Connecticut doesn't enact a budget that provides a financial rescue.

The prices of Hartford bonds have tumbled since the 123,000-resident city began exploring a potential bankruptcy and credit-rating companies downgraded it deeper into junk. Its general-obligation bonds due in 2024, one of the most frequently traded securities, have traded for an average of 71 cents on the dollar this month, down from more than 100 cents as recently as April.

In a Oct. 18 report, Moody's said the city is likely to skip payments on its debt as early as November unless it secures help from the state and concessions from bondholders and municipal employees.

"The marketplace continues to have uncertainty with regards to issuer willingness to pay debts given some of the experiences with Detroit and now looking at Puerto Rico and some of the continued declines in prices there," Wells Fargo portfolio manager Gabriel Diederich said.

A bankruptcy by Hartford would be the biggest by a U.S. city since Detroit's four years ago, and lawmakers have been working on a plan to prevent that from happening. Municipal bankruptcies are extremely rare, given that local governments can typically raise taxes to cover their obligations. Hartford is hobbled in part because its property taxes are already the highest in the state and much of its property, including government buildings, is tax exempt.

A bipartisan budget that the legislature may vote on as soon as this week would give Hartford about \$20 million in aid and provide \$20 million a year to cover costs on its bonds, said Matt Ritter, the majority leader in the state's Democrat-controlled House of Representatives. Hartford would also be able to issue debt backed by Connecticut, which would allow it to save money by refinancing at lower rates.

Hartford has \$1.3 million and \$1.7 million in general-obligation bonds maturing Nov. 15 and Dec. 1, respectively, according to data compiled by Bloomberg. It also has \$20.2 million in notes coming due at the end of this month.

Fitterer said the firm has stuck with its investment in Hartford because both Republicans and Democrats have proposed giving aid to the city, though they differed in how much they offered. He said Connecticut officials also likely fear that a bankruptcy would penalize other borrowers in the

state if investors demand higher yields to hold their bonds.

Still, Fitterer said he takes Bronin's bankruptcy threat seriously.

"One of the old sayings is you generally don't hire bankruptcy counsel unless you're going to file bankruptcy — it's not a cheap proposition."

Bloomberg

By Amanda Albright

October 25, 2017

— With assistance by Martin Z Braun

[Detroit Leveraging State Gas Tax Hike to Jump-Start Street Repairs.](#)

- Detroit is borrowing \$124.5 million to revitalize two dozen commercial corridors.
- The city is pledging new road funding from the state's 2016 fuel tax and vehicle registration fee increases.
- JPMorgan Chase & Co. was selected from 18 lenders to finance the capital improvements.

Detroit plans to jump-start improvements along commercial corridors by borrowing \$124.5 million from JPMorgan Chase & Co. with the city's share of Michigan's new road funding from increases in fuel taxes and vehicle registration fees.

City Council voted Tuesday in favor of a private-placement borrowing arrangement in which JPMorgan Chase buys tax-free municipal bonds through the Michigan Finance Authority that would be dedicated to Detroit.

The bond sale is expected to close by mid-November, pending approval of the Detroit Financial Review Commission and the Michigan Finance Authority.

Detroit's use of new Act 51 transportation revenues is believed to be the first large-scale borrowing by a municipality in recent years to try to accelerate street repairs from the \$1.2 billion pool of new road funding that state lawmakers phased in over half a decade.

"Rather than pay as we go and do a little bit through the year 2022, the bond element allows us to accelerate that chunk through three construction seasons," Detroit Finance Director John Naglick said. "I think we're the first, you'll find. It was an innovative idea on our part."

Rare move

Detroit's use of the Michigan Finance Authority as a bonding conduit to pledge road funding dollars through a private placement borrowing is rare.

Marquette was the last city to do it in 1999, borrowing approximately \$2.5 million, according to the state Treasury Department.

The bonds are Detroit's first post-bankruptcy borrowing to directly fund street infrastructure improvements. The \$245 million in bonds Detroit issued in July 2015 were for funding reinvestment

in city services and settling some debts with creditors, Naglick said.

“Obviously a bond with the Michigan Finance Authority’s name on it gives the bondholders more comfort than having the city of Detroit’s name on it,” Naglick said.

Detroit selected JPMorgan Chase after getting 18 solicitations from banks and narrowing it down to JP Morgan, Barclays, Bank of America and Citibank, Naglick said.

Naglick said JPMorgan Chase was selected, in part, because the bank offered to let Detroit draw the \$124.5 million over three separate construction seasons at an interest rate of 3.064 percent.

The city’s financing plan with JPMorgan Chase calls for withdraws of \$41.5 million by October 2018, \$48.5 million in the 2019 construction season and \$34.5 million in 2020. The bonds will mature by 2032 with a maximum annual debt service of \$13.2 million.

“Under a delayed draw term loan, you only start paying interest when you draw the money,” he said. “It more matched up with our needs.”

The delayed-draw financing locks in interest costs and eliminates additional fees for bond counsel and financial advisers, Naglick said.

Detroit also was able to avoid getting into any kind of interest rate swap arrangement like the kind that led the city into bankruptcy four years ago, Naglick said.

“The city’s got a bad history with trying to hedge interest rates, so that was off the table,” he said.

Miller Canfield Paddock and Stone PLC served as the city’s bond counsel and FirstSouthwest is the city’s financial adviser in the deal, Naglick said. JPMorgan is being represented by bond counsel from Dykema Gossett PLLC and the Michigan Finance Authority’s bond counsel is Dickinson Wright PLLC.

Transaction costs are expected to be less than \$1 million, Naglick said.

\$317 million plan

The \$124.5 million is part of the Duggan administration’s \$317 million, five-year plan to revitalize commercial corridors in the city. About 22 miles of commercial corridors are scheduled to get a face-lift.

Closing for the bond sale is scheduled for Nov. 15, pending approval of the FRC and MFA boards.

State Treasurer Nick Khouri, who chairs the FRC and MFA, said he favors Detroit’s plan to “front load” road construction and infrastructure improvements that could foster economic development.

“I think this is an appropriate, fine use of bonding,” Khouri told Crain’s. “The first rule of bonding is never bond for current operations. Bond for roads and sewers over a long period of time.”

The state treasurer added: “It makes sense from a public finance view that you’re bonding for a public asset and paying off that asset over a number of years.”

Crain’s Detroit Business

October 24, 2017 2:08 p.m.

By CHAD LIVENGOOD

Florida NIMBYs Can't Stop America's First Private High-Speed Rail.

In Mar-a-Lago's backyard, a fast new train and millions of dollars in transit-oriented development are reshaping the landscape.

Inside a massive West Palm Beach garage, sleek yellow and silver train cars outfitted with high-tech controls and plush leather seats sit and wait. Manufactured by Siemens in a new California plant and owned by All Aboard Florida, a subsidiary of one of Florida's oldest real estate, infrastructure and rail companies, the train doesn't look like anything the United States has seen before. It isn't. When the custom-built, high-speed "Brightline" coaches start running later this year, they will be the nation's first privately run trains in more than 30 years — and the first ever in a new generation of fast, privately operated U.S. rail.

All Aboard Florida's \$3 billion Brightline express train is a bet on a denser, more connected and less car-addicted Florida — and a bet on a growing international industry that the U.S. has long lagged behind on: private high-speed rail. It will provide the first direct transit connection between downtown Miami and the region's other two largest cities, Fort Lauderdale and West Palm Beach (Tri-Rail stops at the Miami Airport), since the 1960s. In a part of South Florida that has long been the Sunshine State's densest corridor with more than 6 million residents and a seasonal flow of tourists, the new rail service promises to cut commutes between Miami and West Palm by an hour or more. Brightline supporters say the train could take as many as 3 million cars off the road.

[Continue reading.](#)

NextCity

by Chris Persaud

Oct 23, 2017

Bonds Emerge Unscathed from Devastating California Fires.

LOS ANGELES — The devastating California fires destroyed lives, homes and businesses, but haven't killed the state's unassailable optimism.

With federal and state aid and insurance payouts estimated in the billions, investors, analysts and government finance officials all expect that homes and businesses will be rebuilt, and that the impact on local government bottom lines will not be as devastating as the fires' wrath.

More than 245,000 acres and an estimated 8,400 structures burned in the northern California fires that started Oct. 9 and were expected to be contained by Friday, according to the California Department of Forestry and Fire Protection.

No long-term impacts are anticipated for local governments, school districts or holders of bonds in the region's assessment districts, according to analysts and bond investors.

"Despite the damage inflicted by the Northern California wildfires, affected public finance issuers will likely endure minimal, if any lasting credit effects," said Moody's Investors Service in an Oct. 23 report.

"Given the nature of the structural damage, the rebuild will likely take years to complete, and because of high property values in the affected areas and the availability of insurance proceeds, we expect most home and business owners to rebuild," S&P Global Ratings said in an Oct. 25 report.

S&P, which rates 77 issuers in the affected area, said property tax relief to homeowners may lead to near-term stress on local governments.

"Right now, we are going through a triage of helping property owners who have been affected to get their home values reassessed," said Erick Roeser, Sonoma County's treasurer-tax collector.

The county hopes to have a better sense as to how many homes in Sonoma County will be reassessed in the next few weeks, Roeser said.

"As that process gets underway, Californians will be aided by state laws designed to ease the burdens they face, including property tax reductions," S&P analysts wrote. "However, while providing support to residents, these incentives could create pressure for local governments."

State law provides for property value reassessments and corresponding property tax adjustments, S&P analysts wrote. The state also has a Special Fund for Economic Uncertainties that can backfill property tax losses to local governments impacted by reassessments.

The Department of Finance can allocate funds from the special fund if authorizing legislation is enacted, S&P analysts wrote. Since that involves the state budget process, several months could pass before local governments see such relief, S&P said.

Though local governments could experience a short-term crunch, S&P said the rebuild will likely result in a boost to sales tax and assessed value further along in the rebuild.

Moody's rates 32 credits with public ratings and five with nonpublic ones in the affected areas of Napa, Sonoma and Mendocino counties, though not all are in the impacted areas.

"We are conducting individual assessments, but most issuers have strong credit quality and we expect few will face a difficult and extended recovery period," Moody's analysts wrote.

The 21 school districts, along with three rated cities, two community college districts and a hospital district, carry a combined assessed valuation of \$386 billion, Moody's said. This far exceeds estimates that damage costs could reach as high as \$6 billion, analysts said.

National rates of fire insurance coverage for homeowners exceed 90% as compared to only 15% of homeowners in Harris County, Texas who were insured for flooding losses caused by Hurricane Harvey, Moody's said.

Though State Farm, the largest insurer, is estimating a \$4.6 billion loss, people are insisting on rebuilding, said Michael Ginestro, former director of municipal research for Bel Air Investment Advisors.

"I think the Valley comes along stronger than ever three to five years from now," Ginestro said.

Ginestro doesn't expect there will be delays in getting state funding out.

"I think Gov. Brown knows this is a huge part of the state's GDP — and that we need to bring this part of the state back fairly quickly," Ginestro said.

In Sonoma County, finance officials say it is too soon to say what the impact on the county's bottom line will be.

"We have a very resilient county," Roeser said. "The board and county workforce reacted in a really amazing way."

The people are united in their effort to help people get started on the rebuilding process, Roeser said.

"As far as the impacts to the county, I can only guess what the impact will be in the long run, but in the short run, we are helping people on the rebuilding process," Roeser said. "We are a great destination and a great place to live and I don't see that changing."

Roeser noted that S&P Global Ratings said no rating changes were needed for the three impacted counties.

Without exception, everyone interviewed said the affluent region best known for the \$58 billion wine industry will rebuild. They also said that that Mello-Roos bonds and similar assessment debt for community facilities districts were not likely to be affected.

Dan Massiello, senior vice president of public finance for Kosmont Cos., looked at some of the assessment districts in areas devastated by fire.

"The assessments are not like ad valorem taxes – the assessments are absolute; they are an override through special taxes," Massiello said. "The value of the property is security to the bondholders."

The assessments are senior to the mortgage, Massiello said. So the issue becomes one of if homeowners would decide to abandon their properties and not pay taxes. That is an option that no one interviewed believes is likely.

The only way the Mello-Roos or similar "dirt" bonds would be at serious risk is if 100% of the homeowners defaulted, because then there would only be a half year of reserves to cover debt service, Massiello said.

"I would guess that people would want to stay and not lose their property for the lack of making tax payments while they rebuild," Massiello said.

"There is always a risk in land-secured bonds that if the value of the property drops significantly then the property owners are less inclined to pay their taxes and assessments," said Patricia Eichar, a land-based attorney with Orrick, Herrington & Sutcliffe.

"That is a risk inherent in all land-secured debt – that the property owners might abandon the property —and then the only option is to take the land and foreclose," Eichar said.

But given that most of the areas in northern California impacted by the fire were affluent areas, Eichar does not think that is likely.

"Maybe a handful of property owners will walk away, but that is what reserve funds are for," Eichar said.

"If you compare it to the Oakland Hills fire [in 1991], the property owners in that entire community rebuilt," she said. "It took some longer than others, but they rebuilt – and that is what I would expect to see here."

There may be some one-off dirt bonds with slim coverage and a small tax base, but the general redevelopment agency space and so-called dirt bonds will likely be more attractive to investors, Ginestro said, because there is federal and state funding combined with private insurance to fill any gaps.

It might be a different conversation in a less affluent part of the state, Ginestro said, but the people in Santa Rosa are not likely to move away. And both Sonoma and Napa counties are double-A rated, he said.

The private insurance companies could be the wild card.

"If they don't front the money quickly those bonds could see an impact," Ginestro said. "But State Farm is the largest carrier and they are a pretty solid insurance company."

Investors do have one positive: the Mello-Roos is non-ad valorem, so it will not fluctuate even if the value of the property declines significantly, said Tom Schuette, partner and co-head of the Investment Research & Strategy department at Gurtin Municipal Bond Management.

Property taxes on the other hand, are based on assessed values – so could will go down as the property value declines, he said.

"So, they have to hope that a sufficient number of owners continue to make their payments," Schuette said. "I suppose if you hold these bonds you are essentially banking on these homeowners wanting to hold onto the property even if their home has been destroyed. If they don't pay their Mello-Roos, the taxing district can start foreclosure proceedings."

The bondholders should be in good shape, but the cities will have a battle of their own, Massiello said. Property taxes in California are due Nov. 1 – and there is a line of people at the assessor's office in affected counties asking that there property taxes be reassessed.

"We have a FEMA center in downtown Santa Rosa where property owners can address a variety of needs," Roeser said. "Part of the process it that they can apply for a calamity reassessment."

The amount of ad valorem property taxes collected will in many cases go down, because the houses will be reassessed based on the land, instead of on the now non-existent structures.

The school districts and governments could feel the crunch. For instance, if the land was assessed at \$200,000, but with improvements at \$400,000, the total assessment went down by \$200,000.

The Bond Buyer

By Keeley Webster

October 26 2017, 1:18pm EDT

Bond Market's Dip Didn't Hit \$4.5 Billion Illinois Sale.

- **Deal has yields comparable to last week's sale despite drop**
- **Proceeds will pay down bill backlog left from record impasse**

The bond-market drop didn't diminish demand in Illinois's biggest debt sale in more than a decade.

As the state marketed \$4.5 billion of bonds Wednesday, securities due November 2028 sold at a preliminary yield of 3.77 percent, according to two people with knowledge of the pricing who requested anonymity because the yields aren't final. That is repriced from the 3.74 percent offered earlier and is slightly lower than the 3.78 percent yield for the November 2029 portion of last week's \$1.5 billion deal, even though bond prices have slid since then.

Investors said the yields are alluring, with benchmark 11-year tax-exempt debt paying about 2.1 percent.

"The issuer still offers a tremendous amount of yield in a pretty yield-starved environment," said Gabriel Diederich, fixed income portfolio manager at Wells Fargo Asset Management, which holds \$41 billion in municipal bonds, including those issued by Illinois. "Outside of this little supply hump here with this deal, there really hasn't been much muni issuance before this or likely in the weeks ahead."

The deal comes after Illinois avoided becoming the first junk-rated state because lawmakers overrode Governor Bruce Rauner's veto of tax hikes to end a two-year budget impasse in July. The proceeds from Wednesday's deal, as well as the borrowing last week, will pay down \$16.6 billion of unpaid bills that piled up during the budget stalemate.

The offering is the state's biggest since 2003 and the largest offering of municipal bonds since 2009, according to data compiled by Bloomberg.

Last week's Illinois offering is already showing signs of tightening. Bonds with a 5 percent coupon due in November 2029 traded at an average spread of 1.7 percentage points on Wednesday, compared to 1.8 percentage points when it sold on Oct. 17, according to data compiled by Bloomberg.

The securities are rated Baa3 by Moody's Investors Service and BBB- by S&P Global Ratings, which are both one level above junk, while Fitch Ratings grades the securities BBB, two levels above junk.

"Clearly the passage of a budget, the performance of the revenue enhancements with the income-tax, paired with the ability to refinance high-cost payables at much lower levels, is positive for the state," Diederich said. "But the need for expense and pension reform remains and will be a limiter on this name trading substantially tighter."

Bloomberg Markets

By Elizabeth Campbell and Danielle Moran

October 25, 2017

Even Illinois's CFO Doesn't Know How Many Bills Are Unpaid.

- **Bill would require agencies to report unpaid bills monthly**
- **Measure ‘favorable from a credit perspective,’ investor says**

How big is Illinois’s pile of unpaid bills? Even the state’s chief fiscal officer doesn’t know for sure.

The state sold \$4.5 billion of bonds on Wednesday to help pay down the estimated \$16.6 billion it owes to contractors, health care providers and others who waited to get paid during Illinois’s record-long fight over the budget. But Comptroller Susana Mendoza, a Democrat, says her office doesn’t know the size of that backlog for sure, and she wants that to change.

Under current law, state agencies only have to report to the comptroller once a year — on Oct. 1 — the amount of unpaid bills they had by the end of June, making the information already outdated by the time it’s submitted. According to the comptroller’s website, the backlog reached \$16.6 billion as of Oct. 24, including an estimated \$6.1 billion of unpaid bills with state agencies.

To get a better picture of how deeply Illinois is in debt, Mendoza is urging lawmakers to override Republican Governor Bruce Rauner’s veto of a measure that will require state agencies to report bills on a monthly basis and include how old the bills are, whether funds have been appropriated to pay those bills and how much interest is owed. The Illinois House of Representatives voted to override the veto on Wednesday. The Senate must do the same for the bill to become law.

“This is a first step in hopefully even giving the markets greater confidence that Illinois is moving in the right direction when it comes to full transparency on our finances,” Mendoza said in a telephone interview.

The legislation is “definitely favorable from a credit perspective,” said Eric Friedland, Lord Abbett’s director of municipal research in Jersey City, New Jersey. He noted that the amount of unpaid bills isn’t a surprise to investors who monitor the state’s finances, but requiring monthly reporting may spur Illinois leaders to reduce the number of unpaid bills.

“In my opinion, if they have to report every month in a transparent way, then that will hopefully cause this practice to change for the better,” said Friedland, whose firm manages about \$20 billion of municipal debt, including some Illinois bonds.

In his veto message on Aug. 18, Rauner applauded the push for transparency but criticized Mendoza for trying to “micromanage” agencies, adding that they don’t have the technology to meet the requirements in the bill.

Mendoza disagrees, saying that agencies are equipped to put those numbers together. The bill would help Mendoza keep track of how much interest the state is paying: She estimates that Illinois is already on the hook for \$900 million in late-payment penalties.

Bloomberg Markets

By Elizabeth Campbell

October 25, 2017, 10:05 AM PDT October 25, 2017, 2:10 PM PDT

Bond Funds Dump Puerto Rico.

Franklin Resources Inc., one of Puerto Rico's largest creditors, sold hundreds of millions of dollars of the island's bonds in recent days, part of an exodus of investors hurt by accelerating losses in the wake of recent hurricanes.

A swath of mutual funds and hedge funds that held on to a portion of Puerto Rico's roughly \$70 billion of bonds even after the island started bankruptcy proceedings last year are now throwing in the towel. That includes Franklin Mutual Advisers LLC, a Short Hills, New Jersey-based unit of Franklin Resources, which has sold its entire \$294 million stake in Puerto Rico general obligation bonds, people familiar with the matter said.

Bonds with a total face value of \$8.24 billion have changed hands this month through Monday, more than in any full month since the beginning of 2015, according to Municipal Securities Rulemaking Board data. The only time trading approached that level was July 2015, after Puerto Rico's then governor said the island's debts were "not payable."

Puerto Rico bonds since 2014 have attracted a variety of distressed-debt investors, especially hedge funds, because of the bonds' relatively cheap prices in otherwise red-hot debt markets. Some of those funds are now selling. Varde Funds and Merced Capital recently sold their holdings of \$172 million in municipal bonds backed by Puerto Rico's tax collections to other existing bondholders, according to bankruptcy-court documents and a person familiar with the matter.

Franklin, widely known under its Franklin Templeton brand, has been the second-largest mutual-fund holder of Puerto Rico bonds, after OppenheimerFunds Inc. The two mutual funds have been part of a group of large Puerto Rico creditors fighting to recover some portion of their investments through a court-supervised restructuring.

Franklin Resource's main municipal-bond-fund arm, based in San Mateo, Calif., also owned general obligation bonds and other types of Puerto Rico debt worth more than \$1 billion at the end of the second quarter, according to data from Morningstar Inc. It is unclear whether any of those investments have changed.

Most mutual-fund managers are averse to keeping defaulted bonds through lengthy restructurings, and many sold their Puerto Rico bonds to hedge funds, such as Aurelius Capital Management LP, Autonomy Capital LP and Canyon Capital Advisors LLC, as the island's financial woes accelerated.

The new buyers paid as little as 65 cents on the dollar in this first bout of selling, betting that they would recover much more once Puerto Rico recovered economically.

Franklin and Oppenheimer stood out because they kept much of their investments. The firms have experience working through restructurings, and some analysts said they owned so many Puerto Rico bonds that it would have been difficult to quickly liquidate their holdings without swamping the market.

When Puerto Rico began restructuring its debt last year in the U.S.'s largest-ever municipal bankruptcy, investors holding different types of Puerto Rico bonds split into factions, battling the island's government and each other to get better treatment. Franklin and Oppenheimer had been seen as power brokers in the process because they owned big chunks of the island's different types of bonds.

The recent selling began this spring as the island's government and federal oversight board took a

tougher stance with creditors in its bankruptcy process. Then came Hurricane Maria in September and the humanitarian and economic devastation left in its wake.

Surging Trades

Trades of Puerto Rico bonds have jumped to record levels as investors' hopes for recoveries have dimmed.

The storm, and comments by President Donald Trump hinting at debt forgiveness, upended bondholders' calculus. Prices of general obligation bonds sold by the Franklin Mutual Series have been cut in half since May and now trade around 30 cents on the dollar, according to data from the Municipal Securities Rulemaking Board.

The precipitous drop in prices has piqued the interest of some investors who have avoided Puerto Rico.

AllianceBernstein Holding LP sold the last of its Puerto Rico bonds in 2014 believing that the island's debt load was unsustainable, making default inevitable, says Joe Rosenblum, the investment firm's director of municipal research.

"The prices are so low that it makes us ask the question whether we're at the right levels to get back in," Mr. Rosenblum says.

But even at current valuations AllianceBernstein remains concerned about the risk that politics in Puerto Rico and in Washington, D.C., will undermine bondholders. The Senate on Tuesday passed legislation that extends emergency credit to Puerto Rico, and Mr. Trump has criticized corruption in Puerto Rico and questioned how long the federal commitment to disaster relief should last.

"You can run as many spreadsheets as you want but how do you interpret the politics around it," Mr. Rosenblum says.

The Wall Street Journal

By Matt Wirz, Andrew Scurria and Heather Gillers

Oct. 25, 2017 7:03 a.m. ET

Write to Matt Wirz at matthieu.wirz@wsj.com, Andrew Scurria at Andrew.Scurria@wsj.com and Heather Gillers at heather.gillers@wsj.com

[How Hurricane Maria Exposed Puerto Rico's "Colonial Boom and Bust"](#)

Hurricane Maria devastated Puerto Rico and its 3.4 million residents. Power and resources are still scarce on the island, and federal aid has been slow. In addition to this immediate crisis, the storm highlighted Puerto Rico's existing infrastructure problems.

In the following conversation with Zaire Dinzey-Flores, associate professor of sociology and Latino and Caribbean studies at Rutgers University and author of *Locked In, Locked Out: Gated Communities in a Puerto Rican City*, we explore what led to Puerto Rico's decline before Hurricane Maria and what's next for the island.

[Continue reading.](#)

The Urban Institute

by Carlos Martin

October 12, 2017

Creativity in Funding Necessary for Miami-Dade Civil Courthouse P3 Success.

As Miami-Dade County continues to take steps towards the launch of a proposed civil courthouse public-private partnership (P3), its representatives have stressed the need to bring the right deal to market, balancing the community's goals of improved court capacity and accessibility with existing funding challenges. The final project could combine an availability model DBFOM with real estate development, which would create a unique opportunity for international equity investors and construction companies to partner with real estate developers familiar with the Miami market.

The population of Miami-Dade County today is twenty-five times greater than it was when the County planned its existing courthouse facility in 1925. To facilitate the increased judicial demand that comes with population growth, courthouse services have since been spread across the County. The County has long recognized the need to improve its existing judicial infrastructure. In 2014, the County sought to fund construction of a new courthouse through the issuance of general obligation bonds. However, the bond financing was not favored by voters. While the County continues to leave open the possibility of a different delivery model, the P3 model now appears to be the preferred approach to the courthouse project.

The County has identified approximately \$50 million in currently available capital funds that could be applied towards the project. In addition, the costs of operating the existing County courthouse are approximately \$3 million per year, which the County has indicated may be applied towards availability payments. The County may also make available certain valuable real estate properties to a private developer in the form of a long-term lease or other partnership as partial consideration for the development and operation of the project.

If the County does proceed with a P3 that combines the courthouse with a real estate development, the request for proposals will pose unique opportunities and challenges on both the equity and financing front. As the financial model with respect to the courthouse would contemplate a combination of availability payments from the County and revenues generated from the private real estate development, equity participants and lenders will need to assess risk with respect to both the courthouse and the real estate development. This will raise unique issues with respect to the risk allocation between the County and private participants, and the equity and financing documents will need to be structured accordingly.

by Albert E. Dotson, Jr, Andrej Micovic and Eric Singer

October 26 2017

Bilzin Sumberg

KBRA Rates Pennsylvania Turnpike Commission Motor License Fund-Enhanced Special Revenue Refunding Bonds, Second Series of 2017

Kroll Bond Rating Agency (KBRA) has assigned a AA- long-term rating and Stable Outlook to the Pennsylvania Turnpike Commission Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds, Second Series of 2017. In addition, KBRA has assigned a long-term rating of AA- with a Stable Outlook to all of the Commission's outstanding Motor License Fund-Enhanced Subordinate Special Revenue Bonds, with the exception of those backed by a letter of credit or liquidity facility.

This rating evaluation focuses on the below key rating determinants including the five determinants of KBRA's U.S. Public Toll Roads, Bridges, & Tunnels Bond Rating Methodology as well as the two below italicized elements of KBRA's Special Tax Revenue Bond Rating Methodology which were utilized to evaluate aspects of support provided from the Commonwealth's Motor License Fund:

- Size and Scope of Operations
- Demand Assessment
- Management/Regulatory Framework
- Financial Profile
- Nature of Special Tax Revenues
- Revenue Analysis
- Security Provisions

To access the full report, please click on the link below:

[Pennsylvania Turnpike Commission Motor License Fund-Enhanced Special Revenue Refunding Bonds, Second Series of 2017](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

KBRA Assigns A+/Stable Rating to the Pennsylvania Turnpike Commission Turnpike Subordinate Revenue Bonds

Kroll Bond Rating Agency (KBRA) has assigned a long-term-rating of A+ with a Stable outlook to the Pennsylvania Turnpike Commission Turnpike Subordinate Revenue Refunding Bonds, Second Series 2017. At the same time, KBRA has assigned a long-term rating of A+ with a Stable outlook to the Pennsylvania Turnpike Commission's outstanding Turnpike Subordinate Revenue Bonds. KBRA's long-term rating excludes bonds backed by a letter of credit or liquidity facility, unless otherwise noted.

The turnpike subordinate lien revenue bonds are secured by Commission Payments amounts paid from the general reserve fund after payment of senior indenture obligations bonds.

This rating is based on the KBRA's U.S. Public Toll Roads, Bridges, & Tunnels Rating Methodology. KBRA's rating evaluation focuses on the following key rating determinants:

- Size and Scope of Operations

- Demand Assessment
- Management/Regulatory Framework
- Financial Profile
- Security Provisions

To access the full report, please click on the link below:

[Pennsylvania Turnpike Commission Turnpike Subordinate Revenue Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Affirms AAA/Stable Rating for East Goshen Municipal Authority \(Township of East Goshen, PA\)](#)

Kroll Bond Rating Agency (KBRA) has affirmed the long-term rating of AAA with a stable outlook on East Goshen Township general obligation debt and East Goshen Municipal Authority's sewer revenue notes which are guaranteed by the full faith and credit tax pledge of the Township.

This rating is based on KBRA's [U.S. Local Government General Obligation Methodology](#).

To access the full report, please click on the link below:

[East Goshen Municipal Authority \(Township of East Goshen, PA\)](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[Chicago Mayor Unveils 'Gimmick-Free' Budget for FY 2018.](#)

CHICAGO — Chicago Mayor Rahm Emanuel proposed a fiscal 2018 budget on Wednesday that he said eschews “fiscal smoke and mirrors,” but critics said vestiges of those practices remain.

In his annual budget speech to the city council, Emanuel said the spending plan is free of what he called any “budget gimmick” like so-called scoop and toss, which extends maturities on existing bonds to provide budget relief, for the first time since he took office.

“Every single bad financial practice we inherited in 2011 has now been eliminated from the budget,” he said.

The \$10 billion budget, which includes \$3.77 billion for operations, relies on \$94 million in savings from a future bond refinancing under a new debt structure.

A chronic structural budget deficit and an unfunded pension liability that totaled \$35.76 billion at the end of 2016 have led to low credit ratings and increased borrowing costs for the nation's third-largest city.

The mayor's budget accelerates savings from a plan approved by the city council this month to

refinance up to \$3 billion of sales tax revenue and general obligation bonds through a new entity at lower interest rates.

The new Sales Tax Securitization Corp will be assigned Chicago's state-collected sales tax revenue and will pledge that money to pay off the refinanced bonds. Bond investors will have a statutory lien shielding the debt from municipal bankruptcy, which is not allowed under Illinois law.

Carole Brown, Chicago's chief financial officer, said the city will realize more savings from the debt refinancing in fiscal 2018, which begins on Jan. 1, than in 2019.

"But we'll expect to show savings annually until we've amortized all the debt," she added.

One critic, Alderman John Arena, said the new debt structure - which he opposed - could end up extending the life of some bonds by as much as 40 years.

"Our fear is that (Emanuel is) making the claim of moving scoop and toss out of the way we do business but really moving it over to that special entity," he said.

Brown acknowledged that to achieve level debt service on the corporation's bonds, maturities on existing bonds may change.

"It is possible we won't 100 percent match maturity for maturity," she said.

The budget counts on \$50.3 million in revenue growth, \$19.35 million in spending cuts, as well as other measures to address a \$114.2 million structural gap and more than \$87 million in new spending for additional police hires and reforms.

By REUTERS

OCT. 18, 2017, 5:00 P.M. E.D.T.

(Reporting by Karen Pierog; Editing by Matthew Lewis)

[Notable Municipal Bankruptcy Lawyer Talks Shop to Hartford Taxpayers.](#)

HARTFORD — The lawyer who took Detroit, Michigan, through the largest Chapter 9 municipal bankruptcy in U.S. history brought his message to a new crowd on Thursday: residents of Hartford, Connecticut's cash-strapped capital city.

Kevyn Orr, a partner the law firm Jones Day, and a panel of experts tried to fend off residents' fears about whether city service might be cut (no), taxes might rise (maybe) or people might later get priced out of homes (it is complicated) if the city files for a court debt restructuring.

"Nobody wants to enter bankruptcy. I'm sort of like an undertaker that shows up at the door," Orr told attendees at a usactHartford Public High School evening event.

But it is a long-term tool that helped both Detroit and Central Falls, Rhode Island, whose mayor was also on the panel, improve in the long run, Orr said.

Hartford Mayor Luke Bronin has said for months that the capital city of one of the wealthiest states may have to file for bankruptcy.

It is facing a \$50 million budget gap as it waits for aid from the state budget, now over three months late.

Moody's Investors Service said earlier Thursday that Hartford will likely default as early as November and projected operating deficits of up to \$80 million annually for nearly the next 20 years.

"Moody's report highlights... why we have talked so transparently about the need for structural change," Bronin said in a statement.

Hartford's next debt payment is a big one – about \$20 million – due Oct. 31, and "we do expect to pay it," said Bronin's assistant Vasishth Srivastava.

Plenty of U.S. cities have improved their finances without bankruptcy, including Atlantic City in New Jersey and Harrisburg, Pennsylvania.

The panel's "choice to focus on the supposed 'benefits' of bankruptcy overlooks successful turnarounds" elsewhere, said Build America Mutual (BAM) Chief Credit Officer Suzanne Finnegan in a statement.

Assured Guaranty Ltd and BAM together insure at least \$414 million of the city's more than \$530 million of debt.

Marcus Spinner, a lifelong state resident and University of Connecticut graduate student, said panelists glossed over "what bankruptcy looks like for the residents."

Yet some in the crowd were reassured by the discussion.

"I love my city and I know that we can do better, if there's an honest dialogue with the citizens," said Ula Dodson, 69, who worked for the city parks department for 32 years.

By REUTERS

OCT. 20, 2017, 10:30 A.M. E.D.T.

(Reporting by Hilary Russ in Hartford; editing by Grant McCool)

[Hartford City Workers Nervous Ahead of Potential Bankruptcy Filing.](#)

The Connecticut state capital could seek authority to file for bankruptcy as early as November

Public-sector workers in cash-strapped Hartford, Conn., are on edge as city officials have said the state capital could seek authority to file for bankruptcy as early as November.

State lawmakers, who are confronting their own two-year deficit of \$3.5 billion, will have a big say in how that plays out. Legislative leaders say they reached a tentative state budget agreement that would give Hartford additional aid, and they expect to approve it this week.

But after a series of false starts in the budgeting process, some are still uneasy.

"It's nerve-racking because obviously the clock is ticking," said Larry Dorman, a spokesman for

Afscme Local 1716, which represents about 400 city employees, including those in the departments of public works, sanitation and parks. "When you've seen bankruptcy in other cities, it's always taken the biggest toll on the workers. That's neither right nor fair."

In early September, city officials warned Gov. Dannel Malloy and state lawmakers that Hartford wouldn't be able to pay all of its bills within 60 days and could seek authority to file for chapter 9 bankruptcy in early November unless the legislature provided the city with more cash.

Unions representing public employees say they are worried their members will be asked to make unreasonable sacrifices to fix Hartford's financial problems even if the city doesn't proceed with bankruptcy. Several municipal contracts have expired and need to be renegotiated.

"It is true that we are asking more from our unions than we have asked for in the past, and more than they have yet been willing to give," Hartford Mayor Luke Bronin said. "But I don't think what we are asking for is disproportionate. The solution will require the participation of all of our stakeholders."

Mr. Bronin, a Democrat, said the state, bondholders and employees need to help the city get on better financial footing over the long term. The city has a deficit of about \$50 million, and Moody's Investors Service says that figure will range annually between \$60 million and \$80 million through 2036 without changes. Moody's downgraded the city's credit rating last month further into junk territory, down two notches to Caa3.

Rapidly increasing costs for health care, pensions and debt service have fueled Hartford's fiscal challenges. The city must pay nearly \$180 million—more than half of the municipality's non-education budget—on debt service, health care, pensions and other costs for the current fiscal year.

The city's tax base isn't large enough to produce the revenue needed to cover those growing expenses because taxes aren't levied on more than half of the property in Hartford, such as state buildings, hospitals and colleges, Mr. Bronin said.

The state reimburses Hartford for some of those losses but not all. A full payment under the state's formula would give Hartford an additional \$52.3 million in the fiscal year that ended in June, according to city officials.

Sgt. John Szewczyk, president of the Hartford Police Union, says the city should focus on getting the funds it is owed by the state rather than seeking concessions from unions.

"Hartford is not in this financial situation because of labor," Sgt. Szewczyk said. "We are vastly underpaid compared to departments in the area. We are vastly overworked."

The state legislators' tentative budget agreement calls for the creation of a board that would have an oversight role over Hartford's finances. Some union leaders say such a board also could produce bad results for public employees.

"Somehow we become the boogeyman in oversight and or bankruptcy talks," said Vincent Fusco, president of the Hartford Fire Fighters Association. "But nobody ever talks about how the greatest amount of debt is owed by the bond market and bankers, and they want to take it out of our hide to pay them back. That doesn't even pass the smell test."

Hartford Fire Fighters is one of the few unions that has renewed its contract with the city. In the contract that goes through 2020, the union agreed for its members to make higher pension and health-care contributions, saving the city \$3.5 million, Mr. Fusco said.

If the city files for chapter 9 bankruptcy, “we would be in front of a bankruptcy judge saying we have already done our part,” he added.

The Wall Street Journal

By Joseph De Avila

Oct. 22, 2017 2:12 p.m. ET

Write to Joseph De Avila at joseph.deavila@wsj.com

[Canceling Puerto Rico Debt ‘Impractical,’ Says Hedge Fund Billionaire Klarman.](#)

Activist group asking institutions invested in Baupost Group to put pressure on hedge fund to forgive its portion of distressed bonds

Billionaire hedge-fund manager Seth Klarman questioned the wisdom of expunging Puerto Rico’s financial obligations in a Wednesday letter to his investors.

The message from one of Puerto Rico’s most prominent investors was a response to intensifying calls for deep write-downs on the U.S. territory’s \$73 billion in debt to free up funds for mounting fiscal and humanitarian problems following Hurricane Maria.

An activist group has contacted institutions invested in Mr. Klarman’s Baupost Group to request they pressure the hedge fund into forgiving its portion of Puerto Rico’s distressed bonds, according to his letter. Baupost owns \$911 million in bonds backed by Puerto Rico sales taxes.

Canceling Puerto Rico’s public debts or putting a moratorium on payments “may be well intentioned,” Mr. Klarman said in his letter, but “it is impractical” and would undermine the obligation of bond issuers to repay their obligations that undergird credit markets.

Puerto Rican citizens and small cooperative banks on the island also hold government debt, he said, and eliminating those bonds would impact household savings.

The advocacy group Hedge Clippers sent letters this week to 18 universities, including Harvard, Yale and the University of Washington, to criticize Baupost’s Puerto Rico investments and to urge the endowments to divest, according to a Hedge Clippers spokesman.

Mr. Klarman’s comments reflect a tension in Puerto Rico’s restructuring strategy. Investors agree the island can’t sustain its existing levels of debt, but disagree on whether and how a reduction in its current obligations would affect its ability to borrow again and finance new projects.

Bondholders have argued in court that a deep restructuring would alienate the capital markets and cripple Puerto Rico’s chance of accessing new credit. Others say that municipal investors, hungry for high-yielding tax-exempt debt, will gladly invest in Puerto Rico again once its obligations are reduced and its economy revives.

“If the repayment obligation underlying a debt was uncertain, the market would quickly shut down, potentially for even the most creditworthy issuers,” Mr. Klarman’s letter said. “Expunging the debt

would almost certainly eliminate any ability the commonwealth would have to borrow money in the future at reasonable rates.”

Puerto Rico’s debt is spread across 18 tranches of debt, its \$17 billion in sales-tax bonds being the largest. In May, a federal oversight board installed by Congress placed the territory under court protection, starting what amounts to the largest-ever U.S. municipal bankruptcy. Baupost first bought sales-tax bonds, known as Cofinas, on the open market in 2015.

His communique came two weeks after President Donald Trump sparked a rout in Puerto Rico bonds when he said the debt load may get wiped out to help the island economy recover from Hurricane Maria.

The White House walked back Mr. Trump’s comments, saying the administration doesn’t intend to get involved in Puerto Rico’s ongoing, court-supervised bankruptcy. Mr. Trump has no authority to unilaterally forgive Puerto Rico’s debts.

But politicians and advocacy groups have since ramped up calls for additional debt relief. Labor, environmental and immigrant-rights groups, joined by Sen. Elizabeth Warren (D-Mass.), held a rally near Capitol Hill on Thursday for a congressional recovery plan that cancels Puerto Rico’s public debts or puts a moratorium on payments.

A federal judge is presiding over Puerto Rico’s restructuring under a quasi-bankruptcy law approved last year, known as Promesa. The oversight board’s framework called for Puerto Rico to pay bondholders roughly a quarter of what they are owed over the next decade.

That fiscal plan is being reevaluated to account for the economic slowdown and population loss from the hurricane and for the ongoing federal disaster relief efforts.

Gov. Ricardo Rosselló met with President Trump and Federal Emergency Management Agency officials at the White House on Thursday to discuss the federal aid package being developed for Puerto Rico.

A bill released by House Republicans last week included a \$4.9 billion U.S. Treasury Department loan designed to avert a government shutdown on the island. Advocates are pressing for more federal support in addition to debt relief.

The Wall Street Journal

By Andrew Scurria

Updated Oct. 19, 2017 5:18 p.m. ET

Write to Andrew Scurria at Andrew.Scurria@wsj.com

[Recruiting Scandal for Louisville Cardinals Imperils Bond Rating.](#)

- **Moody’s has university on review for a potential downgrade**
- **Criminal charges over paying recruit roil top-grossing team**

When the University of Louisville Cardinals take the court on Oct. 30, the basketball team will have more than just its opening home game hanging in the balance: It’s also fighting against a recruiting

scandal that's threatening the school's standing on Wall Street.

The team, which pulls in more revenue than any other and won the National College Athletic Association championships in 2013, was ensnared in a federal criminal case last month, when prosecutors alleged that a recruit was paid \$100,000 by Cardinals sponsor Adidas AG to attend the university. Hall of Fame coach Rick Pitino was fired. And Moody's Investors Service warned that it may cut the school's credit rating, citing the financial risks if its ability to attract students and donations suffers.

"The Louisville Cardinals are a stone cold semi-professional money machine," said John Vrooman, a professor of sports economics at Vanderbilt University in Nashville. "The economic connection between Louisville and UL Cardinals basketball is unique."

The Kentucky college, with about 23,000 students, received \$45.6 million in revenue from its basketball team in 2016, according to federal government statistics, the most in the nation and far more than rivals like Duke University. The team has made it to the NCAA March Madness tournament 42 times, raking fifth for all-time appearances, and until his ouster Pitino was the highest paid college coach in the nation.

"This is not going to be positive for the school, because of Louisville's reputation as one of the top basketball programs in the country" said Andrew Zimbalist, a professor of economics at Smith College. "It feeds off that reputation."

Intercollegiate athletics is the university's third largest source of funds behind student tuition and fees and revenue from its affiliated hospital, according to its most recent financial statements.

Such reliance has drawn scrutiny from credit rating companies when other universities have become immersed in sporting scandals.

Pennsylvania State University was downgraded by Moody's in October 2012 following the conviction of assistant football coach Jerry Sandusky for dozens of counts of sexual abuse. The company cited "substantial financial impact on the university" from the scandal and said it raised questions about the adequacy of its management. In April 2013, Moody's placed Rutgers University under review for a downgrade after the release of a video that showed then basketball coach Mike Rice assaulting players. Rutgers was ultimately downgraded a month later by both S&P Global Ratings and Moody's because a merger with a dentistry school threatened to increase its financial strains.

In the weeks since the scandal erupted at Louisville, the university has fired athletic director Tom Jurich, who had headed the program since 1997. The documents released by the U.S. attorney for the Southern District of New York referenced "one or more" unidentified coaches who were involved in the conduct, though no Louisville athletic personnel have been charged. Assistant coach Jordan Fair has been fired and Kenny Johnson placed on paid leave. The recruit at the center of the scandal is said to be freshman Brian Bowen, who has been suspended from all basketball operations.

"We have dealt with several serious issues recently, and we understand there could be some impact on our finances and credit rating," John Karman, a spokesman for the university, said in a statement. "Any further comment at this time would be pure speculation on our part."

Adidas said it was unaware of the wrong doing and is cooperating with authorities.

The University of Louisville and its athletic association has \$315.6 million outstanding municipal debt, according to data compiled by Bloomberg. The Louisville Arena Authority has also issued \$356.8 million of debt for the construction of the KFC Yum! Center, where the Cardinals play.

The university is the primary tenant of the Yum! arena. The men's basketball team drew an averaging 20,846 fans per game, third behind Kentucky and Syracuse for game attendance in 2017, according to data collected by the NCAA. The spending by fans — on tickets, concessions and merchandise — is used to repay the arena authority's bonds, along with other revenue.

In a worst-case scenario, the Cardinals would be barred from playing indefinitely by the NCAA, an option Moody's referred to as the "death penalty." This season, the men's team is scheduled to play 20 home games, excluding post season appearances.

There has so far been little repercussions in the bond market. Debt issued by the university that's due September 2026 last traded for a yield of about 2.4 percent, or some half a percentage point over top-rated debt. That gap, a measure of the risk perceived by investors, is little changed from where it stood in June.

It may take months for ratings companies to make their decisions regarding downgrades and possibly longer for the NCAA to determine if sanctions are warranted.

In the meantime, fans will likely still pack into the stands, on the day before Halloween, to support the Louisville Cardinals and for two 20 minute halves. The financial worries will wait.

Bloomberg Markets

By Danielle Moran

October 20, 2017, 7:30 AM PDT

[WV Voters Approve Road Bond Amendment for \\$3B Infrastructure Program.](#)

Dive Brief:

- West Virginia voters on Oct. 7 approved an amendment to the state constitution that authorizes the state to issue road bonds in order to fund a \$2.8 billion program of infrastructure repairs and upgrades, according to the Charleston Gazette-Mail.
- The state will first close on \$260 million of federal GARVEE bonds this month, which will pay for 13 interstate reconstruction projects and 18 bridge replacements. West Virginia officials plan to sell \$500 million of Parkways Authority bonds, with the first issue of \$100 million scheduled for spring of 2018.
- West Virginia State Transportation Secretary Tom Smith told lawmakers that the state could now issue as much as \$2.6 billion in bonds to support the road and bridge work.

Dive Insight:

While federal lawmakers continue to squabble over how the country will tackle the modernization and repair of its aging infrastructure, states like West Virginia are pulling out all the stops in an attempt to finance their own projects. However, they face considerable financial headwinds.

The American Society of Civil Engineers (ASCE) said in its latest report that it would cost \$4.6 trillion by 2025 to perform all the necessary infrastructure work in the U.S., an increase of \$1 trillion since the ASCE's 2013 analysis. In addition, the American Road and Transportation Builders Association (ARTBA) maintains that about 9% of the country's bridges are structurally deficient and

need repair, an undertaking that could cost as much as \$700 billion, according to U.S. News & World Report.

While bonds are one possible avenue, other states have chosen to finance their infrastructure programs through an increase in gas taxes and other fees. For example, earlier this year, California legislators approved a \$52 billion plan to upgrade its roads, bridges and raised its gas tax by 12 cents per gallon to pay for it. State lawmakers authorized new annual vehicle license fees as well.

Six Kentucky community banks have come up with a unique plan to fund state infrastructure projects — a \$150 million fund that will provide debt financing to private companies involved in state public-private partnerships. According to Commonwealth Infrastructure Fund (CIF) officials, this new financing option will allow the state and private sector to launch more road, bridge, school and public works projects.

Construction Dive

by Kim Slowey

Oct. 17, 2017

[S&P: Kentucky Releases Pension Reform Framework Ahead Of Special Session To Address Escalating Costs.](#)

NEW YORK (S&P Global Ratings) Oct. 19, 2017—Kentucky Governor Matt Bevin and legislative leaders released a pension reform framework (“Keeping the Promise”) ahead of a special session this fall to address the state’s escalating pension costs. Absent reform, these costs are projected to increase nearly \$700 million in fiscal 2019...

[Continue Reading](#)

Oct. 19, 2017

[S&P: Chicago's Securitization Provides Budgetary Relief, But Liabilities Still Loom Large.](#)

Chicago (BBB+/Stable) Mayor Rahm Emmanuel’s proposed 2018 budget makes incremental progress toward structural balance and takes on one of the administration’s key priorities to end the practice of pushing out debt service payments through “scoop and toss.”

[Continue Reading](#)

Oct. 19, 2017

[S&P Medians And Credit Factors: Pennsylvania State Local Governments And](#)

[School Districts.](#)

After several years of Pennsylvania state budget impasses and changes in demographic trends, local governments in the commonwealth will likely have to lean on their internal reserves and active management to maintain their credit quality. Though S&P Global Ratings doesn't anticipate additional state revenue cuts to local governments in the upcoming year, the future of state revenues and Pennsylvania...

[Continue Reading](#)

Oct. 19, 2017

[KBRA Affirms the Long-Term Rating of AA+ with a Stable Outlook for the City of Indianapolis, IN General Obligation Bonds.](#)

Kroll Bond Rating Agency (KBRA) has affirmed the long-term rating AA+ with a Stable Outlook to the City of Indianapolis, IN's General Obligations Bonds.

The affirmation is based on [KBRA's U.S. Local Government General Obligation Methodology](#). KBRA's rating evaluation of the long-term credit quality of local government general obligation bonds focuses on four key rating determinants:

- Governance, Management Structure and Policies
- Municipal Resource Base
- Debt and Additional Continuing Obligations
- Financial Performance and Liquidity Position

To access the full report, please click on the link below:

[City of Indianapolis, IN General Obligation Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Assigns LT Rating of BBB+/Stable Outlook to Harrisburg International Airport, Airport System Revenue Bonds, Series 2017 \(AMT\)](#)

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of BBB+ with a Stable outlook to the Susquehanna Area Regional Airport Authority's (SARAA) Airport System Revenue Bonds Series 2017 (AMT) ("the Series 2017 bonds"). In addition, KBRA has affirmed the long-term rating of BBB+ with a Stable outlook on all outstanding SARAA Airport System Revenue Bonds. As of September 28, 2017, SARAA had approximately \$147.7 million of Airport System Revenue Bonds outstanding.

To access the full report, please click on the link below:

[Harrisburg International Airport, Airport System Revenue Bonds, Series 2017 \(AMT\)](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Upgrades Wisconsin's GO Bonds and Master Lease COPs & Assigns Rating to the State's GO Refunding Bonds of 2017, Series 2.](#)

Kroll Bond Rating Agency (KBRA) has assigned a AA+ long-term rating and Stable Outlook to the State of Wisconsin's General Obligation Refunding Bonds of 2017, Series 2 (the "Bonds"). Concurrently, KBRA has taken additional rating actions to the State's various debt obligations displayed in our report.

In preparing this report, KBRA has spoken to State officials about their plans for new debt; reviewed the State's Annual Fiscal Report (budgetary basis) which was released on October 16, 2017; reviewed the State's most recent Audit of the Wisconsin Retirement System which was released on September 28, 2017; and also reviewed the State's 2017-2019 Biennium budget which was adopted on September 21, 2017. and also reviewed the State's 2017-2019 Biennium budget which was adopted on September 21, 2017.

KBRA's rating reflects, among other observations, that in recent years Wisconsin has consistently and accurately budgeted within its means and has prioritized a combination of tax, spending, and debt restraints that have improved the State's reserves and liquidity. The State has also simultaneously pursued policies to stabilize and reduce historically high tax burdens. Meanwhile, the economy as measured by employment and income indicators, continues to grow at a healthy pace. These factors combined with the State's large and fully funded pension system (which increasingly makes Wisconsin a positive relative outlier on the landscape of states and other large municipalities) have improved the State's operational and financial flexibility. Wisconsin recently adopted a 2017-19 biennium budget that reflects this improved flexibility. In this budget the State has chosen to make sizable but affordable increased investments in transportation, education, and other policy priorities while also prioritizing financial reserves and holding the line on taxes.

To access the full report, please click on the link below:

[State of Wisconsin's Outstanding GO Bonds and Master Lease COPs & GO Refunding Bonds of 2017, Series 2](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Assigned LT Rating of AA+/Stable on MTA's Transportation Revenue Bonds, Subseries 2014D-2 \(SIFMA Floating Rate Tender Notes\)](#)

Kroll Bond Rating Agency (KBRA) assigned a long-term rating of AA+ with a Stable Outlook on the Metropolitan Transportation Authority's (MTA) Transportation Revenue Bonds, Subseries 2014D-2 (SIFMA Floating Rate Tender Notes). KBRA has also taken rating actions on the series/bonds listed in the table located in the report. KBRA's ratings do not apply to bonds backed by a letter of credit or liquidity facility. For mapping of the long-term rating to the short-term rating, please refer to the short-term KBRA Rating Scale.

KBRA's long-term rating for MTA is based on the [U.S. Public Toll Roads, Bridges, & Tunnels Rating Methodology](#). Please see our initial rating report published on May 8, 2015, [Metropolitan Transportation Authority Transportation Revenue Bonds](#), for a full discussion of the credit.

To access the full report, please click on the link below:

[MTA Transportation Revenue Bonds, Subseries 2014D-2 \(SIFMA Floating Rate Tender Notes\)](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Affirms the Long-Term Rating of AA/Stable Outlook for Upper Southampton Municipal Authority, Township of Upper Southampton.](#)

Kroll Bond Rating Agency (KBRA) has affirmed a long-term rating of AA with a Stable outlook on the Township of Upper Southampton general obligation ("GO") debt and the Upper Southampton Municipal Authority ("Authority"), Pennsylvania's GO guaranteed notes. The Authority's GO guaranteed debt consists of guaranteed sewer and water system revenue notes which are first payable from the Authority's sewer and water system revenues and are ultimately guaranteed by the full faith and credit tax pledge of the Township of Upper Southampton, Pennsylvania.

This rating is based on KBRA's [U.S. Local General Obligation Rating Methodology](#).

To access the full report, please click on the link below:

[Upper Southampton Municipal Authority, Township of Upper Southampton](#)

[S&P: California Local Government Ratings Currently Unaffected By Fires Ravaging The State; Long-Term Effects Still Unknown.](#)

While damage from natural disasters in recent months has been extremely visible in the public sector, the disasters haven't immediately affected our ratings on the associated local government bonds.

[Continue Reading.](#)

Oct. 13, 2017

[California Extends Wells Fargo's Ban From Bond, Investment Work.](#)

- **Nationwide backlash from scandal has cost bank business**
- **Extension cuts Wells off from one of biggest muni-bond issuers**

California extended its ban on hiring Wells Fargo & Co. because of the bank's fraudulent account scandal, leaving it cut off from one of the biggest municipal-bond issuers in the U.S.

Treasurer John Chiang on Monday said he decided to leave the sanctions in place against the San Francisco-based bank, whose reputation has suffered because of revelations employees opened bogus accounts in customers' names to meet sales quotas. Chiang's decision will prevent his office from hiring Wells Fargo as an underwriter or investment broker. The ban was first imposed in September 2016.

The scandal at Wells Fargo prompted a nationwide backlash, with public officials in New York and Illinois also moving to sever ties to the bank. Chief Financial Officer John Shrewsberry previously said such measures have cost it "tens of millions of dollars" in revenue, and it has lost ground to other municipal-bond underwriters this year.

Chiang said there has been an "alarming drum beat of new reports of egregious, unethical or illegal actions by the bank over the past year," including allegations that it denied loans to those brought to the country illegally as children and overcharged veterans for mortgages.

"The opaque manner with which the bank continues to do business and the frequency of new disclosures of wanton greed and lack of institutional control makes this decision so clear that there really was no choice at all," Chiang said in a statement.

Bloomberg Markets

By Danielle Moran

October 16, 2017, 12:01 PM MDT

California Extends Ban on Wells Fargo Business For at Least Another Year.

(Reuters) - California will extend sanctions against Wells Fargo & Co for at least another year, Treasurer John Chiang said on Monday, after the state suspended doing business with the bank in 2016 as punishment for a sales practices scandal.

Chiang cited progress by the bank in certain areas, but expressed concern over an "alarming drumbeat of news reports of egregious or illegal actions over the past year" in extending the sanctions, which apply only to business his office oversees.

In a statement, Wells Fargo spokesman Gabe Boehmer said the bank "is in the business of banking, not politics," and had "met and exceeded all of Treasurer Chiang's expectations."

The sanctions, announced in September 2016, include suspending Wells Fargo as a managing underwriter on state negotiated bond sales. California manages a \$75 billion investment portfolio and is the nation's largest issuer of municipal debt.

The sanctions also suspend state investments in all Wells Fargo securities and halt the use of Wells Fargo as a broker-dealer for investment purchasing.

Boehmer said on Monday Wells Fargo loaned \$500 million this year to California's Department of Water Resources and had underwritten \$800 million in bond issuance for the state this year. He declined to disclose how much business Wells Fargo did with California before the ban was enacted.

Wells Fargo has acknowledged opening perhaps 3.5 million accounts in customers' names without

their permission, signing others up for unwanted auto insurance, charging some for a mortgage rate-lock feature they did not request and tacking other costly add-ons to accounts.

California's decision comes less than a week after Ohio Governor John Kasich extended the state's ban on Wells Fargo, saying the bank had not done enough to turn around its culture.

New York City, Chicago, Massachusetts, and Illinois have all enacted similar bans, though Boehmer said Chicago recently lifted its ban.

By REUTERS

OCT. 16, 2017, 2:03 P.M. E.D.T.

(Reporting by Dan Freed in New York; Editing by Susan Thomas)

[Fitch Rates \\$6 Billion Illinois GOs 'BBB'; Outlook Negative.](#)

The 'BBB' rating reflects the state's weak operating performance and fiscal decision making over the course of several years that has led to a credit position well below the level that the state's solid economic base and still substantial independent legal ability to control its budget would support.

[Continue reading.](#)

[KBRA Affirms Long-Term Rating of A-/Stable on City of Manchester General Airport Revenue Bonds.](#)

Kroll Bond Rating Agency (KBRA) has affirmed the following rating for the City of Manchester, NH General Airport Revenue Bonds (GARBs). The GARBs are special obligations of the City, payable solely from and secured by a pledge of the net airport revenues of Manchester-Boston Regional Airport. This rating applies to all of the City's \$150.4 million in GARBs outstanding as of August 2, 2017.

This affirmation is based on [KBRA's U.S. General Airport Revenue Bond Methodology](#). KBRA's rating evaluation of the long-term credit quality of general airport revenue bonds focuses on six key rating determinants:

- Management
- Economics/Demographics
- Airport Utilization
- Airport Debt/Capital Needs
- Airport Finances
- Legal Mechanics and Security Provisions

To access the full report, please click on the link below:

[City of Manchester General Airport Revenue Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit

[KBRA Affirms Rating on Casino Reinvestment Development Authority Luxury Tax Revenue Bonds, Series 2014](#)

Kroll Bond Rating Agency (KBRA) has affirmed the A- long-term rating and Stable Outlook on the Casino Reinvestment Development Authority (CRDA) Luxury Tax Revenue Bonds, Series 2014 (the “Bonds”). As of December 31, 2016, CRDA had approximately \$233 million of Luxury Tax Revenue Bonds outstanding.

The affirmation is based on [KBRA’s U.S. Special Tax Revenue Bond Rating Methodology](#). KBRA’s rating evaluation of the long-term credit quality of special tax revenue bonds focuses on five key rating determinants:

- Legal Framework,
- Nature of Special Tax Revenues,
- Economic Base and Demographics,
- Revenue Analysis, and
- Coverage and Bond Structure.

To access the full report, please click on the link below:

[CRDA Luxury Tax Revenue Bonds, Series 2014](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Assigns Short-Term Rating on the MTA Transportation Revenue 2017C BANs.](#)

Kroll Bond Rating Agency (KBRA) has assigned a short-term rating of K1+ on the Metropolitan Transportation Authority’s (MTA) Transportation Revenue Bond Anticipation Notes, Series 2017C (“the 2017C BANs”). The 2017C BANs are expected to mature in 2019. KBRA has affirmed the long-term rating of AA+ with a Stable Outlook on all outstanding MTA transportation revenue bonds, except for bonds backed by a letter of credit or liquidity facility. For mapping of the long-term rating to the short-term rating, please refer to the short-term KBRA Rating Scale.

KBRA has also affirmed the short-term rating of K1+ on the MTA Transportation Revenue Bond Anticipation Notes, Series 2015B-2f (Taxable) (maturing February 1, 2018) and Series 2017B (maturing February 1, 2018).

To access the full report, please click on the link below:

[MTA Transportation Revenue 2017C BANs](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Affirms Rating of AA/ Stable on Chicago Park District G.O. Bonds.](#)

Kroll Bond Rating Agency (KBRA) has Affirmed the long-term rating of AA with a Stable Outlook on the Chicago Park District's general obligation debt. This rating applies to all of the District's outstanding general obligation bonds.

This rating affirmation is based on [KBRA's U.S. Local Government General Obligation Methodology](#). KBRA's rating evaluation of the long-term credit quality of local government general obligation bonds focuses on four key rating determinants:

- Governance, Management Structure, and Policy
- Municipal Resource Base
- Debt and Additional Continuing Obligations
- Financial Performance and Liquidity Position

To access the full report, please click on the link below:

[Chicago Park District G.O. Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[House Passes Disaster Relief, Puerto Rico Credit Bill.](#)

Measure would provide \$36.5 billion in aid for victims of hurricanes and wildfires as well as low-interest Treasury loan to island territory

WASHINGTON—The House of Representatives on Thursday passed legislation that would provide \$36.5 billion in disaster relief for victims of recent hurricanes and wildfires, as well as emergency credit to help Puerto Rico keep its government functioning.

The 353-69 vote came hours after President Donald Trump questioned in Twitter posts how long the federal commitment to the island should last and suggested that Puerto Rico had mismanaged its finances. Congressional leaders of both political parties defended the need to send resources to the U.S. territory, which was devastated by two hurricanes this summer. Most of the island still lacks electric power and there is limited access to health care and other basic needs.

"'Puerto Rico survived the Hurricanes, now a financial crisis looms largely of their own making.' says Sharyl Attkisson," Mr. Trump tweeted Thursday morning, referring to a television journalist with Sinclair Broadcasting .

"We cannot keep FEMA, the Military & the First Responders, who have been amazing (under the most difficult circumstances) in P.R. forever!" Mr. Trump said, using shorthand for the Federal Emergency Management Agency.

A FEMA spokesman said Thursday that the agency still has personnel at work in Louisiana supporting local and state recovery efforts dating back to Hurricane Katrina in 2005. FEMA personnel are also supporting New York's and New Jersey's continuing recovery from superstorm Sandy of 2012. The spokesman said the agency aims to foster recoveries that are as swift as possible

and that the length of their support varies based on the circumstances of each natural disaster.

House Speaker Paul Ryan (R., Wis.) said it was the federal government's responsibility right now to respond to the humanitarian crisis in Puerto Rico, but added he wanted to see the island become more self-sufficient.

"At the moment there's a humanitarian crisis that has to be attended to and this is an area where the federal government has a responsibility and we're acting on it," said Mr. Ryan, who will be visiting Puerto Rico on Friday.

At a White House briefing, White House Chief of Staff John Kelly was asked whether Mr. Trump believed Puerto Ricans were American citizens deserving of the same access to federal aid as Texans and Floridians. He said, "Yes."

He added: "There will be a period in which...we hope sooner rather than later, to where the U.S. military and FEMA, generally speaking, can withdraw because then the government and the people of Puerto Rico are recovering sufficiently to start the process of rebuilding."

The island was in financial peril before the storms Maria and Irma hit. Puerto Rico and its agencies owe more than \$70 billion to creditors. In May, it was placed under court protection in what amounted to the largest-ever U.S. municipal bankruptcy. A federal judge is presiding over the island's debt restructuring under a bankruptcy-like legal framework approved by Congress last year, known as Promesa.

"We've got to do more to help Puerto Rico rebuild its own economy so that it can be self-sufficient," Mr. Ryan said.

Democrats objected to the tone of Mr. Trump's tweets, saying the posts didn't sufficiently acknowledge the magnitude of the disaster gripping Puerto Rico.

"It's heart breaking and it lacks knowledge" of the federal government's responsibility "to the people of our country," House Minority Leader Nancy Pelosi (D., Calif.) said of Mr. Trump's tweets Thursday. "We're all Americans and we owe them what they need."

No Democrats voted against the bill Thursday.

Carmen Yulin Cruz, the mayor of San Juan, Puerto Rico's capital city, said the president's tweets were meant to "mask your administration's mishandling of this humanitarian crisis." The remark came in a statement distributed by Rep. Luis Guterierrez (D., Ill.) to reporters. Mr. Trump has criticized the mayor over what he described as her "complaints" and "poor leadership ability."

"Your tweets and comments just show desperation and underscore the inadequacy of your government's response to this humanitarian crisis," Ms. Cruz said in the statement. "It is not that you do not get it, it is that you are incapable of empathy and frankly simply cannot get the job done."

The House bill would provide \$18.7 billion for FEMA's disaster-relief fund, \$16 billion to replenish the nation's flood-insurance program and \$576.5 million for wildfire efforts.

On Wednesday, Heritage Action, the political arm of the conservative Heritage Foundation, encouraged GOP lawmakers to vote no on the bill, calling the money for the federal flood-insurance program a bailout.

Rep. Mark Walker (R., N.C.), chairman of the Republican Study Committee, a group of about 150

House Republicans, said conservatives would make a stronger push to offset disaster aid with budget cuts the next time Congress weighs emergency funding, likely in December.

"We for eight years have said to the former president and administration 'you can't be doing this,' but we're looking the other way [now], it's a little hypocritical," said Mr. Walker, who voted against the bill.

The national flood program, which is set to expire on Dec. 8, is intended to help homeowners living in flood-prone areas that private insurers wouldn't cover and is already several million dollars in debt.

"There are people waiting for that money so they can start making repairs to get back into their houses," said Rep. Blake Farenthold (R., Texas), who voted for the bill.

In supporting the program, members of Congress are divided along regional rather than party lines, based on how prone the area a lawmaker represents is to flooding. Democrats are expected overwhelmingly to support the bill, as are Republicans from Texas and Florida, where residents have also been battered by recent hurricanes.

The disaster aid in the House package is more than the \$29 billion requested last week by the Trump administration, but less than the total sought by lawmakers in states hit by hurricanes in August and September. The Senate is expected to take up the bill early next week.

The storms that hit parts of the U.S. in August and September are draining FEMA's disaster relief fund. The fund received a \$15 billion injection from Congress in September after Hurricane Harvey and an additional \$7 billion on Oct. 1, the start of the federal government's fiscal year. On Tuesday, the fund contained \$6.72 billion.

The bill would give Puerto Rico access to a \$4.9 billion low-interest Treasury Department loan to help the territory pay salaries and other expenses to avoid a government shutdown. Puerto Rico's Treasury Secretary Raúl Maldonado said last week that the government was poised to run out of money at the end of October, and may have to furlough government employees, a move that would hinder recovery efforts.

The Wall Street Journal

By Kristina Peterson and Natalie Andrews

Updated Oct. 12, 2017 5:50 p.m. ET

Write to Kristina Peterson at kristina.peterson@wsj.com and Natalie Andrews at Natalie.Andrews@wsj.com

[There Could Be Good News for Puerto Rico Bondholders.](#)

A proposed Treasury loan aimed at Puerto Rico would add to the island's long list of creditors, but it could also help improve bondholders' chances of getting their money back.

The proposed loan of up to \$4.9 billion appeared in a bill released late Tuesday night by House Republicans. The money could help avert a government shut down in the hurricane-ravaged

commonwealth, making it a likely positive for bondholders.

“If it helps get Puerto Rico up and running again, it advances the cause of repaying their debts,” said Matt Fabian, a partner with Municipal Market Analytics.

In May, Puerto Rico was placed under court protection in what amounted to the largest-ever U.S. municipal bankruptcy. The commonwealth and its agencies owe more than \$70 billion to creditors.

The legislation leaves it up to the Treasury and Homeland Security departments to determine the terms of repayment and the security on the loan. It’s not clear from the bill whether a Treasury loan would take priority over the commonwealth’s existing debt and potentially lower bondholder recoveries.

The House is expected to vote on the measure at the end of this week, according to a GOP aide, and the Senate could take it up early next week.

“We certainly know that Texans and Floridians and residents of Puerto Rico have been suffering mightily and we want to get as much money out the door as possible to help them, because I think they are in desperate need,” House Appropriations Committee Chairman Rodney Frelinghuysen, (R., N.J.) said in an interview.

Community disaster loans like the one that would be available to Puerto Rico under the bill are typically capped at \$5 million. The bill lifts that cap and gives the Homeland Security or Treasury departments the power to forgive the loans. It doesn’t say under what conditions the debt would be forgiven.

The Federal Emergency Management Agency already has the ability to forgive such loans after three years under existing law, and close to 70% of debt from the disaster loan program already gets forgiven, according to a 2012 Congressional Research Service report.

In addition to Puerto Rico, the Virgin Islands and local governments in Florida and Texas affected by the hurricanes are also eligible for portions of the \$4.9 billion in low-interest Treasury loans. In Puerto Rico, the money could be used help pay salaries and other expenses to avoid a government shutdown. Puerto Rico Treasury Secretary Raul Maldonado said last week the government was poised to run out of money at the end of October, and may have to furlough government employees, a move that would hinder recovery efforts.

A federally appointed control board in March outlined how much the island would pay creditors over the next decade — about a fourth of what is owed. But the board could decrease that amount in the wake of the hurricane, the Journal has reported. A benchmark general obligation bond traded at about 35 cents on the dollar Wednesday, up from a record low of about 30 cents a week ago.

Hurricane Maria, which devastated Puerto Rico late last month, has disrupted the ability of the government and its agencies to collect revenues. With power still out across much of the island, the state-owned electric company can’t collect electricity fees. With stores shut down for lack of electricity, sales taxes don’t flow in either.

The Wall Street Journal

By Heather Gillers

Oct 12, 2017 8:25 am ET

-Natalie Andrews contributed to this article.

[How To Wipe Out Puerto Rico's Debt Without Hurting Bondholders.](#)

During his visit to hurricane-stricken Puerto Rico, President Donald Trump shocked the bond market when he told Geraldo Rivera of Fox News that he was going to wipe out the island's bond debt. He said on October 3rd:

You know they owe a lot of money to your friends on Wall Street. We're gonna have to wipe that out. That's gonna have to be - you know, you can say goodbye to that. I don't know if it's Goldman Sachs but whoever it is, you can wave good-bye to that.

How did the President plan to pull this off? Pam Martens and Russ Martens, writing in Wall Street on Parade, note that the U.S. municipal bond market holds \$3.8 trillion in debt, and it is not just owned by Wall Street banks. Mom and pop retail investors are exposed to billions of dollars of potential losses through their holdings of Puerto Rican municipal bonds, either directly or in mutual funds. Wiping out Puerto Rico's debt, they warned, could undermine confidence in the municipal bond market, causing bond interest rates to rise, imposing an additional burden on already-struggling states and municipalities across the country.

[Continue reading.](#)

Seeking Alpha

by Ellen Brown

Oct. 12, 2017

[Come On, Bondholders! Give Puerto Rico a Break.](#)

You took on risk. You lost. That's life. Now think of the victims of Hurricane Maria.

Is it possible that Puerto Rico's bondholders are finally coming to their senses? For a few of them at least, it certainly looks like an overdue change of heart has taken place. And to think: All it took was a Category 4 hurricane that destroyed the island.

It's hardly a secret, of course, that Puerto Rico owes its bondholders far more money than it can ever possibly repay: a staggering \$74 billion for an island with population that hovers around 3.2 million. (By contrast, the nation of Argentina, which had a population of 37 million when it defaulted in 2001, owed its bondholders only \$6 billion more at the time.)

But while the debt has received a great deal of attention in the three weeks since Hurricane Maria hit — especially once President Donald Trump started mentioning it in tweets — Puerto Rico has been struggling to find a way out of its predicament at least since the summer of 2015, when the government first began defaulting on bond payments.

[Continue reading.](#)

Bloomberg View

By Joe Nocera

October 11, 2017, 9:26 AM MDT

Maria Made Puerto Rico's Giant Debt Even Trickier for Hedge Funds.

A larger federal role in helping the island recover from the devastating hurricane could increase the pressure for bondholders to share the burden.

After President Trump said in an Oct. 3 television interview that Puerto Rico's debt would have to be forgiven, the price of bonds issued by the U.S. territory fell as much as 31 percent, a massive move in the staid world of municipal credit. The president has no direct control over a question that's being hashed out in the courts, yet the market's panic attack underscored a simple truth: Puerto Rico's insolvency, already a complicated and painful problem, has become thornier since Hurricane Maria slammed into the island on Sept. 20.

[Continue reading.](#)

Bloomberg BusinessWeek

By Katherine Burton, Rebecca Spalding, and Michelle Kaske

October 12, 2017

KBRA Releases Surveillance Report: MTA Transportation Revenue Bonds.

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of AA+ with a Stable Outlook on the Metropolitan Transportation Authority's (MTA) Transportation Revenue Variable Rate Revenue Bonds, Series 2011B (LIBOR Floating Rate Tender Notes) and the Transportation Revenue Variable Rate Refunding Bonds, Subseries 2012G-4 (LIBOR Floating Rate Tender Notes).

KBRA has also affirmed the long-term rating of AA+ with a Stable Outlook on all outstanding MTA transportation revenue bonds, except for bonds backed by a letter of credit of liquidity facility.

KBRA also affirmed the short-term rating of K1+ on the Series 2015B-2f (Taxable) (maturing February 1, 2018) and Series 2017B (maturing February 1, 2018) Bond Anticipation Notes (BANs). For mapping of the long-term rating to the short-term rating, please refer to the [short-term KBRA Rating Scale](#).

To access the full report, please click on the link below:

[MTA Transportation Revenue Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit

[KBRA Affirms Rating on Chicago O'Hare Int'l Airport Senior Lien Revenue Bonds.](#)

Kroll Bond Rating Agency (KBRA) has Affirmed the long-term rating of A+ with a Stable Outlook on the City of Chicago, IL Chicago International Airport General Airport Senior Lien Revenue Bonds.

This affirmation is based on [KBRA's U.S. General Airport Revenue Bond Methodology](#). KBRA's rating evaluation of the long-term credit quality of general airport revenue bonds focuses on six key rating determinants:

- Management
- Economics/Demographics of the Service Area
- Airport Utilization
- Airport Debt/Capital Needs
- Airport Finances
- Legal Mechanics and Security Provisions

To access the full report, please click on the link below:

[Chicago O'Hare Int'l Airport Senior Lien Revenue Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[Proposed Changes to Procurement Regulations May Facilitate Florida P3s.](#)

Miami-Dade County, the largest jurisdiction in South Florida, is currently evaluating public-private partnerships (P3s) for several major infrastructure projects. These include multi-billion-dollar upgrades to the County's water and sewer infrastructure, new transportation infrastructure, and social infrastructure, including a new County courthouse. As we have discussed in [previous posts](#), the P3 model can be used to expedite delivery, reduce public costs, and transfer risks for major public projects of this type. However, many P3s unfortunately do not make it out of the procurement phase, in part because existing procurement regulations were drafted decades ago, with traditional procurement, not P3s, in mind.

Fortunately, the County is currently considering two significant amendments to its procurement procedures, both of which may facilitate the utilization of the P3 model. First, the Charter Review Task Force (which proposes changes to the County's voter-adopted Charter, which in a sense serves as the County's constitution) is considering a [substantial restructuring of the procurement process](#). The proposed changes would, in effect, make the procurement process more administrative and less legislative, with more authority delegated to the County's professional staff, as opposed to the elected officials. Because P3s are generally more complex than traditional procurements, delegating more authority to professionals with appropriate expertise may help avoid pitfalls in the procurement process for P3s.

Second, the Board of County Commissioners is considering [new legislation](#) that would implement the State of Florida's new process for the consideration of unsolicited P3 proposals. Under the State process, which has not yet been fully implemented in the County, a firm can submit a proposal for a qualifying P3 project prior to the issuance of a formal solicitation, and that proposal is exempt from disclosure as a public record until after the government makes a decision on the project. Furthermore, the new proposed legislation provides for an RFQ/RFP procurement process for P3s (first weeding out the least qualified firms, and then selecting the best proposal based on technical and price criteria) which is a best practice for P3s.

Ultimately, regardless of whether either of these proposals move forward, P3s are going to continue to be utilized in South Florida. The infrastructure needs are great, and there are insufficient public dollars to pay for what is needed using traditional delivery methods. However, these proposals may help expedite and improve the procurement process for important infrastructure projects.

by Albert E. Dotson, Jr and Eric Singer

October 5, 2017

Bilzin Sumberg

[New Chicago Debt Structure Wins Initial Approval.](#)

CHICAGO — A proposal by Chicago Mayor Rahm Emanuel to lower borrowing costs through a new debt structure aimed at insulating investors from the city's financial problems won approval on Thursday from the city council's finance committee.

A chronic structural budget deficit and a huge unfunded pension liability that totaled \$35.76 billion at the end of 2016 have lowered the city's general obligation (GO) credit ratings and raised its borrowing costs.

Emanuel's proposal calls for refunding up to \$3 billion of outstanding bonds, including all \$700 million of the city's sales tax revenue bonds and about \$2.3 billion of its \$9.8 billion of GO bonds, through a new corporation. That entity would be assigned all of the city's sale tax revenue collected by the state of Illinois, which totaled \$661 million in fiscal 2016, and would pledge that money to pay off the bonds. Revenue not needed for debt service would eventually flow back into city coffers.

If passed by the full city council next week, the first of four deals using the structure would be issued in late November, according to Carole Brown, Chicago's chief financial officer. That deal would total \$600 million to \$700 million.

Brown said the structure, which was authorized for home-rule Illinois governments like Chicago by the state legislature in July and used in a few other major cities, gives bond investors a statutory lien to shield the debt from municipal bankruptcy, which is currently not allowed under state law.

She added that the debt issued through the corporation should result in higher credit ratings and could lower the city's borrowing costs by 2 percentage points.

"The goal is to reduce the amount of funds going to debt service," Brown told the finance committee.

Any savings would help Chicago plug its lingering budget gap, which has been shrinking since

hitting a high of \$654.7 million in fiscal 2011.

The nation's third-largest city is projecting a \$114.2 million shortfall in fiscal 2018, which begins on Jan. 1. The mayor is scheduled to release his spending plan on Oct. 18.

Fitch Ratings has said debt issued under the new structure could be rated higher than Chicago's current GO rating of BBB-minus, which is one notch above junk.

Chicago is also rated BBB-plus by S&P Global Ratings and has a junk rating of Ba1 from Moody's Investors Service.

By REUTERS

OCT. 5, 2017, 5:15 P.M. E.D.T.

(Reporting by Karen Pierog; Editing by Matthew Lewis)

[Detroit Mayor Unveils \\$125 Million Bond Plan to Aid Neighborhoods.](#)

(Reuters) - Detroit would use proceeds from a \$125 million bond issue to spruce up neighborhoods and spark the revitalization of commercial corridors, Mayor Mike Duggan proposed on Thursday.

His plan is aimed at making business districts outside of the downtown area more attractive and accessible in order to spur retail development.

"Using these bond funds, we are going to revitalize many of our neighborhood commercial corridors to create vibrant, attractive districts so Detroiters have a place to shop in their own neighborhood," Duggan said in a statement.

The bonds would be backed solely by Detroit's share of gasoline taxes and vehicle registration fees, which were increased state-wide by the Michigan Legislature in 2015. That revenue for the city is expected to grow from \$54 million in 2016 to \$95 million in 2021.

John Naglick, the city's finance director, said the bonds would be issued through the Michigan Finance Authority and privately placed with J.P. Morgan Chase in November, pending approval of the city council and the Detroit Financial Review Commission, a state oversight board created as part of the city's bankruptcy exit plan.

Naglick said the bank direct-draw term loan will generate a total interest cost of around 3 percent and annual debt service of no more than \$13 million.

In addition to the bond financing, Detroit plans to spend \$193 million of city, state and federal money to fix hundreds of miles of city roads, as well as sidewalks, over the next five years.

By REUTERS

OCT. 5, 2017, 5:27 P.M. E.D.T.

(Reporting by Karen Pierog in Chicago; Editing by Matthew Lewis)

New York Towns' New Deal: We'll Make Your Signs, You Sweep Our Streets.

HAUPPAUGE, N.Y. — In Suffolk County, officials are trying something that would be sort of a Craigslist for municipalities: an online municipal store that will allow local mayors and supervisors to save money by shopping for common services.

For example, if some towns had a robust road-resurfacing army or a graffiti-removal machine, they might be able to offer such services to smaller towns, which otherwise would have to spend far more money to replicate those services.

Suffolk County has other ideas: sharing services like recycling or youth programs; cooperative bidding on everything from uniforms to desks to asphalt.

"We make this and you make that," said Jon Kaiman, Suffolk County's shared-services czar. "Why don't we work together and be more efficient?"

Across New York State, counties are coming up with ways to achieve economies of scale through municipal cooperation — a mandate last spring from Gov. Andrew M. Cuomo and state lawmakers through a so-called [Shared Services Initiative](#).

The new statute, enacted into law when the state budget passed in April, laid out a timeline by which leaders in every county outside New York City had to appoint a panel of local elected officials, brainstorm ideas for sharing services, draft a plan and hold a vote. As an incentive, the state said that in 2018, the first full year of implementation, it would match any savings the towns and counties achieved.

Nearly three dozen counties approved such plans earlier this month, for a total savings to taxpayers next year of \$220 million, state officials said. The other counties decided to punt the initiative to next year, when they will have to follow a similar timeline. If panels reject a shared-services plan, the law requires any members who cast nay votes to explain their decisions to constituents.

The goal of leaders in Albany is to reduce taxes — a formidable task, given that New York State makes up a taxable kingdom. There are county, city, town and village governments, along with school districts, each with their own budgets and taxing authority. Then there are fire districts, water districts, sewer districts, park districts and on and on.

The layers of services, and taxes, have made the tax bill an object of dread, particularly in suburbs like Westchester and Nassau, which frequently top rankings for the nation's highest property taxes. Yet historically, the push to consolidate by regionalizing a high school, say, or merging two police departments has been anathema to many residents who are loath to even share their snowplows.

In announcing passage of the state budget, Mr. Cuomo, a Democrat, called high property taxes "the single greatest problem in this state," pointing out that the median state income tax was \$1,800, compared to the median property tax of \$4,700. In 2011, the governor and the Legislature approved a cap on property taxes in an effort to limit the annual growth to 2 percent or the rate of inflation.

"We've tried attacking property taxes in all different ways," he said. "But you need structural changes on the local and county level if you're going to make a real difference in property taxes. This budget empowers citizens to say to their local governments, 'Enough is enough. We need you to make structural changes and we need you to do it now.'"

The new statute stopped short of making local governments combine village halls or even municipal departments, avoiding the unpopular term “consolidation” altogether. Nonetheless, some county officials still viewed the initiative with skepticism, even cynicism.

Steve Bellone, the Suffolk County executive, saw it as an opportunity.

A few years ago, Mr. Bellone oversaw the merger of the county comptroller and treasurer departments. “It’s human inclination to want to keep things the same,” he said. “These were two departments within county government and that was a massive challenge. So getting separate and distinct governments working together is a monumental task.”

Mr. Bellone immediately appointed Mr. Kaiman to become the shared-services czar; Mr. Kaiman, a former supervisor of North Hempstead, had managed to swap services and streamline government functions in that sprawling town, which has no fewer than 30 incorporated villages and 11 school districts.

“This wasn’t a volunteer scenario,” Mr. Bellone said from his 12th-floor office in the county government complex here. “But I viewed it as an opportunity to have leaders in our region communicate and collaborate in a way that we never have before, with the idea that positive things could come from that.”

Getting a majority of the 48 mayors, supervisors and school leaders on the shared-services panel to a yes vote was not easy, however.

In fact, in the days before the shared-services statute became law, the Suffolk County Village Officials Association passed a resolution opposing it. In a letter to Mr. Bellone, the association said the initiative “poses a serious threat to home rule, restricts village budgets and jeopardizes the ability of local municipalities to adequately govern.”

Mr. Kaiman’s first priority was to meet with mayors and town supervisors to reassure them that the state initiative was more about sharing than consolidating.

“It’s about identity,” said Mr. Kaiman, explaining the resistance. “I identify with my local school and my local village or town. People don’t want to lose that. But we can still come up with ways to benefit from our common resources, our excess capacity.”

After meeting throughout the summer, the panel drafted a plan that is projected to save a potential \$37 million over two years.

As an example, Mr. Kaiman said that if one municipality had a graffiti-cleaning truck, but only used it part of the year, officials could rent the truck to towns and villages that don’t have one. “I can call up Islip and ask to rent their graffiti truck,” he said. “Otherwise, I would have to hire some company or dedicate 10 workers to scrape off graffiti. The town with the resource is making money. The town that’s getting the resource is saving money by not going to the private sector.”

When Mr. Kaiman led North Hempstead, the town’s sign shop made 2,000 signs for local schools and governments. “Villages and schools were getting estimates of \$1,250 for one sign, so we did it for \$450,” he said.

Robert Mujica, the state budget director, praised Suffolk’s plan. “It’s robust,” he said. “They took it very seriously. They looked at not only sharing services but using technology and auditing processes to make sure the savings are there. All the things you should be doing — it looks like they did.”

State officials said that some 400 initiatives were included in the plans approved by counties this year. In Montgomery County, changes to the way records are retained is expected to yield \$1.5 million in taxpayer savings. Nassau County's plan included more than a dozen ideas for sharing services among villages, from pothole repair to code enforcement. The initiative should save \$130 million over a number of years.

Virtually all of the savings in the Nassau plan — \$128 million — would result from the conversion of Long Beach's antiquated sewage treatment plant to a pump house, diverting the city's wastewater to a county plant.

In Suffolk, its shared-services plan was passed unanimously on Sept. 12. Mr. Kaiman believes the key to securing the panel's support was the emphasis on autonomy. In other words, no one will be forced to share or buy or barter.

"If it's not exactly the product you want, go use the local sign shop," he said. "You never lose your independent authority as a municipality. We believe in local government too. We don't believe in waste and inefficiency."

THE NEW YORK TIMES

By LISA W. FODERARO

OCT. 8, 2017

Puerto Rico Was the Muni Bond Bloodbath That Wasn't.

- **Island's debt saw more customer buying than selling Wednesday**
- **Benchmark 8% G.O. hit low in morning, rose thereafter**

The \$3.8 trillion municipal-bond market suffered an existential threat Wednesday after President Donald Trump's comments on wiping out Puerto Rico's debt. On the face of it, the island's benchmark bond plunged to a new low as investors panicked, but what really happened was that people lined up to buy Puerto Rico.

There were, quantitatively speaking, twice the number of buyers than sellers, of Puerto Rico's benchmark security, the 8 percent general obligation bonds.

At 8:13, prices had already declined to the 30s. That is, dealers had marked down Puerto Rico GOs, and sold a \$1 million lot to a customer at 34 cents on the dollar. At 8:25, someone bought a \$2 million lot at 35.

At 8:39, fourth trade of the day, a dealer bought \$5 million of Puerto Rico GOs at 32 cents on the dollar. Trading proceeded in an orderly fashion from then on, with prices in the 30s. At 9:16, a dealer purchased \$475,000 worth of the Puerto Rico GOs at a price of 30.25. This was the low price of the day. At, again, 9:16.

What happened after that? Of the 105 trades listed for the day, 49 were sales to customers; 30 were interdealer. This means, the entire grand narrative of the market selloff turns on 25 trades where dealers purchased bonds from customers.

You can only tell so much from the Municipal Securities Rulemaking Board's trade reports. Blocks

larger than \$5 million are listed only as “5MM+.” These were presumably the “smart” investors, including hedge funds, distressed debt buyers and mutual funds who had finally, we were told, decided to throw in the towel.

Even there, however, the narrative isn’t so clear. Yes, there were five transactions of 5MM+, where an investor sold bonds. But there were seven transactions where investors bought blocks of more than \$5 million.

In total, as municipal credit strategist Eric Kazatsky of Bloomberg Intelligence pointed out in his note today, of the \$773 million of Puerto Rico bonds that changed hands yesterday — not just GOs — customers bought \$391 million and sold \$298 million. That doesn’t strike me as a “bloodbath.”

Bloomberg Markets

By Joe Mysak

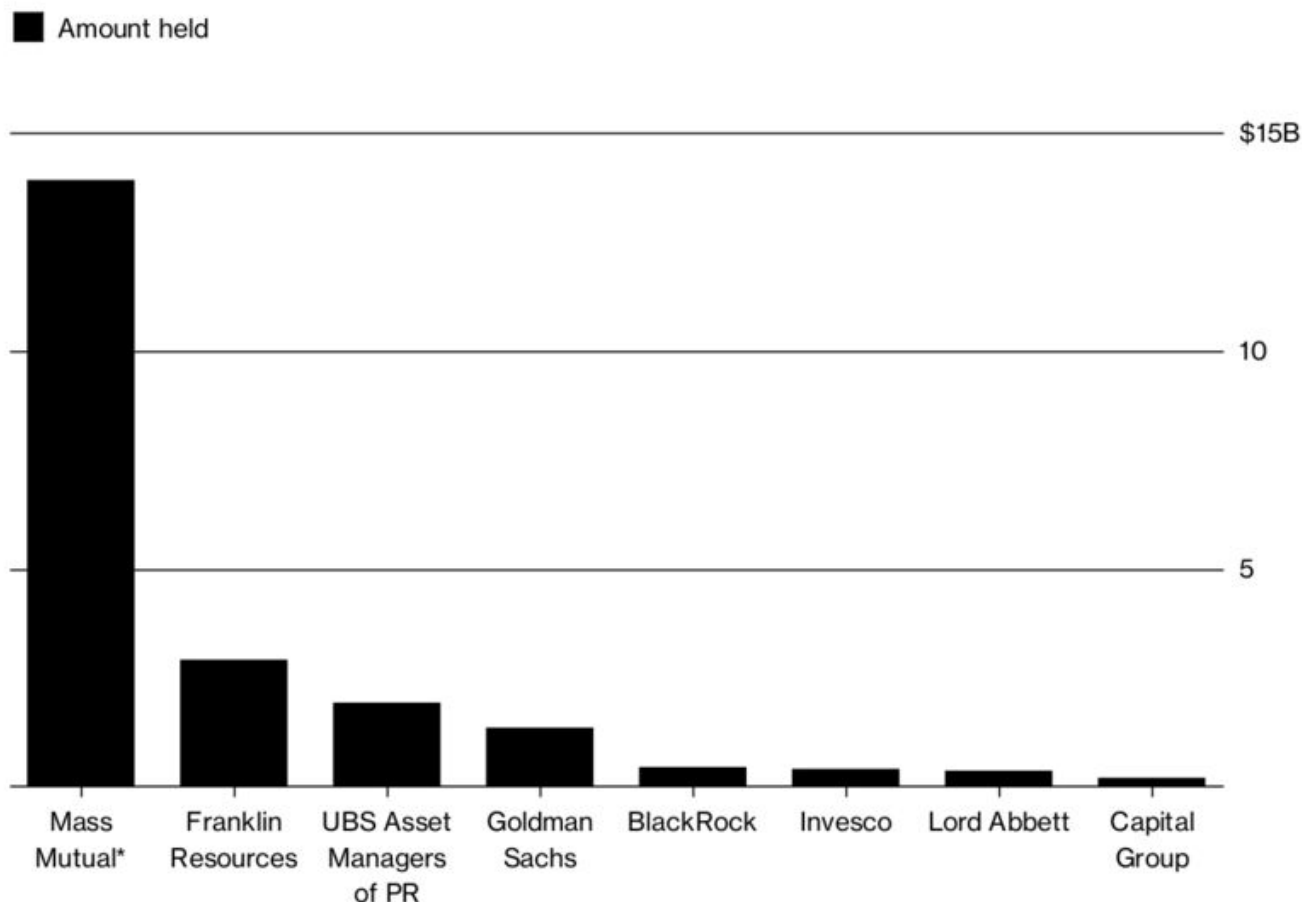
October 5, 2017, 7:00 AM PDT

[Here Are the Top-Eight Holders of Puerto Rican Debt.](#)

Mass Mutual’s OppenheimerFunds, Franklin Resources are among the island’s biggest institutional creditors

Who Holds Puerto Rican Debt?

U.S. mutual funds are among the commonwealth's biggest institutional creditors



*Mass Mutual is the parent company of OppenheimerFunds, whose municipal-bond funds oversee the bulk of debt shown.

Note: Based on face value at maturity; excludes derivatives, insured and refunded bonds

Data: Bloomberg, public filings; graphic by Bloomberg Businessweek

OppenheimerFunds Inc.'s municipal bond-fund holders might not want to check their share prices tomorrow. The OppenheimerFunds Rochester Fund Municipals and other funds overseen by the asset manager, a unit of Massachusetts Mutual Life Insurance Co., represent the biggest institutional holdings of Puerto Rican debt. At \$13.9 billion, including the \$2.13 million owned by Mass Mutual, the debt is 58 percent of the uninsured, unrefunded \$24.2 billion of publicly reported holdings in the bankrupt commonwealth's bonds by asset managers. Prices on Puerto Rico's general obligation bonds, which were already trading at about 50 cents on the dollar before the devastation wrought by Hurricane Maria, plunged to a record low of 32 cents Wednesday morning after President Donald Trump suggested the island's \$74 billion debt needs to be wiped out.

Bloomberg Businessweek

By Nancy Moran and Martin Z Braun

October 4, 2017, 9:39 AM PDT

Puerto Rico's Human Catastrophe is Hedge Funds' Inhuman Nightmare.

But the recovery may allow the hedgies a chance at redemption.

Amid Donald Trump's most brain-dead tweets about the humanitarian crisis in Puerto Rico was one implying that he would have more sympathy for the gut-wrenching events there if the various debtors on the island had repaid the \$70 billion they owe creditors, many of which are American hedge-fund managers. "Texas & Florida are doing great but Puerto Rico, which was already suffering from broken infrastructure & massive debt, is in deep trouble," he wrote. "Much of the Island was destroyed, with billions of dollars owed to Wall Street and the banks which, sadly, must be dealt with." Water, food, and medical supplies, he added, are "top priorities." But the first two-thirds of his statement showed that it was Wall Street on his mind.

As usual, Trump's Twitter storm was beyond contemptible for all the obvious reasons. It was also obscene for the less obvious reasons that Trump himself knows well what it's like to stiff creditors bigly, since he made a habit of doing it regularly with properties such as his casinos in Atlantic City, the Plaza Hotel, and the Trump Shuttle. Companies he owned, or managed, left creditors holding the bag for billions of dollars. Closer to home in Puerto Rico, in 2008, Trump had a big hand in causing the government to lose its \$33 million investment in a golf resort when a licensing and management arrangement with the Trump Organization fell apart. Not for nothing did Lin-Manuel Miranda tweet to Trump, "You're going straight to hell, no long lines for you."

Back in the real world, the people of Puerto Rico—American citizens all—are experiencing unparalleled devastation, nearly two weeks after Maria hit. Many still have no power, no food, no water, and no way to communicate their needs. It is a moment for the American government and the American people to show their compassion and support for their fellow citizens, just as they did for the people of Houston and in Florida. There is nothing to debate.

But let me digress for one moment to discuss the fate of Puerto Rico's creditors, the ones various entities on the island owe \$70 billion. No one should feel terribly sorry for them. They are big boys, so to speak. They more or less knew what they were getting themselves into when they decided to invest in the island. There was plenty of risk, and they knew it and were hoping to be paid to take that risk. They bet wrong and will lose billions. Indeed, this was already pretty much the case before Maria hit the island. It's a near certainty now. One former Wall Street banker who has followed the Puerto Rico financial saga told me that he thinks much of the \$50 billion of debt owed generally by the island will get wiped out now.

Then there is the Puerto Rico Electric Power Authority, known as PREPA, which owes \$9 billion to creditors comprised of hedge funds such as Blue Mountain Capital, and bond funds managed by Oppenheimer and Franklin Templeton. Other large creditors include Assured Guaranty and The National Public Finance Guarantee Corporation, an indirect subsidiary of the insurer MBIA, Inc., which essentially will have to make up the difference between what some bond holders get from PREPA in a restructuring and 100 cents on the dollar. Before Maria hit the island, these creditors had negotiated a deal with the company where they were to get around 75 cents on the dollar, in present value terms, for their bonds as part of a restructuring that would have required them to invest capital into PREPA to upgrade its physical plant and its power grid. That deal was scuttled, though, by the oversight board on the island created by the June 2016 passage of the Puerto Rico Oversight, Management, and Economic Stability Act, known as PROMESA. In rejecting the deal between PREPA and its creditors, the PROMESA oversight board correctly decided that the deal was too generous to creditors and too much of a future burden on PREPA's customers. In July, PREPA

filed for bankruptcy.

The two sides were back at the negotiating table when Maria hit. And things weren't going that well for the creditors, having had the judge in the bankruptcy case rule against them in appointing a receiver and in forcing a rate increase. (The creditors are appealing both rulings.) Now, the PREPA bonds are trading around 35 cents on the dollar, and are probably on their way to zero or something close to it. As we have heard repeatedly in the past few weeks, the island's electric grid has been all but wiped out. It was already in terrible need of a long neglected and overdue upgrade, but now it appears the company has the chance—indeed will have little choice—but to rebuild from scratch. That could mean anything from solar power or wind power to a new version of the old power system with more efficient components.

This, it seems to me, is where the deep-pocketed creditors come in. Their only chance for a decent recovery on their \$9 billion of debt is if the company's power lines are rebuilt in a state-of-the-art way so that the current rate of 21 cents per kilowatt hour paid by PREPA's customers can be lowered to something more affordable. Lower rates would probably lead to higher usage and help the island achieve some semblance of an economic recovery. The choice is stark for PREPA's hedge fund, mutual fund, and bond insurance creditors. Either face nearly a wipe out, save for whatever money makes its way to PREPA from FEMA, or step up and invest serious money into the redesign and recovery of PREPA's power grid, giving them a shot at a total recovery down the road. So far, the PREPA creditors have gambled and lost.

But they might be beginning to get some religion. According to Reuters, In recent days, PREPA creditors have offered the utility a new \$1 billion loan and a discount on a portion of its existing debt. The new loan would help PREPA do its part to enable it to get FEMA funds of at least \$3 billion, and possibly as much as \$9 billion. That kind of money would allow for a rebuild of the power grid and a chance for creditors to get a recovery. The new \$1 billion from creditors would have a priority over the debt owed to other creditors and would need to be approved by the bankruptcy judge. The creditors might also think about working closely with new outside investors—for instance the Blackstone Group has a new \$20 billion or so infrastructure fund that might find PREPA an interesting opportunity—or a private utility on the mainland to rebuild PREPA to upgrade its physical plant and lower its costs.

At this particular moment, there's no reason to feel sorry for PREPA's creditors, especially when thousands of human lives still remain at risk on the island in the wake of Maria. But the dire straits for PREPA and its creditors leave them little choice but to stop bickering and to propose a restructuring plan—either alone or with new outside investors—that gets the utility into the 21st century and gives the creditors a viable chance to get more of their money back. Anything less does a terrible disservice to millions of people already suffering enough.

VANITY FAIR

BY WILLIAM D. COHAN

OCTOBER 2, 2017 4:04 PM

[Trump Wants Puerto Rico Debt Handled in Court, White House Says.](#)

- **Resolution should follow existing process, Sanders says**
- **Trump had said in interview island's debt should be wiped out**

President Donald Trump wants Puerto Rico's \$74 billion debt to be addressed through the bankruptcy process established under a law passed last year, White House press secretary Sarah Huckabee Sanders said, not eliminated, as he suggested in a television interview.

"There's a process for how to deal with Puerto Rico's debt. It will have to go through that process to have a lasting recovery and growth. This is a process that was put in place and set up under Obama," Sanders told reporters at the White House on Thursday. "The president wants it to go through that process, and that's the stage we're at on that."

Her remarks were another attempt by administration officials to clarify Trump's intentions regarding the territory's debt after he rattled the \$3.8 trillion municipal bond market on Tuesday with an interview suggesting he wanted the debt eliminated.

"We have to look at their whole debt structure," Trump said in a Fox News interview. "They owe a lot of money to your friends on Wall Street. We're going to have to wipe that out. That's going to have to be — you know, you can say goodbye to that. I don't know if it's Goldman Sachs but whoever it is, you can wave goodbye to that."

White House officials quickly sought to walk back the statement. Trump's budget director, Mick Mulvaney, said Wednesday morning — as Puerto Rico's bond prices sunk to a record low — not to take Trump literally.

"I think what you heard the president say is that Puerto Rico is going to have to figure out a way to solve its debt problem," Mulvaney said.

The price of Puerto Rico bonds rallied after Mulvaney's comments and were little-changed on Thursday, steadying after the rout triggered by Trump's remarks. Its general-obligation bonds due in 2035, one of the most actively traded securities, changed hands for about 38 cents on the dollar, roughly where the price closed on Wednesday.

Trump's remarks on the debt stirred calls from Democratic lawmakers for new steps to ease the commonwealth's financial situation in the wake of the devastation caused by Hurricane Maria. In addition to its existing debt load, Puerto Rico is facing a massive rebuilding effort that the its federal oversight board says could cost \$95 billion.

Senator Chuck Schumer, the Democratic leader in the chamber, said Wednesday that Puerto Rico needs "a far fairer solution" to its debt burden. Schumer's House counterpart, Representative Nancy Pelosi of California, joined calls for the Treasury Department to extend a loan to help Puerto Rico in the short term, as the administration and Congress seek to aid the U.S. territory in rebuilding.

Trump's statement may have been a needed jolt for Puerto Rico's bond market, said Matt Fabian, a partner with Municipal Market Analytics.

"Prices should have gone lower after the hurricane than they did, so the president's statement, however ill-tempered, maybe did help," Fabian said. "Maybe this is helping the market wake up to the fact that prospects are diminished post-storm."

The island began a bankruptcy-like proceeding in May to restructure its debt, the largest such process in this history of the U.S. municipal bond market. The island's debt service payments have been on hold while it restructures its obligations in court.

Even before the storm, Puerto Rico said it could only pay a fraction of what it owed its creditors. The island's fiscal plan, approved by the federally appointed oversight board with broad control over the

commonwealth's finances, allocated an average of about \$800 million annually to bondholders over the next decade of the more than \$3 billion it owed each year.

Hurricane Maria's devastation of the island casts doubt that it will be able to afford the payments in the near term given government funds will likely be spent on the recovery. Tax collection has also been disrupted, local officials say.

Hedge funds aren't the only holders of the island's debt: billions of dollars worth of Puerto Rico's bonds are held by local residents, many of whom are retirees. Bonistas Del Patio, or backyard bondholders, a group that represents the interests of local investors, said in a statement that forgiving the commonwealth's debt would not only wipe out these residents' portfolios, but may also impede the island's economic growth as it recovers from the storms.

Bloomberg Politics

By Justin Sink, Toluse Olorunnipa, and Rebecca Spalding

October 5, 2017

— *With assistance by Erik Wasson*

[Debt Alone Won't Crush Puerto Rico. Depopulation Is the Curse.](#)

Erasing the island's bond obligations would not be sufficient, if migration continues.

The trend lines in Puerto Rico are going only one way. Photographer: Xavier Garcia/Bloomberg
"They owe a lot of money to your friends on Wall Street," Donald Trump told Geraldo Rivera. "We're going to have to wipe that out. That's going to have to be — you know, you can say goodbye to that. I don't know if it's Goldman Sachs but whoever it is, you can wave goodbye to that."

Bond markets didn't appreciate the verbal wave. The territory's bonds, already weak from the pounding of Hurricane Maria, fell another 31 percent. White House budget director Mick Mulvaney hastened to say the president didn't mean what he said. "I wouldn't take it word for word with that," he said demurely. Nor should you; as debt expert Cate Long told CNN Money, "Trump does not have the ability to wave a magic wand and wipe out the debt."

Yet the fact remains that Puerto Rico is not going to be able to pay all of its debts. Prior to the hurricane, the territory had \$73 billion in outstanding debt, and a population of 3.4 million people. That's approximately \$21,500 for every man, woman and child on the island — just about enough to buy each of them a brand new Mini Cooper, provided that they don't insist on the sport package or the heated seats.

Puerto Rico couldn't afford to buy 3.4 million Mini Coopers before; they certainly can't now that Maria has washed out so many roads. Even before the hurricane, Puerto Rico's GDP was around \$100 billion, meaning that repaying its debt would consume nearly nine months of everything the island earned. And while there will probably be a brief bump in economic activity as disaster relief funds pour in and the destruction is cleared away, over the long term the hurricane represents a huge setback: businesses destroyed, people killed or injured, funds that could be generating economic growth instead diverted to simply replacing what has been lost.

So whatever President Trump does, or does not do, investors in Puerto Rican bonds are going to have to take a substantial haircut. The problem is, we're not going to wipe out the debt entirely. And even if we could, it wouldn't be enough to get Puerto Rico back to economic or fiscal health.

"If it's that bad," you may be thinking, "surely we ought to simply wipe out the debt holders? After all, they're investment professionals. They can afford to take the loss; ordinary Puerto Ricans can't." The problem is that most of the folks holding Puerto Rico's debt aren't vulture hedge funds sitting on wads of ill-gotten gains; the overwhelming majority of the debt is held by ordinary folks who buy bonds or bond funds. Like, say, your parents. Or maybe you. And also, a lot of Puerto Ricans, who would be hit very hard if the value of their investments were wiped out.

That's because Puerto Rican debt was doubly attractive to the prospective investor. It offered relatively high yields at time when interest rates were rock-bottom, and it was "triple exempt": you didn't have to pay federal, state or local taxes on the interest income. This allowed Puerto Rico to wildly overborrow its actual fiscal capacity to repay the debt.

And why was the government borrowing so much? For one thing, because the government doesn't work very well. The operations of the Puerto Rico Electric Power Authority, for example, defy belief: It essentially gave unlimited free power to municipalities and government-owned entities, which used it to do things like operate skating rinks in the tropics. Everywhere you look, you see signs of a government struggling to perform basic tasks: collect taxes, maintain the infrastructure, improve the health system. In the jargon of development economists, the island lacks "state capacity": It is simply unable to exert the amount of power over its operations that we on the mainland mostly take for granted.

But you can't entirely blame the Puerto Rican government for the state of the underlying economy, which is what had plunged the island into a bankruptcy crisis even before the hurricane. For that you have to look to the federal government, which eliminated a tax break that had given companies incentives to locate in Puerto Rico, and then oversaw a financial crisis that sent them into an even deeper spiral. We also made sure that a relatively poor island was forced to adopt the federal minimum wage, which was too high for the local labor market. That has contributed to the 11.5 percent unemployment rate. And Puerto Rico uses the U.S. dollar, leaving it unable to adjust monetary policy to overcome economic stagnation.

None of those things will change just because we wipe out the bondholders. And the bondholders are not Puerto Rico's only creditors; it has an unfunded pension liability of roughly \$50 billion. Covering the current liability will consume more 20 percent of the budget.

That figure will only grow, because the biggest problem of all is Puerto Rico's rapid demographic decline. There has long been a steady migration from Puerto Rico to the mainland. By 2008, there were more Puerto Ricans in the rest of the U.S. than there were in Puerto Rico. But the economic crisis has accelerated that flow to staggering levels. Worse still, the flow is selective: young families, professionals and skilled workers migrate in search of better opportunity, while the old and the dependent stay home. In just one year, 2014, almost 3.5 percent of the young adult population migrated.

Undoubtedly, the hurricane will make this worse. Some businesses will never reopen, and workers will start looking across the water. Some people will decide it's easier to move elsewhere and start over than to rebuild their destroyed home. A look at the experience of New Orleans after Katrina is instructive: Between the 2000 and 2010 censuses, the city lost 30 percent of its population.

As people move, the effect won't only be economic. The debt burden will stay the same size, but it

will be spread over fewer and fewer people. The same will happen to all the other fixed expenses of the government — things that also cannot be easily ordered away by a president, or a court: the pension bill, the roads, the hospitals and airports. Whatever happens with Puerto Rico's debt, the Wall Street bankers will probably be fine. But unless we find a way to help the territory reverse these catastrophic trends, Puerto Rico will not.

Bloomberg View

By Megan McArdle

October 6, 2017, 7:00 AM PDT

Megan McArdle is a Bloomberg View columnist. She wrote for the Daily Beast, Newsweek, the Atlantic and the Economist and founded the blog Asymmetrical Information. She is the author of “The Up Side of Down: Why Failing Well Is the Key to Success.”

This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners.

Trump Could Push the Justice Department Into Puerto Rico's Debt Fight.

- **Instead of a bailout, Trump could try to join court battle**
- **Island's status as a U.S. territory may provide an opening**

After President Donald Trump said Puerto Rico's debt will be wiped out, White House officials rushed to rule out any U.S. bailout of bondholders, who lent the commonwealth about \$74 billion.

But Trump, who used bankruptcy to restructure billions owed by his former businesses, has other ways to insert the federal government into one of the most complicated insolvency cases ever filed in a U.S. court.

He could order the U.S. Justice Department to defend the 2016 federal law that Puerto Rico is trying to use to slash its debt and about \$49 billion in pension obligations. Bondholder Aurelius Investments LLC is trying to have that law, known as Promesa, declared unconstitutional, which would throw the restructuring into chaos.

But he has to move soon. The judge overseeing the Title III bankruptcy case has given the justice department a Nov. 6 deadline to decide whether to defend the constitutionality of Promesa, or leave the job to a federal oversight board.

Another option: the Justice Department becomes a party to the bankruptcy, which would give the White House the chance to directly influence a final restructuring plan of the island's debt load and what Wall Street creditors get repaid. That plan will be put together by the federal oversight board, which is responsible for prosecuting the bankruptcy case and was appointed before Trump got elected.

Dynamic Uncertainty

In any event, bringing the U.S. into the fray would make a difficult case even more complicated, bankruptcy experts say.

“You don’t need any more dynamic uncertainty,” said James Spiotto, managing director at Chicago-based Chapman Strategic Advisors LLC, whose firm advises on municipal restructurings.

In order to get into the case, the Department of Justice would need permission from the judge overseeing the bankruptcy, U.S. District Court Judge Laura Taylor Swain. To do that, lawyers could point to the fact that because Puerto Rico is a territory, not a state, it’s considered property of the U.S. under the constitution.

“That could give Trump the opening to become a party and get involved,” said Bruce Markell, a professor at Northwestern University School of Law and a retired bankruptcy judge.

Creditor Benefit?

Even if Trump did push the U.S. into a direct role in Puerto Rico’s bankruptcy, he would have to abide by the same rules as any creditor or other participant, Spiotto said. The oversight board would still be in charge of proposing a debt-adjustment plan and the judge would still have the final say over whether that plan is approved.

Being a party to the case would simply mean that the U.S. could participate in hearings and file motions supporting or opposing any of the dozens of legal fights that will need to be resolved before Puerto Rico can exit bankruptcy.

Outside of the bankruptcy case, Trump can’t do much to help Puerto Rico eliminate its debt, said Richard Cooper, a restructuring lawyer with Cleary Gottlieb Steen & Hamilton LLP, which until earlier this year had been advising Puerto Rico on its debt troubles.

“Other than using his bully pulpit power or seeking to amend Promesa in a manner that seems to favor the government or the oversight board, there isn’t much the U.S. government can do to eliminate or reduce Puerto Rico’s debt stock,” Cooper said.

Inside the case, there is a risk that dragging the U.S. into a direct role could be used by creditors to their benefit, Spiotto said. Creative bankruptcy lawyers could “try to argue that the debts of Puerto Rico should be debts of the federal government.”

The case is *In re Commonwealth of Puerto Rico*, 17-03283, U.S. District Court, District of Puerto Rico (San Juan).

Bloomberg Politics

By Steven Church

October 5, 2017, 5:30 AM PDT October 5, 2017, 6:23 AM PDT

— With assistance by Jef Feeley

[National Public Finance Guarantee Voluntarily Dismisses Adversary Proceeding Challenging the Commonwealth of Puerto Rico’s Fiscal Plan.](#)

PURCHASE, N.Y.-(BUSINESS WIRE)-National Public Finance Guarantee Corporation (National), an indirect subsidiary of MBIA Inc. (NYSE:MBI), today announced that, together with the other

plaintiffs in the case, it has voluntarily dismissed without prejudice the adversary complaint filed on May 3, 2017 which challenged the Commonwealth of Puerto Rico's fiscal plan dated March 13, 2017.

"Hurricane Maria's impact on lives, property and infrastructure on the island of Puerto Rico is without precedent," said Bill Fallon, CEO of National Public Finance Guarantee Corporation. "With the focus quite rightly on rescue, recovery and the restoration of basic services to Puerto Rico's citizens and a strong likelihood that the existing fiscal plan will have to be amended in the wake of the hurricane, we do not believe it would be appropriate to move forward with the litigation at this time. As it has for more than three decades, National will continue to support the people of Puerto Rico and we look forward to working with the Commonwealth and the Oversight Board on a revised fiscal plan that allows Puerto Rico to rebuild its infrastructure, restore its fiscal health and return to the municipal markets."

Fearing Bankruptcy, Hartford Creditors Prepare For Court Battle.

As Hartford edges closer to bankruptcy, the city's creditors are gearing up for what could be a protracted, bitter court battle.

Two of Hartford's largest employee unions – the police and firefighters – have begun seeking advice from lawyers specializing in Chapter 9, the bankruptcy code covering fiscally strapped municipalities. A third, the American Federation of State, County and Municipal Employees Council 4, Local 1716, which represents about 400 city workers, has tapped its national leadership for assistance and counsel.

And recently, the city's two biggest bond insurers, Assured Guaranty and Build America Mutual, brought on a financial expert to assess Hartford's situation and come up with solutions outside of bankruptcy.

"It's starting to dawn on them now – it's real," Vincent Fusco, the head of Hartford's fire union, said of his members. "If bankruptcy goes through, it's over. Forget everything we gave up, it's over."

In August, Fusco told union members that he approached two bankruptcy attorneys for guidance, though he hasn't hired anyone yet. Mayor Luke Bronin's threat of filing has rattled city employees and retirees, and the bargaining groups want to be ready.

"We are getting substantial assistance from our national AFSCME union to prepare and mobilize for all possibilities, including Chapter 9," said Larry Dorman, a spokesman for Local 1716. "Part of those discussions certainly includes conversations with legal experts."

Bronin, who has long suggested the city could file for bankruptcy, drew a line in the sand last month, warning the governor and lawmakers that if Hartford didn't get the necessary state aid by early November, he would press ahead with a Chapter 9 petition.

Hartford, facing a \$65 million deficit, has mounting debt and widening cash flow problems this year. City leaders are anticipating a shortfall of nearly \$40 million in December.

The state budget stalemate has created a headache for many cities and towns, but it's posing exceptional issues for Hartford. By this point last year, the city had received \$63.6 million from the state. Since the current fiscal year began in July, Hartford has received no state funding.

"If the state fails to enact a budget and continues to operate under the governor's current executive order, the city of Hartford will be unable to meet its financial obligations in approximately 60 days," Bronin wrote in his Sept. 7 letter. "If there is no budget or additional state funding in place at that time, we anticipate seeking authority to file Chapter 9."

The mayor's window to receive that state aid closes Nov. 6.

'We Would Fight'

With the November deadline looming, Hartford workers and retirees have become increasingly unsettled.

Days after Bronin's letter, members of the city council called union officials and former employees to city hall to share their fears.

Carol Vinnick, a West Hartford resident who worked as a nurse practitioner for the Hartford school district, said she worries the city's pensions would be harmed.

"When people have worked hard for years and didn't go for the big bucks ... We're dependent on those pensions and we're concerned that the city of Hartford is looking to a solution that puts those pensions in jeopardy," she said.

Labor groups share that concern.

John Szewczyk, president of the Hartford Police Union, said the organization has "contingency plans" in place should Bronin file for bankruptcy, including keeping a lawyer on standby.

"We've met with counsel, and obviously we'll be protecting our members that are relying on their pensions they paid into their whole careers," he said. "We would fight to keep our pensions.

"This has been very, very hard on retirees and on active employees, especially employees near the end of their careers."

Dorman, the Local 1716 spokesman, said he hopes city leaders won't "eviscerate" the quality of employment for longtime workers.

"What we don't want to have happen is some kind of grand bargain that destroys the quality of life for dedicated public servants and destroys the quality of work they do for the residents and businesses of Hartford," he said.

Hartford's fire union last year agreed to concessions that are expected to save the city \$6 million over the life of its four-year contract. The teachers union approved a contract extension that kept wages flat and benefits unchanged. But many of the city's labor groups are still negotiating.

Local 1716 in May rejected a tentative agreement that would have saved Hartford \$4 million over six years. Its president said members couldn't absorb the hefty give-backs built into the deal.

Meanwhile, city bond insurers, who last month extended an offer that would allow Bronin to refinance debt, hired Robert Lamb, a finance expert who has helped several Connecticut communities through fiscal difficulty.

Robert Tucker, a spokesman for Assured Guaranty, which insures \$311 million of Hartford's debt, said Lamb has already attended meetings in the capital city and is weighing options.

A Long Battle

In many cases, Chapter 9 bankruptcy is a costly, contentious process that can take years, legal experts said.

San Bernadino, Calif., emerged from bankruptcy in June, five years after city administrators filed their petition. Vallejo, Calif.'s bankruptcy took three years to resolve, and the case in Jefferson County, Ala., lasted two years.

Other cities, like Detroit and Central Falls, R.I., have been speedier – taking 15 months and a year, respectively.

Sometimes, a large part of the battle involves convincing the court to move ahead with the petition.

"Typically, what's happened and what I expect would happen here is that various constituencies – bond holders and employee unions – would fight the bankruptcy," said Eric Henzy, a lawyer with the Bridgeport firm Zeisler & Zeisler who has experience in Chapter 9 cases, including Orange County, Calif.'s bankruptcy. "There's a test that the city has to meet to in order to be able to file."

That test involves demonstrating Hartford is insolvent, he said, and that it has negotiated in good faith with creditors to try to satisfy obligations.

Bronin must get approval from Gov. Dannel P. Malloy to file for bankruptcy. In Hartford, there's been some debate about whether the mayor also needs the city council's permission. Bronin says no. Some council members say yes.

"If the council hasn't approved the filing, that would probably be a good year of work for lawyers," Henzy said. "There's no question that bondholders and employee unions would seek to dismiss the bankruptcy on that basis."

"The first step is probably a big fight on whether or not the city has properly filed."

Council President Thomas "TJ" Clarke II has said he's against bankruptcy, but acknowledged last month that it is "an option."

"If we are forced to take that option," he said, "then I think everybody would be on board."

Asked recently if the council would try to block a Chapter 9 petition, Clarke said he was unsure.

"I think that's something we really have to sit down and discuss," he said.

Officials with Assured Guaranty declined to comment on whether they would fight bankruptcy in court. But Holly Horn, chief surveillance officer of public finance for the company, told The Courant last month that "bankruptcy is not the solution."

"It's going to be a long, expensive [process] and there are no guarantees. There are no guarantees that Luke is going to get any certain percent of haircut out of the creditors," she said. "We think there are solutions outside of bankruptcy that are much more beneficial for the state and for Hartford."

Though Bronin has said he wants to avoid bankruptcy, the state's budget gridlock has left Hartford in a bind.

"If legislative leaders of both parties are not prepared to make a long-term fiscal commitment, I

would rather know that now, because putting a Band-Aid on the problem for another year or two is not the way to build a strong capital city," he said recently. "Ongoing uncertainty and perpetual crisis is damaging to both the state and the city, and it's time for us all to pick a path and go forward."

The Hartford Courant

by Jenna Carlesso

October 7, 2017

Puerto Rico Faces Restart on Financial Plan After Maria.

Federal board supervising the bankruptcy meets this week and could change the island's fiscal map

It took months to put together a financial overhaul plan for Puerto Rico. Now officials may have to start over following Hurricane Maria.

The federal board supervising Puerto Rico's bankruptcy plans to meet Friday and is likely to discuss possible changes to a commonwealth fiscal plan [it approved in March](#), according to a person familiar with the matter.

The conversations could affect the severity of write downs on Puerto Rico's \$73 billion in debt.

The oversight board placed Puerto Rico under court protection in May in what amounted to the largest-ever U.S. municipal bankruptcy. Restructuring legislation approved by Congress charged the board with drafting [a financial plan](#) for the U.S. territory.

The initial plan stipulated Puerto Rico would pay bondholders roughly a quarter of what they were owed over the next 10 years. The numbers were based on pre-hurricane projections about government cash flows, economic activity and migration.

Any accelerated migration of Puerto Rico's 3.4 million citizens to the U.S. mainland would further drain its ability to service its debt obligations. The plan also called for government cuts.

"The board and governor urgently need to revisit the fiscal plan including austerity in the plan," said Antonio Weiss, a former senior Treasury official who worked on Puerto Rico's restructuring plan.

One analyst who studies Puerto Rico debt, Andrew Gadlin, said he believed estimates for the first year of the fiscal plan would be revised. "But in terms of the numbers I'd argue that this is more of a one-time capital expense than an ongoing need," said Mr. Gadlin, who works for broker dealer Odeon Capital Group.

The financial fallout from the natural disaster may already be affecting some Wall Street firms invested in the commonwealth. Investors have been selling Puerto Rico securities since the hurricane, pushing prices on its benchmark general obligation bond down to 51.75 cents on the dollar, a 9% drop. The S&P Municipal Bond Puerto Rico Index has fallen 5% to a one-year low.

President Donald Trump, who said he would visit the island next week, tweeted Monday that Puerto

Rico's obligations to bondholders "sadly, must be dealt with."

Reconstructing Puerto Rico's power grid may prove particularly costly because of financial difficulties at its struggling electric utility. The public power monopoly known as Prepa owes \$9 billion in bonds and loans, and has been operating under bankruptcy protection since July. Maria's winds wrecked much of Prepa's already outdated distribution grid, plunging the island into almost total darkness. The prolonged loss of service is expected to deprive Prepa of fees it normally collects for powering homes and businesses.

Congress is starting to debate how best to rebuild Prepa. Setting up a reliable power system will require expensive modernization using federal dollars.

Prepa is a flashpoint in Puerto Rico's financial crisis because power rates are a drag on family incomes and company budgets. The oversight board has said it wants to privatize power generation to lower costs and transition Prepa to a regulated utility model. Creditors are skeptical of privatization, concerned that by selling off assets Prepa would lose the revenue streams backing its debt.

But raising power rates to repay creditors is politically toxic in Puerto Rico, where the cost of importing fuel from oil tankers has driven power prices higher than in any U.S. state but Hawaii. One week before Maria's arrival, a bipartisan group in Congress urged the oversight board to lower its target power rate of 21 cents per kilowatt-hour to lower consumers' power costs and revive the local economy.

"Even if new federal aid money comes into Prepa, there's real uncertainty about whether a brand new grid improves recoveries for creditors," Mr. Gadlin said.

The Wall Street Journal

By Heather Gillers and Andrew Scurria

Updated Sept. 26, 2017 6:50 p.m. ET

Write to Heather Gillers at heather.gillers@wsj.com and Andrew Scurria at Andrew.Scurria@wsj.com

[With Puerto Rico in Ruins, Bondholders Offer Cash for Gains.](#)

- **Creditors reprise once spurned deal with 15 percent haircuts**
- **Group says \$1 billion loan would help secure federal funds**

In late June, Puerto Rico's federal overseers rejected a plan that would have let big investors recover 85 cents on the dollar from bonds backed by the island's distressed electric company, wagering a better deal for the impoverished U.S. territory could be won in bankruptcy.

The Puerto Rico Electric Power Authority has since been devastated by Hurricane Maria, which caused billions of dollars of damage and left virtually the entire island still without power.

So on Wednesday, a group of investment funds that hold \$3 billion of the utility's bonds — including OppenheimerFunds Inc. and Franklin Advisers Inc. — revived the spurned deal: In return for a \$1 billion loan, they said they'd be willing to accept the same terms on a third of their holdings. The

price is roughly twice what some of the utility's debt has been trading for.

"They keep bringing it back from the dead and hope that they'll hold on to a 15 percent haircut," said Matt Dalton, chief executive officer of Rye Brook, New York-based Belle Haven Investments, which manages \$6 billion of municipal bonds, including insured Puerto Rico debt. He predicted the island won't accept it. "It's a time for money to be offered, but not with contingencies surrounded around it."

Puerto Rico and U.S. Department of Energy officials are still struggling to restore electricity, a week after the storm. Governor Ricardo Rossello has pleaded for more help to avoid a humanitarian crisis. In Washington, House Speaker Paul Ryan and other Congressional officials are still assessing how much aid to send to the island, whose financial collapse has effectively blocked it from raising more money in the financial markets.

The bondholders' loan — which would need approval from the island's oversight board — could help Prepa, as the utility is known, meet local matching requirements to receive Federal Emergency Management Agency funds, according to the group. FEMA may allocate as much as \$9 billion to Prepa, depending on the federal agency's matching thresholds. Among the group is Marathon Asset Management LP, BlueMountain Capital Management LLC, Angelo, Gordon & Co. LP, and Knighthood Capital Management LLC.

"What we're trying to do is lend where our investors are not disadvantaged," Thomas Wagner, co-founding partner of Knighthood, said on Bloomberg TV. "But where we can have a win win — where the capital is not expensive, but ultimately it achieves the goals of bringing even more capital in on a zero-cost basis."

A spokeswoman for Puerto Rico's fiscal agency, which has been handling inquiries about the utility, didn't have immediate comments. Natalie Jaresko, the executive director of the oversight board, said it welcomes the support from creditors and will review the proposal, in consultation with the Puerto Rico officials.

The broad terms effectively reprise a deal creditors struck with Puerto Rico after months of negotiations and before Congress enacted emergency legislation giving it authority to have debts discharged in court.

The latest iteration would have the investors exchange \$1 billion of outstanding bonds for \$850 million of new debt through so-called debtor-in-possession financing, which is routinely extended to corporations working under court protection from creditors. Those new notes — as well as the \$1 billion loan — would receive priority over all other Prepa bonds, giving them higher standing than other creditors in the bankruptcy proceedings.

The exchange rate received under the offer is well above where the bonds have been trading. Debt maturing in 2032 changed hands Tuesday at an average 43.2 cents on the dollar, down from nearly 56 cents at the start of the month, data compiled by Bloomberg show. The securities rose to 47 cents Wednesday, after the proposal was announced.

"Our thoughts are with the people of Puerto Rico and its residents during this difficult time," Stephen Spencer, managing director at Houlihan Lokey, which is advising the bondholder group, said in a statement. "We hope that this capital commitment will provide bridge financing and matching funds as required by FEMA legislation while supporting the commonwealth's recovery."

Bloomberg Markets

By Michelle Kaske

September 27, 2017, 5:00 AM PDT September 27, 2017, 2:26 PM PDT

— With assistance by Erik Schatzker

Puerto Rico Bondholders Face Bigger Loss After Hurricane.

- **Debt tumbles by most since governor warned of looming defaults**
- **Federal oversight board said to meet to reassess fiscal plan**

Even before Hurricane Maria devastated Puerto Rico, leaving billions of dollars in damage and crippling the electricity system, the island's government said it could repay less than a quarter of what's owed to bondholders over the next decade. Now, even that may be optimistic.

Prices of the U.S. territory's bonds have plunged to record lows, signaling investors expect that there will be even less money available to repay its \$74 billion of debt. On Friday, Puerto Rico's federal overseers, who are in charge of pulling it from a financial collapse, plan to reassess the island's fiscal plan — including how much debt it can pay — in light of the storm, according to a person familiar with the matter.

Bondholders "will have to experience some amount of pain or financial devaluation of their stakes," said David Tawil, president and co-founder of Maglan Capital LP, which no longer owns Puerto Rico bonds. Tawil estimates some prices will need to drop by as much as 20 percent, given the hit that Maria will deal to tax collections. "I don't think anybody has any appreciation for how devastating the effects of the storm will be."

Puerto Rico has little financial ability to navigate the disaster on its own, leaving the recovery heavily dependent on how much aid comes from Washington. It began defaulting on its debts two years ago, seeking to avoid draconian budget cuts officials said would deal another blow to an already shrinking economy. With nearly half of its 3.4 million residents living in poverty, the government filed for bankruptcy protection in May.

Municipal bankruptcies are rare, so it was already difficult for analysts to estimate how much bondholders will recoup, especially given that Puerto Rico's broke pension fund owes some \$49 billion to workers and retirees.

Moody's Investors Service estimated bondholders would get 65 cents to 80 cents on the dollar from general-obligation bonds and senior sales-tax debt, which have the strongest repayment pledges. This week, Fitch Ratings said the storm will likely weigh on recoveries despite the uncertainty about how much it will ultimately affect the economy.

"If you're really going to solve the problem, you have to really slash their debt," said Matt Dalton, chief executive officer of Rye Brook, New York-based Belle Haven Investments, which manages \$6 billion of municipal bonds, including insured Puerto Rico debt. "Sixty-five to 80 cents on the dollar, we just don't see how the island supports that long term."

Trading prices reflect those doubts. An index of Puerto Rico securities fell by 4 percent last week, marking the steepest weekly decline since July 2015, after then Governor Alejandro Garcia Padilla said the government's debts were too onerous to pay. It's fallen by another 3 percent this week, with

general-obligation bonds maturing in 2035 slipping Thursday to an average of 48 cents on the dollar, the lowest since they were first sold in March 2014, according to data compiled by Bloomberg.

One key issue is how general-obligation bonds — which the island's constitution says must be repaid before other expenses — will fare against sales-tax debt that's repaid by a dedicated share of that revenue.

"No one has any idea of what's a good value, especially now," said Matt Fabian, a partner with Municipal Market Analytics.

The commonwealth's fiscal plan, which the federal board approved in March, allocated \$8 billion for debt payments between now and 2026, far short of the \$33.4 billion that's owed.

The island is now even more desperate for cash. This week, Puerto Rico's federal overseers approved using as much as \$1 billion of this year's budget to cover emergency spending. And with the storm paralyzing the economy, revenue will likely be further squeezed in the months ahead.

That financial pressure may leave Puerto Rico and its bondholders allies in Washington, where officials in Congress have vowed to provide the aid needed to rebuild, though the timing and size have yet to be determined.

"You're going to see a meaningful fall in tax collections," said Brad Setser, senior fellow at the Council on Foreign Relations. "That will certainly limit the availability of funding to make any near term debt service payments."

Bloomberg Markets

By Michelle Kaske

September 28, 2017, 2:50 PM PDT September 29, 2017, 5:47 AM PDT

[Ex-Morgan Stanley Broker at Center of Puerto Rico Bond Disputes.](#)

Hurricane damage to island may complicate settlement of claims on munis and closed-end funds

The Puerto Rico municipal bond mess has landed on the doorstep of Morgan Stanley, with mounting arbitration claims against the firm stemming from sales of the bonds and closed-end funds from a former broker in Miami.

The broker, Angel Aquino-Velez, is no longer with Morgan Stanley and his registration at the firm ended in July, according to his BrokerCheck report. The report provides no explanation for his change of employment status.

Mr. Aquino-Velez started working at Morgan Stanley in 2010. He had previously worked at Merrill Lynch and UBS Financial Services Inc.

The six pending Financial Industry Regulatory Authority Inc. arbitration claims against Morgan Stanley and Mr. Aquino-Velez allege close to \$7 million in damages, according to BrokerCheck. The allegations included unsuitability and misrepresentation regarding the purchase of municipal

securities and closed-end funds. Three of those claims were filed over the summer since he left the firm.

HUGE LOSSES

Mr. Aquino-Velez recently sold clients Puerto Rico Cofina bonds, which are backed by the island's sales tax revenue, according to Jeff Erez, a plaintiff's attorney involved in four claims by the broker's clients against Morgan Stanley.

"Some people's portfolios are down 80%," Mr. Erez said. "I just filed a claim for a client who had \$5 million and now she has \$1 million. Aquino-Velez fell in love with Puerto Rico bonds. He felt he knew better and continued to send that message till the day he left."

Mr. Erez said the claims against Morgan Stanley stemming from the bonds are far less than those involving UBS, which in 2014 said it faced almost \$1 billion in damages from investor claims.

A spokeswoman for Morgan Stanley Wealth Management, Bernadette Rhodes, did not return calls to comment. The broker, Mr. Aquino-Velez, could not be reached to comment.

In May, Puerto Rico filed for bankruptcy under the weight of \$70 billion of municipal debt. Ten years earlier, Puerto Rico had \$43.5 billion in debt obligations. The bonds and closed-end bond funds were popular with investors and retirees because of their triple-tax free status.

STORM DEVASTATION

Hurricane Maria struck Puerto Rico on Sept. 20, and soon wiped out the island's outdated electricity system, flooded cities and ruined crops, leaving bondholders increasingly worried, according to Bloomberg News.

In some 300 investor claims involving Puerto Rico bonds that he has worked on, Mr. Erez said that about 190 have closed, with investors recovering \$90 million. He added that he is speaking to other Morgan Stanley clients about potentially filing claims stemming from losses in Puerto Rico bonds and closed-end funds.

Morgan Stanley has already settled four Finra arbitration claims worth \$2.4 million stemming from Puerto Rico municipal bond investments involving Mr. Aquino-Velez, according to BrokerCheck.

Meanwhile, Finra's Office of Dispute Resolution, which runs the arbitration group, said last week that it had stayed or temporarily halted all cases based in Puerto Rico until Oct. 20.

Investment News

Sep 28, 2017 @ 2:13 pm

By Bruce Kelly

[Puerto Rico Considers Options to Close Financing Gap.](#)

Gov. Ricardo Rosselló favors taxpayer-financed credit lines to aid in island's recovery

Recovery efforts following Hurricane Maria could create a cash crunch for Puerto Rico's

government, already mired in the largest-ever U.S. municipal bankruptcy, despite an influx of federal disaster relief in coming months.

The cost of restoring critical infrastructure that was destroyed in the storm will largely fall to the Federal Emergency Management Agency, but funding for other essential services, such as police, may remain the U.S. territory's responsibility, according to FEMA experts.

Puerto Rico's liquidity was already under pressure from a dwindling population, spiking pension costs and a looming health-care-funding cliff. Now, with hundreds of thousands of residents still without power and other basic necessities, economic activity will be interrupted, curtailing the government's tax collections for a time, said Jim Millstein, a financial restructuring adviser to Puerto Rico's previous gubernatorial administration.

[Continue reading.](#)

The Wall Street Journal

By Andrew Scurria

Sept. 29, 2017 2:30 p.m. ET

Puerto Rico May Get Help from Unlikely Source: Its Lenders.

After wondering for seven sweltering days who would pay to rebuild their ruined electrical grid, Puerto Ricans got a possible answer from an unexpected source on Wednesday: investors holding the island power company's defaulted bonds.

The bondholders, a group that includes mutual-fund giants and hedge funds, have offered to lend Puerto Rico \$1 billion to pay for urgent repairs and to cancel \$150 million of the power company's outstanding debt in the process.

Because of how it is structured, the proposal by the bondholders could help them even as it helps Puerto Rico.

The loan would not be enough to replace the island's aged electrical system, which was knocked out by Hurricane Maria, leaving more than three million people without power and, in some cases, water.

But the bondholders say that in addition to covering immediate repairs, their offer would allow Puerto Rico to apply for federal grants for long-term rebuilding that would not have to be repaid.

Various federal agencies offer such grants after natural disasters, but require recipients to put up a share of a project's cost, usually 25 percent. The Federal Emergency Management Agency typically coordinates such grants.

Puerto Rico's power company, known as Prepa, was insolvent even before the hurricane hit and would have a hard time producing such upfront money on its own.

"This capital commitment will provide bridge financing and matching funds as required by FEMA legislation," said Stephen Spencer, a managing director at the investment bank Houlihan Lokey who is the bondholder group's financial adviser in Puerto Rico's bankruptcy case.

Mr. Spencer said the package offered by his group, which includes Franklin Templeton, Knighthead Capital Management and OppenheimerFunds, would qualify Prepa for at least \$3 billion in federal grants, and possibly as much as \$9 billion.

The potential benefits for the bondholders are tied to the package being offered as debtor-in-possession financing, which is normally used to keep bankrupt corporations afloat during Chapter 11 cases.

Debtor-in-possession financing requires court approval because it increases a bankrupt party's total insolvency. Parties that extend such financing typically jump to the top of the creditors list in a bankruptcy, notable given that some of Puerto Rico's creditors are fighting one another over where they rank on that list.

Not only would the bondholders' loan take priority over some of Puerto Rico's other debts, but it would also offset some losses the bondholders may face if the original debt were not repaid in full.

In a statement, Natalie Jaresko, the executive director of the federal board overseeing Puerto Rico's finances, said: "We welcome and appreciate the expression of support from creditors. The board will carefully consider all proposals in coordination with the government."

With about \$9 billion in outstanding debt, Prepa is among the most troubled branches of a Puerto Rican government saddled with around \$74 billion in total debt, mostly in municipal bonds. Prepa declared itself insolvent in 2014 and stopped making debt payments, leading bondholders to start negotiations to slow the original repayment schedule.

A preliminary agreement to restructure a sizable portion of Prepa's debt was reached in September 2014 with terms that included a rate increase for its customers. Much has changed since then, though, and a final restructuring deal is in limbo.

Last year, an investigation by Puerto Rico's Senate uncovered evidence of a cabal within Prepa that appeared to have cheated the island's 1.5 million ratepayers out of more than \$1 billion. The scheme involved buying cheap, dirty sludge to burn in the island's power plants, but billing ratepayers for clean, high-grade fuel.

Many Puerto Ricans now associate Prepa with corruption, abuse and a \$9 billion debt they believe they should not have to repay.

Prepa was not originally included when Puerto Rico sought court protection from its creditors in May, under a special law for insolvent territories, known as Promesa. The power company filed its own case in July, under the guidance of the federal oversight board, which wants a more drastic restructuring than the bondholders had negotiated.

Under the terms of the \$1 billion loan being offered by bondholders, Puerto Rico would not have to make principal or interest payments for two years. During that time, interest would accumulate at a variable rate starting at about 5.5 percent and following market rates up or down. The bondholders also offer not to charge an early payment penalty should Puerto Rico find a better deal after accepting the loan.

The \$150 million in canceled debt would come via an arrangement known as a roll-up, in which participating bondholders would exchange \$1 billion of outstanding defaulted bonds for new, viable bonds with a face value of \$850 million.

The deal would have to be approved by both the Puerto Rican government and Judge Laura Taylor

Swain of Federal District Court in New York, who is presiding over Puerto Rico's case.

THE NEW YORK TIMES

By MARY WILLIAMS WALSH

SEPT. 27, 2017

Chesapeake Bay Foundation Offers Pa. Municipalities Private Funding Method for Clean-Up.

The Chesapeake Bay Foundation announced Thursday, Sept. 28 an opportunity for municipalities to participate in a pilot program, which offers financial backing when implementing natural solutions that reduce runoff that damages local rivers, streams, and the bay.

Pennsylvania was invited to participate, according to the foundation. The application process opened Friday, Sept. 15, and closes Tuesday, Oct. 31.

In order to help municipalities reach its clean-up goals, the foundation is partnering with Quantified Ventures, the Kresge Foundation and other funders.

"Because some local governments and lenders may be less familiar with implementing natural solutions, these kinds of projects may be seen as riskier and more difficult to finance," Chesapeake Bay Foundation Vice President Kim Coble said.

The idea stems from an arrangement made between DC Water and Quantified Ventures, which last year pioneered a new financial tool called Environmental Impact Bond.

It was structured to privately finance and share the risk for implementing natural solutions to manage storm-water runoff into the Potomac River, according to a Chesapeake Bay Foundation statement.

The pilot project would offer the same financial tool.

A utility can raise funds from impact investors Goldman Sachs and the Calvert Foundation to finance projects like permeable pavement and bioswales, the foundation reports. Additional community benefits, foundation leaders said, are introduced to communities, like reduced local flooding, improved climate resiliency, and local job creation.

The financial structure provides up-front capital for environmental projects. In its most basic form, a municipality or municipal entity, like a utility, issues Environmental Impact Bonds and sells them to private investors to obtain financing to pay the cost of environmental projects.

The municipal issuer is required to pay interest on the bonds and to repay the principal amount of the bonds on scheduled payment dates, the foundation reports.

After an evaluation period, if the project reduces significantly more pollution than expected, investors receive a higher rate of return. If the project reduces significantly less pollution, investors will receive a lower rate of return.

"In our pilot program, we will coordinate with up to four local jurisdictions' financial advisors toward

the creation of an Environmental Impact Bond or loan tailored to their community's financial and environmental needs to implement green infrastructure solutions," said Coble.

York Dispatch

by Jana Benscoter

Sept. 29, 2017

Restructuring Debt Or Bankruptcy: Hartford Meets Resistance Either Way.

Wherever they turn, Hartford officials are meeting trouble trying to figure out how to repay millions of dollars in debt.

As S&P Global Ratings cut Hartford's general obligation bonds by four notches Tuesday, to 'CC' from 'B-', it said it could reduce it even more, to 'D,' if the city "executes a bond restructuring or distressed exchange or files for bankruptcy."

In a distressed exchange, a borrower proposes that debt holders agree to be repaid less of the loan's principal in exchange for moving up in payment priority.

S&P said it would consider any "distressed offer" to be "tantamount to default."

"In our view the potential for a bond restructuring or distressed exchange offering has solidified with the news that both bond insurers are open to supporting such a measure in an effort to head off a bankruptcy filing," S&P said.

Representatives of Assured Guaranty, the insurer that covers the largest share of Hartford bonds, have said they would help the city restructure its debt — reducing immediate contributions by stretching its payments further into the future. That means, in effect, that Assured would be willing to continue insuring Hartford's debt after a refinancing — a necessary condition, considering the city's threats of bankruptcy.

If Hartford were to default or otherwise fail to make its debt payments, the bond insurance companies would be responsible for making missed payments. That's why Assured and the other insurer covering Hartford's debt, Build America Mutual, offered to help in a refinancing.

But despite the comments by S&P, it's not clear whether a restructuring based on such a refinancing deal would mean bondholders would end up being repaid less.

Mayor Luke Bronin and lawyers with Greenberg Traurig, the firm hired by the city to explore bankruptcy, held a brief conference call with bondholders and insurers Monday. Hartford faces \$545 million in outstanding general obligation debt.

City officials said that call could be a first step in discussions about restructuring its debt.

Bronin declined Wednesday to discuss details about restructuring.

Michael Stanton, head of strategy and communications at Build America Mutual, one of the two primary companies that insures Hartford's municipal bonds, outlined ways Hartford could avoid bankruptcy. BAM urged the city to avoid such a move, saying it would cause "irreparable harm" to

the city, residents, the state and other municipalities.

Stanton said Hartford could take advantage of legislation allowing it to sell bonds that stretch out its obligations over 30 years, up from bond sales that pay off over 20 years.

He said a 30-year term is “very commonplace” in the municipal bond market, which cities tap to raise money for projects such as public buildings that last for 30 years or more.

“This is a transaction the city could execute in the public municipal bond markets today, with no additional legislation, nor a Chapter 9 bankruptcy filing,” Stanton said.

Hartford also could sell new “refunding bonds” and use the money it raised to pay off current debt, he said.

Bronin sent a letter to Gov. Dannel P. Malloy and legislators this month threatening to pursue bankruptcy if Hartford didn’t get its needed state aid by early November. He has asked for at least \$40 million more from the state this year.

Democrats had set aside \$40 million to \$45 million in their spending plan, but a Republican budget was approved by lawmakers instead, with \$7 million in additional funding for the capital city.

An even deeper cut in bond ratings could make it tougher for Hartford to tap bond markets for financing and drive up interest rates demanded by lenders. To help keep the interest rate on the new bonds as affordable as possible, Build America Mutual and Assured Guaranty, told city officials they would be willing to participate in guaranteeing the payments on those bonds to new investors, if such a guarantee is “economically helpful,” Stanton said.

Assured Guaranty also warned against bankruptcy. A “consensual agreement among stakeholders offers the city a better path forward than bankruptcy,” it said.

The Hartford Courant

by Stephen Singer

September 28, 2017

[KBRA Affirms Ratings for NYSHFA Dock Street Housing Revenue Bonds, 2012 Series A and 2013 Series A.](#)

Kroll Bond Rating Agency (KBRA) has affirmed the long-term rating of AA- with a Stable Outlook and the short-term rating of K1+ on the New York State Housing Finance Agency Dock Street Housing Revenue Bonds, 2012 Series A and 2013 Series A (Bonds). The Bonds have a combined par amount outstanding equal to \$100.5 million. Both series of Bonds are scheduled to mature on November 1, 2046. The Bonds were issued as variable rate debt obligations with credit and liquidity support provided by an irrevocable Direct Pay Letter of Credit (DPLC) issued by Wells Fargo Bank, N.A. (Bank) a subsidiary of Wells Fargo & Company, Inc.

The DPLC is sized to ensure timely payment of principal and all accrued interest at the maximum amount permitted by the bond resolution. As such, the credit ratings assigned by KBRA are solely reflective of the credit and liquidity support provided by the DPLC issued by the Bank. Both long-

term and short-term ratings will remain outstanding as long as the Bonds are supported by the Bank's irrevocable DPLC, and remain within the weekly variable rate interest mode.

To access the full report, please click on the link below:

[NYSHFA Dock Street Housing Revenue Bonds, 2012 Series A and 2013 Series A](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

KBRA Rates TBTA's General Revenue Bond Anticipation Notes, Series 2017A.

Kroll Bond Rating Agency (KBRA) has assigned a short-term rating of K1+ to the Triborough Bridge and Tunnel Authority's Series 2017A General Revenue Bond Anticipation Notes (BANs). KBRA understands that the par amount of the Series 2017A BANs will be approximately \$400.0 million. In conjunction with assigning the short-term rating, KBRA has also affirmed the long-term rating of AA and the Stable Outlook on the TBTA's outstanding General Revenue Bonds and the long-term rating of AA- and Stable outlook on the TBTA's outstanding Subordinate Revenue Bonds. The Series 2017A BANs are tentatively scheduled to mature on February 15, 2018.

KBRA's short-term rating is based on the TBTA's long-term ratings and KBRA's review of the factors that may impact the TBTA's ability to issue additional BANs or take-out bonds at BAN maturity. The short-term rating utilizes KBRA's mapping of short-term to long-term ratings, as shown in KBRA's short-term rating scale definitions. For mapping of the long-term rating to the short-term rating, please refer to the [short-term KBRA Rating Scale](#).

To access the full report, please click on the link below:

[TBTA General Revenue Bond Anticipation Notes, Series 2017A](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

S&P: Houston Area's Larger School Districts Won't See Harvey-Related Rating Impact.

DALLAS (S&P Global Ratings) Sept. 26, 2017-S&P Global Ratings believes that the Houston area's five largest rated school districts are well prepared to withstand the effects of Hurricane Harvey, and anticipates no rating impact as a result, according to a report published today on RatingsDirect.

[Continue Reading](#)

Fitch: Illicit Sales Will Limit California Cannabis Revenues.

Fitch Ratings-New York-25 September 2017: California's high cannabis taxes will encourage black

market sales and limit potential local government revenues from this new market, Fitch Ratings says.

Effective tax rates on nonmedical cannabis will be as high as 45% when accounting for both state and local levies. Taxes include a 15% state excise tax, state cultivation taxes of \$9.25 per ounce for cannabis flowers (\$2.75 per ounce for leaves), and state and local sales taxes ranging from 7.75% to 9.75%. By comparison, Oregon taxes nonmedical cannabis at approximately 20% and Alaskan taxes range from 10% to 20%.

California's high taxes are likely to keep black market prices competitive into the long term. The state's black market will also benefit from its long history as a supplier to states where nonmedical cannabis remains illegal. Retail sale of nonmedical cannabis is set to begin on Jan. 1, 2018 following California voters' approval of the Control, Regulate and Tax Adult Use of Marijuana Act (Proposition 64) in November 2016.

California will become only the latest of the states to contend with black market staying power. Colorado, Washington and Oregon each lowered their cannabis taxes following legalization to address black market competition. Proposition 64 and most local tax measures included provisions that could permit reductions in tax rates over time. However, future tax cuts may be politically challenging to implement.

Federal restrictions pose an additional and ongoing risk to revenues in states that have legalized medical and nonmedical cannabis. The risk of intervention has risen under the current presidential administration following the US attorney general's call for increased enforcement of drug laws that continue to classify cannabis alongside heroin and LSD. Rising popular support for cannabis legalization nationally may mitigate such risks over the longer term.

Fitch Ratings will publish a report titled "Local Taxes May Challenge Cannabis Legalization in California" in the coming weeks. It will be available for download on www.fitchratings.com.

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The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

Fitch: California School and Community College District Ratings (IDRs, GOs and Pledged Special Revenues)

[Read the Fitch Special Report.](#)

25 Sep 2017

Budget Battles Drag On in Two Northeast States.

Connecticut and Pennsylvania have seen ratings downgrades and state aid cuts amid stalemates

Connecticut and Pennsylvania lawmakers are still struggling to reach agreements to cover multibillion-dollar budget gaps, and the consequences from the stalemates are adding up.

Nearly three months into their new fiscal calendars, they are the last two states without finalized budget plans. The delay has cost Pennsylvania a ratings downgrade and temporarily stalled payments to Medicaid providers and school districts, while Connecticut cities are facing major cuts in state aid.

“Now the squeeze is happening,” said John Hicks, executive director at the National Association of State Budget Officers.

If Connecticut can’t pass a solution by Sunday, a wave of nearly \$1 billion in reductions to municipalities will move forward under the terms of an executive order signed by Gov. Dannel Malloy, a Democrat, to keep state operations running. That could prove damaging for Hartford, the state capital, which had its credit rating downgraded this week. City officials have warned Hartford could file for bankruptcy by early November without more state assistance.

Connecticut and Pennsylvania are required by state laws to pass balanced budgets. Their stalemates follow a bruising year for budget fights around the U.S. Negotiations came down to the wire in many states this summer—the fiscal year starts July 1 almost everywhere—and New Jersey and Maine partially shut down their governments when lawmakers couldn’t reach accords in time.

Fiscal challenges differ from state to state, although persistently weak revenue has been a broad challenge in recent years. Pennsylvania faces near-term funding challenges because lawmakers passed a spending plan before shoring up how to pay for it. Lawmakers are now fighting over how to plug the gap.

Connecticut, meanwhile, faces stark longer-term fiscal challenges, according to Moody’s Investors Service. Income-tax hikes in the state in 2011 and 2015 haven’t stabilized its finances. The state is burdened with a heavy debt load, hefty unfunded pension liabilities and a shrinking population. These factors have contributed to a \$3.5 billion projected deficit in its two-year budget.

With funding for infrastructure, schools and public safety all at stake, towns around the state are worried, said Elizabeth Gara, executive director of the Connecticut Council of Small Towns.

Schools in Groton, Conn., a community on the Thames River, could lose funding for roughly a quarter of the school budget, according to Keith Hedrick, the city’s mayor.

S&P Global Ratings placed nine Connecticut municipalities on negative credit watch Thursday, including New Haven, Bridgeport and New London. The rating agency cited the state's budget impasse and the possibility of big cuts to municipal aid beginning Sunday.

"I worry about the impact to residents," Mr. Hedrick said. "Depending on the size of the cut, we are going to have cut education or raise taxes or both."

A spokesman for Mr. Malloy said the executive order can only provide money for cities and towns based on the state's current revenue projections.

"The solution is to pass a balanced budget as soon as possible," he said.

To plug the hole, Mr. Malloy has called for shifting some teacher pension payments to cities and towns, which has been opposed by municipalities across the state. Labor unions have pushed for higher taxes on corporations.

Republican legislators won a surprising victory in early September when they netted enough Democratic votes to pass a GOP budget. That plan includes higher retirement contributions from teachers and steep cuts to the University of Connecticut, the state's higher education flagship.

Mr. Malloy vetoed the plan Thursday, saying the GOP budget was unbalanced and unsustainable.

"I remain committed to engaging in honest dialogue with legislative leaders to reach an agreement," Mr. Malloy said.

Democratic and Republican lawmakers said Thursday that a budget deal before Oct. 1 was unlikely and now aimed to reach an agreement by mid-October. Absent an agreement, Republicans said they would seek to override the governor's veto on Oct. 10.

Meantime, lawmakers in Pennsylvania managed to pass a \$32 billion spending plan on June 30, but not a revenue plan that will fill a \$2.2 billion gap, much of which was caused by weak revenue in the last fiscal year. This caused "a virtually immediate liquidity shortfall that the state is already scrambling to cover," according to Moody's.

Gov. Tom Wolf, a Democrat, instructed the state treasury earlier this month to delay about \$1.7 billion in payments pegged mostly for Medicaid providers and school districts.

The state soon caught up and made the payments, but weak liquidity and the chance for more delays contributed to an S&P downgrade last week.

"The downgrade largely reflects the commonwealth's chronic structural imbalance dating back nearly a decade, a history of late budget adoption, and our opinion that this pattern could continue," S&P analyst Carol Spain said.

The state treasurer and auditor general, also Democrats, warned lawmakers in a recent letter that they were "disinclined" to support more lending to a general fund if the state can't balance revenues and costs.

Pennsylvania's current budget fight hasn't yet trickled down in a way that affects average citizens, said Dan Seymour, a Moody's analyst. This differs from a nine-month impasse, following the end of a fiscal year in mid-2015, which hurt state funding to social-service agencies that help seniors and students.

Gov. Wolf supported a plan in the GOP-controlled state Senate that would raise taxes by roughly \$550 million to \$600 million, but the GOP-controlled House has turned that plan down. A spokesman for the governor said he continues to work with lawmakers to resolve the stalemate.

The Senate, meantime, has spurned a state House plan that would rely more on money shifted from other state funds. "We do not believe that taxes should be the first option, it should be the last option," a spokesman for the House GOP said.

The Wall Street Journal

By Jon Kamp and Joseph De Avila

Updated Sept. 28, 2017 4:25 p.m. ET

Write to Jon Kamp at jon.kamp@wsj.com and Joseph De Avila at joseph.deavila@wsj.com

[Fitch: Utah's Economy, Conservative Financial Ethos Foster Strong Municipal Credit Quality.](#)

Fitch Ratings-San Francisco-18 September 2017: Utah's tax-supported cities, counties, and school districts maintain strong Issuer Default Ratings (IDR), thanks to a vigorous state economy, conservative financial management, and robust revenue frameworks, according to new research from Fitch Ratings

Statewide, Fitch's IDRs are in the top 'AA' and 'AAA' categories, with Stable Rating Outlooks across the board.

"The State of Utah is benefiting from rapid population growth, a diversified economy, and very low unemployment," said Alan Gibson, Director for U.S. Public Finance. "Within this context, local governments are also performing well. Even during periods of economic expansion, they tend to emphasize prudent budgeting, careful financial monitoring, affordable fixed costs, and strong reserves -all important factors in overall credit quality."

Other keys to strong Utah local government ratings include robust revenue frameworks and solid expenditure flexibility. Most Fitch-rated Utah local governments enjoy low to moderate revenue volatility, high to superior inherent budget flexibility, and high reserves. Fitch anticipates most of its rated Utah local governments will maintain sufficient reserve safety margins for a 'aaa' financial resilience assessment through future economic cycles.

Fitch expects these positive credit characteristics to continue supporting strong ratings in the future, according to Gibson.

For more information, a special report titled "Credit Strengths of Local Governments in Utah" is available on the Fitch Ratings web site at www.fitchratings.com or by clicking on the link.

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Illinois Bondholders Cheer Reversal of Fortune Before Big Sale.

- **Worst-rated state has stabilized, biggest bondholders say**
- **State plans to borrow to pay down record backlog of late bills**

As Illinois prepares for what may be its biggest debt sale in over a decade, its largest investors are celebrating a rally that's transformed the state's bonds from one of this year's worst performers to one of the best.

Since the state in July resolved a two-year budget impasse that pushed its rating to the brink of junk, debt issued by Illinois and its local governments has vaulted to a 7 percent return this year, more than any other state, according to S&P Municipal Bond Indices. Until June 8, they were the worst performer among the five most-indebted states, which include Texas, California, Florida and New York.

The reversal came after lawmakers enacted a budget — and raised taxes — over Governor Bruce Rauner's objections. They also extended Illinois authority to reduce a record pile of leftover bills by selling as much as \$6 billion of bonds. It would be the state's biggest sale since 2003 if done in a single offering.

What follows is a round-up of the outlook for the state from some of Illinois's largest bondholders and how much their firms own:

Nuveen Investments: \$868 million

"It has turnaround potential," said John Miller, co-head of fixed-income at Nuveen, which bought more Illinois bonds in late June and July as the budget came together. The firm plans to take a "hard look" at the \$6 billion borrowing, calling it a "benchmark-type deal" because it may be one of the largest of the year, according to Miller, who cautioned that the state's rising pension-fund debts are still posing risks.

AllianceBernstein LP: \$583 million

"They've stopped the bleeding," said Guy Davidson, director of municipal investments at AllianceBernstein. He said the firm is interested in buying more Illinois debt. "It's not

like we think they have solved their problems. We just think they've stabilized their problems."

Davidson said investors are "getting paid more than we think the risk entails"

Wells Fargo Asset Management: \$428 million

"They're not under the gun as much as far as ratings go," said Dennis Derby, a portfolio manager at Wells, which holds \$40 billion of municipal debt. The firm would be "more comfortable" if the state took action soon to reduce the \$16 billion of unpaid bills

BlackRock Inc.: \$310 million

The tax hike gives the state "more tools" to meet their expenses and obligations, marking an improvement, said Joe Gankiewicz, a credit-research analyst in Princeton, New Jersey, for the company, which oversees about \$124 billion of municipal debt. The state's unfunded retirement liabilities — \$130 billion, according to the Commission on Government Forecasting and Accountability — remain an issue. "The pension expense is likely to outstrip the organic revenue growth in the state in the coming years," Gankiewicz said

Illinois G.O. holding figures are based on data compiled by Bloomberg.

Bloomberg

By Elizabeth Campbell

September 22, 2017, 4:00 AM PDT

— Written with the assistance of Bloomberg's Municipal Global Data team

[CA Multifamily Issuance Jumps \\$2B in 2016.](#)

[Read the Volume Cap Report.](#)

CDFA | Sep. 21

[S&P: Florida Hospitals Show Resiliency Before, During, And After Hurricane Irma.](#)

Given their location, many Florida hospitals and senior living communities have experience dealing with hurricanes and other severe weather events, and they have very detailed disaster preparedness plans they can initiate in anticipation of a major storm such as Hurricane Irma, which recently roared up the state.

[Continue Reading](#)

Sep. 19, 2017

S&P: How Durable Is California's Fiscal And Credit Recovery?

California's economy is dynamic and capable of strong growth rates. Additionally, the state's upwardly skewed income distribution and progressive tax structure combine to amplify the effects of economic and financial market fluctuations in its revenue performance.

[Continue Reading](#)

Sep. 21, 2017

Judge Affirms Limited Power of States and Cities Over Drones.

The ruling was a defeat for Newton, Mass., which banned people from flying drones below 400 feet over private property.

A federal court in Massachusetts has struck down key elements of a local drone ordinance that had significantly restricted where residents could fly the devices, affirming the limited power of cities and states to regulate unmanned aircraft.

The ruling was a defeat for the city of Newton, which enacted an ordinance in December that restricted flights of pilotless aircraft weighing less than 55 pounds. The city said the rules were meant to address safety and privacy concerns about the proliferation of drones in the area.

In January, Newton resident Michael Singer sued the city, seeking to strike down four provisions of the law. Among them were a requirement that drone owners register their aircraft with Newton and a ban on flying drones below an altitude of 400 feet over private property without permission of the property owner.

Citing Federal Aviation Administration guidance, lawyers for Newton said localities are allowed to "co-regulate unmanned aircraft" and argued that the city's ordinance was "within the bounds of its municipal police powers."

But U.S. District Judge William G. Young of Massachusetts disagreed, ruling that the ordinance was in direct conflict with federal government's drone policies mandated by Congress.

Such a collision between local and federal rules, he wrote, violates a provision of the U.S. Constitution that gives federal law priority over conflicting state or local regulation.

"Newton's choice to restrict any drone use below this altitude thus works to eliminate any drone use in the confines of the city, absent prior permission," wrote Judge Young. "This thwarts not only the FAA's objectives, but also those of Congress for the FAA to integrate drones into the national airspace."

The ruling leaves in place other provisions of the ordinance that Mr. Young didn't challenge, such as

a prohibition on operating drones in reckless manner or using them to spy on people.

On Friday, the Law Department for Newton said the city is considering its appeal options.

Mr. Singer, a physician-scientist, said the decision helps to “ensure that the skies would remain open for new technology that would benefit society.” He said that at the time the ordinance was passed, he was researching ways of using drones for delivering medical services.

A number other local jurisdictions in the U.S. have imposed or considered similar clamp downs on drones, such as West Hollywood in California and the Florida town of Palm Beach, which is rewriting its drones rules to avoid the same legal concerns Newton faced.

The Consumer Technology Association, which supported Mr. Singer’s case, said the ruling makes clear that the FAA, and not local jurisdictions, has the final say over who can fly drones and where and when they can do so.

“This decision establishes a rock-solid affirmation that the federal government unequivocally holds jurisdiction over the drone industry,” said Doug Johnson, vice president of technology policy for the association.

THE WALL STREET JOURNAL

By Jacob Gershman

Sept. 22, 2017 7:32 p.m. ET

Write to Jacob Gershman at jacob.gershman@wsj.com

[New Fight in California Water Wars: How to Update Old System](#)

FRESNO, Calif. — In California’s long-raging water wars, pitting north against south and farmer against city dweller, the one thing everybody agreed on Wednesday was that the outdated method of shipping water throughout the most populous state needs a serious upgrade.

A group of influential California farmers shook up the debate a day earlier, backing out of Gov. Jerry Brown’s \$16 billion plan to build two massive water tunnels, re-engineering the delivery system. Westlands Water District in Fresno said it was too expensive and came with too few guarantees.

Brown’s administration, however, gave no sign of giving up. Other key water districts serving vast farmland in the most productive agricultural state and millions of residents still have to weigh in, including the behemoth Metropolitan Water District of Southern California.

“I don’t think a ‘no’ vote is the end of the story,” said Metropolitan’s general manager, Jeffrey Kightlinger. “We don’t live in a world where we can just turn off the projects and walk away.”

Kightlinger sees a path to launch the project before Brown leaves office next year. It’s impossible to predict what form it will take before all the water districts have voted on whether they’re in or out.

The proposed 35-mile-long (56-kilometer-long) tunnels, however, can’t survive as it’s drawn up now without “big players,” such as Westlands, said Kightlinger, who entertains the possibility of a scaled-down project.

Current plans call for building twin tunnels east of San Francisco to deliver water from the Sacramento River mostly to farms and cities hundreds of miles away in central and Southern California.

Backers say the tunnels will stabilize flows, save endangered fish species and ensure a reliable water supply. However, critics say it will be used to drain Northern California dry and further harm native fish.

It is California's most ambitious water project in more than 50 years, when state and federal officials launched a hard-fought campaign to win support for building the current system of reservoirs, pumping stations and canals.

Westlands farmers on Tuesday became the first of several large water districts to vote, pulling out after having spent millions over more than a decade on drawing up plans and calculating costs.

The shake-up forced a big moment for the players to take stock of the whole water system, said Jay Lund, a leading state water expert at the University of California, Davis.

"It's a strategic opportunity to make a strategic political decision," he said.

Among the options are building a single tunnel to serve just municipal districts rather than two, in what Lund called the "garden hose" option, or burrowing one now with the option for a second one later, if it's needed.

The Sacramento-San Joaquin River Delta is such a vital water source for California that somebody will always be advancing projects, Lund said.

In Northern California, the source of much of the state's water, Westlands' vote won cheers from farmers who have fought the project for years.

They contend the tunnels, and their decadelong construction, would have further harmed the delta and San Francisco Bay, destroyed their farms and doomed many sleepy Gold Rush-era towns.

"Does this project end with that vote? I don't know," said Russell van Loben Sels, speaking by cellphone Wednesday from his vineyard where one of the giant water intakes for the tunnels would go. "There'll be a lot of politics and a lot of arm-twisting and that kind of thing."

Brown's Natural Resources secretary, John Laird, said Wednesday that there's broad agreement water deliveries will keep declining without upgraded infrastructure.

"While it's too soon to speculate on potential changes to the project," he said, "the state will continue to consider how best to meet the needs of the agencies" that want to participate.

U.S. Rep. John Garamendi, a Democrat from the delta, said it was a matter of time before central California farmers, such as those who are part of Westlands, realized that high cost and uncertainty would crush the project.

The Democratic governor had floated a similar plan during his first two terms as governor, aiming to build a canal around the delta to ship water south. Brown could not let go of it, said Garamendi, who seeks more water storage and fortifying levees.

"It just takes a long time for bad, old ideas to finally die," Garamendi said. "Hopefully we can move onto cheaper, more effective solutions."

Another major supporter that has yet to vote, Kern County Water Agency, called it a good project.

"I do think if we don't go ahead (with the tunnels), California in 20 years will look back on this as a mistake," general manager Curtis Creel said.

By THE ASSOCIATED PRESS

SEPT. 20, 2017, 9:06 P.M. E.D.T.

A Storm's Never Destroyed a Grid Like Maria Ruined Puerto Rico's.

- **Parts of island may be without power for weeks, if not months**
- **Utility crews will restore service to critical resources first**

You don't even have to leave the airport to see that Hurricane Maria has laid waste to Puerto Rico's power grid.

On Friday, the San Juan airport was abandoned. No electricity meant no air conditioning, and no air conditioning meant hot and muggy air wafting through the terminals. Ceilings were leaking. Floors were wet. Only the military, relying on its own sight and radar systems, was landing planes. The airport is one of the first places crews will restore power — whenever they can get to it. Hundreds are still waiting for the all-clear to move in and start the arduous task of resurrecting Puerto Rico's grid.

The devastation that Maria exacted on Puerto Rico's aging and grossly neglected electricity system when it slammed ashore as a Category 4 storm two days ago is unprecedented — not just for the island but for all of the U.S. One hundred percent of the system run by the Puerto Rico Power Authority is offline, because Maria damaged every part of it. The territory is facing weeks, if not months, without service as utility workers repair power plants and lines that were already falling apart.

"I have seen a lot damage in the 32 years that I have been in this business, and from this particular perspective, it's about as large a scale damage as I have ever seen," said Wendul G. Hagler II, a brigadier general in the National Guard, which is assisting in the response.

No federal agency dared on Friday to estimate how long it'll take to re-energize Puerto Rico. If it's any indication of how far they've gotten, the island's power authority known as Prepa is only now starting to assess the damage.

"We are only a couple of days in from the storm — there could be lots of issues and confusion at the beginning of something like this," said Kenneth Buell, a director at the U.S. Energy Department who is helping lead the federal response in Puerto Rico. "We are in the phase where we have people queued up and lining up resources."

'Evacuate NOW'

What Buell does know is Puerto Rico's power plants seem inexplicably clustered along the island's south coast, a hard-to-reach region that was left completely exposed to all of Maria's wrath. A chain of high-voltage lines thrown across the island's mountainous middle connect those plants to the cities in the north.

Puerto Rico's rich hydropower resources have also taken a hit. On Friday, the National Weather Service pleaded for people to evacuate an area in the northwest corner of the island after a dam burst. "All areas surrounding the Guajataca River should evacuate NOW. Their lives are in DANGER!," the service said on Twitter.

And that's not to mention the state of Puerto Rico's grid before the storm. Government-owned Prepa, operating under court protection from creditors, has more than \$8 billion in debt but little to show for it. Even before the storm, outages were common, and the median plant age is 44 years, more than twice the industry average.

Rebuilding the island's grid into something more robust will cost billions of dollars, Buell said. "You are talking about a lot of money."

Buell is a part of what is known as the Emergency Support Function No. 12. That's another way of saying his team is 12th on a list of groups getting priority access to the island to help with restoration efforts. They're behind the ones that, among other things, are delivering food and water and carrying out search-and-rescue missions.

Essential Services

One major task for the National Guard will be to clear debris, allowing workers to move around. The biggest priority for utility crews will be to restore power to essential services — the airport, water infrastructure and hospitals, Buell said.

It won't be easy. The supply chains the island once relied on to shuttle fuel oil and natural gas to generators, supplying the vast majority of the island's power, have been destroyed. The Energy Department is looking for alternative sources, Buell said.

Some agencies are capable of flying in fuel, and the government may waive a law that limits the tankers permitted to haul oil and liquefied natural gas between U.S. ports to boost shipments to the island.

Once critical resources have regained power, crews will start the long process of getting power plants back up and running and transmission lines reconnected. New York Governor Andrew Cuomo flew in Friday with 10 people from the state's own public power authority, drones and back-up generators.

A helicopter was scheduled to fly out as soon as Saturday to assess the damage to the system, said Mike Hyland, senior vice president of engineering services for the American Public Power Association, the industry group for municipal utilities.

At this point, "we don't know what to do if there is no generation," Hyland said. "You need to see it."

Bloomberg Technology

By Naureen S Malik and Jonathan Levin

September 22, 2017, 4:31 PM PDT

— With assistance by Michelle Kaske, Sophie Caronello, and Christopher Maloney

Puerto Rico Bond Prices Fall as Hurricanes Add to Island's Troubles.

Prices have fallen as much as 4% on some bonds issued by the commonwealth or its utilities

It could take weeks to determine the full extent of the hurricane damage to Puerto Rico, but bondholders are already anticipating losses.

Prices have fallen as much as 4% since Monday on some bonds issued by the commonwealth, its public power company, and its water and sewer authority. Investors were already expecting deep haircuts as the commonwealth makes its way through a federally supervised restructuring process.

"How long will they be missing revenues because of people not getting power?" asked Dan Solender, director of municipals at Lord Abbett & Co. which holds more than \$100 million of Puerto Rico bonds, including some from the power authority.

Even before Hurricane Maria slammed into Puerto Rico early Wednesday, thousands of people had been without electricity for two weeks, since Hurricane Irma passed by the island's northern coast. But the damage from Maria, the most powerful hurricane to hit Puerto Rico since 1928, is likely to be much more widespread on the island, which is already reeling from a decade of economic distress.

August and September mark peak hurricane season in the Atlantic basin. Here's why the conditions in these months make them more likely to form there. Photos: NASA/NOAA

Puerto Rico owes roughly \$70 billion to investors, including individuals on both the island and the mainland, to major U.S. mutual funds and, increasingly, to hedge funds. OppenheimerFunds Inc. and Franklin Resources Inc. are the biggest mutual fund holders of Puerto Rico bonds, according to Morningstar Direct.

Depending on the extent of the damage, the hurricane could factor into future decisions by the federal control board on just how much those investors will get paid, said Matt Fabian, a partner with Municipal Market Analytics.

In the aftermath of a natural disaster, "why would a court decide 'yes, investors, you should take more money off the island?'" Mr. Fabian asked.

But some analysts and advisers to Puerto Rico bondholders also said Wednesday that a massive hurricane recovery effort could help stimulate economic growth on the island. Federal disaster relief funds and insurance money flowing into Puerto Rico could replace outdated infrastructure, and rebuilding could help put people to work, these people said.

THE WALL STREET JOURNAL

By Heather Gillers

Sept. 20, 2017 5:47 p.m. ET

Write to Heather Gillers at heather.gillers@wsj.com

Puerto Rico's Power Woes Are Decades in the Making.

Years of underinvestment and massive debts left the energy grid vulnerable

TOA BAJA, Puerto Rico — As residents here grapple with power outages across the entire island, the task of turning the lights back on falls to an electrical utility beset by rickety infrastructure, workforce reductions and financial woes so deep it declared a form of bankruptcy in July.

Earlier this month, Hurricane Irma sideswiped the island, knocking out power to about 70% of the customers of the Puerto Rico Electric Power Authority, or Prepa. The utility had made significant strides in restoring electricity when Hurricane Maria struck on Wednesday, wiping out power to 100% of its customers.

The “damage is catastrophic,” Ricardo Ramos, chief executive of Prepa, said Friday on CNN. He said previously that it could take months for power to be restored across the island.

Residents are bracing for an uncomfortable slog.

“People don’t think there will be light until after Christmas,” said Mara López, a resident of Toa Baja, near San Juan. Electricity “here is really unstable. It’s a system that has not been well-maintained, and every time the wind blows, it falls.”

The prolonged loss of power and disruption to businesses “could delay the economic recovery of the island,” said Rick Donner, vice president and senior credit officer at Moody’s Investors Service. Puerto Rico is contending with a decadelong recession, declining population and \$73 billion in debt. A federal board is overseeing its finances, and in May, the island declared what amounts to the largest-ever U.S. municipal bankruptcy.

Two months later, the federal board voted to place Prepa, which has \$9 billion of debt, in bankruptcy as well. The move was aimed at helping advance plans to modernize the utility and turn it from a government-owned monopoly into a regulated private utility.

Calls and emails to a spokesman for Prepa weren’t returned, though Puerto Rico’s telecommunications system was hobbled by Maria. Periodic updates on the utility’s Twitter feed highlight its efforts to assess damage and begin the process of restoring power.

Prepa’s problems have been decades in the making. Early in its history, it earned praise for powering Puerto Rico’s industrialization efforts in the 1940s and 1950s. But over time, it became less efficient, energy analysts say.

Its generating plants, which rely on imported oil for about 60% of their energy production, are mostly obsolete and require major upgrades or outright replacement, said Miguel Soto-Class, president of the Center for a New Economy, a nonpartisan think tank in San Juan that has done in-depth analyses of the utility’s finances.

Power outages on the island are common. A fire at one of the utility’s plants in September triggered a blackout across the island that left many customers without power for days.

Yet prices are high. In April, Prepa’s average electricity rate for customers was 20.1 cents per kilowatt-hour, down from 25 cents in 2013 but still close to double the average mainland U.S. rate of about 12 cents, according to Moody’s.

Island residents have complained in interviews in recent years about the lengths to which they must go to keep their electricity bills in check. Some said they had limited their use of air conditioners as much as they can tolerate. Others said that they had shut off circuit breakers, except for the one controlling the refrigerator, before heading to work.

For years, Prepa enjoyed easy access to bond markets and borrowed regularly, accumulating enormous debt. Yet it failed to make important capital investments, such as transitioning to natural gas from oil to generate power, analysts say. Analysts say the money went to a bloated payroll, among other things.

When the island sank into recession, Prepa's finances suffered even more, as business and residential demand for power declined. The exodus of Puerto Ricans to the continental U.S. is shrinking the island's population, depleting the utility's customer base. And austerity measures that the utility implemented as it headed toward bankruptcy resulted in cuts to the workforce it now needs to make repairs.

"All these things have compounded, one on top of the other," Mr. Soto-Class said. They "will severely limit the ability of Prepa to come back quickly."

The utility likely will need many resources, such as power poles and lines, that typically aren't stored on the island, said Brock Long, administrator of the Federal Emergency Management Agency. And "even if the power grid is back up and running, getting power to the house is a whole other situation," since homes may have flooded and sustained damage to their electrical systems, he said.

Given that President Donald Trump declared a major disaster in Puerto Rico, the utility could receive federal disaster funds to help finance repairs.

"They're going to need help," Mr. Donner said. "This really is a big task."

THE WALL STREET JOURNAL

By Arian Campo-Flores and José de Córdoba

Updated Sept. 23, 2017 10:33 a.m. ET

Write to Arian Campo-Flores at arian.campo-flores@wsj.com and José de Córdoba at jose.decordoba@wsj.com

Weakened Dam the Latest Threat as Puerto Rico Reels From Hurricane.

SAN JUAN, Puerto Rico — A Puerto Rico dam damaged by heavy rains from Hurricane Maria was in danger of failing on Sunday, posing a risk to communities downstream, as people across the U.S. territory sought to dig out from the deadly storm.

Some 70,000 people who live downstream from the compromised Guajataca Dam in the northwest of the island were under orders to evacuate, with the structure in danger of bursting at any time.

Puerto Rico Governor Ricardo Rossello, after surveying damage to the cracked dam, reiterated his request on Saturday that people leave the area as soon as possible.

"The fissure has become a significant rupture," Rossello said at a news conference.

The dam, which is made of earth and surrounded by trees in a largely rural region of Puerto Rico, is 120 feet (37 meters) tall, according to a U.S. Army Corps of Engineers database

The National Weather Service extended a flash flood watch for communities along the rain-swollen Guajataca River, downstream from the dam, until 1400 local time on Sunday.

If the dam fails, the flooding would be life-threatening, the National Weather Service warned. "Stay away or be swept away," it said.

Maria, the second major hurricane to savage the Caribbean this month and the most powerful storm to strike Puerto Rico in nearly a century, carved a path of destruction on Wednesday.

The storm killed at least 25 people, including at least 10 in Puerto Rico, as it churned across the Caribbean, according to officials and media reports.

It knocked out electricity, apart from emergency generators, on Puerto Rico, which has 3.4 million inhabitants.

Severe flooding, structural damage to homes and virtually no electric power were three of the most pressing problems facing Puerto Ricans, New York Governor Andrew Cuomo, whose state is home to millions of people of Puerto Rican descent, said during a tour of the island.

"We lost our house, it was completely flooded," said resident Carmen Gloria Lamb, a resident near the rain-swollen Guajataca. "We lost everything; cars, clothes, everything."

The Guajataca Dam was built in 1929 to serve as a supply of drinking water and for irrigation, according to a U.S. Geological Survey website.

FUEL SHORTAGES AND WATER RATIONING

Signs of the strain on Puerto Ricans were evident throughout San Juan, the capital.

Drivers had to wait up to seven hours at the few filling stations open on Saturday, according to news reports. Hotels, meanwhile, warned that guests might have to leave soon without fresh supplies of diesel to keep generators operating.

Water rationing also began on Saturday. Signs posted throughout San Juan's Old Town informed residents that service would return for two hours a day between 1700 and 1900 local time until further notice.

Telephone service also was unreliable, with many of the island's cell towers damaged or destroyed.

Maria struck Puerto Rico as a Category 4 storm on the five-step Saffir-Simpson scale, dealing a savage blow to an island already facing the largest municipal debt crisis in U.S. history.

The storm caused an estimated \$45 billion of damage and lost economic activity across the Caribbean, with at least \$30 billion of that in Puerto Rico, said Chuck Watson, a disaster modeler at Enki Research in Savannah, Georgia.

Maria, which was hundreds of miles east of Florida over the Atlantic Ocean on Sunday, had eased slightly to a Category 2 storm but still sustained winds of up to 110 miles per hour (175 kmh). It was expected to weaken gradually as it moves north over the next two days.

Dangerous surf and rip currents driven by the storm were expected along the southeastern coast of

the U.S. mainland for several days, the National Hurricane Center said.

Scattered showers were forecast for Puerto Rico on Sunday, said National Weather Service meteorologist Arlena Moses at the agency's Miami office.

Maria hit Puerto Rico about two weeks after Hurricane Irma, one of the most powerful Atlantic storms on record, killed more than 80 people in the Caribbean and the United States. The two storms followed Hurricane Harvey, which also killed more than 80 people when it struck Texas in late August and caused flooding in Houston.

By REUTERS

SEPT. 24, 2017, 10:42 A.M. E.D.T.

(Writing by Alex Dobuzinskis; Editing by David Goodman)

Moody's Places 37 Texas Municipalities Under Review for Downgrade.

New York, September 22, 2017 — Moody's Investors Service has placed the general obligation bond ratings of 31 Municipal Utility Districts, four School Districts, and two cities under review for downgrade, affecting \$1.2 billion in outstanding debt. The review was prompted by the potential for significant economic and revenue loss associated with damage caused by Hurricane Harvey and the related rains that inundated the region for several days. The area affected by the hurricane covers 39 FEMA-designated counties in Texas that include over 450 Moody's-rated municipal issuers. The majority of issuers that have been placed under review are smaller entities with concentrated revenue sources and limited financial flexibility.

Moody's identified issuers for review on the basis of their flood exposure, location and, in the case of utility systems and schools, their operating status. Specifically, the rating agency examined the issuers' exposure to flooding based on their proximity to 100- and 500-year flood zones and the Addicks and Barker reservoirs, and their location relative to the areas identified in FEMA's initial assessment of damage as of September 2, 2017. For those issuers in the most affected areas, the rating agency then considered potentially mitigating financial resources, including cash and reserves from their most recent audited financial statements. Moody's also considered information related to the extent of damage in a given area, including utility systems that were destroyed or rendered inoperable as of September 18, 2017 as reported by the Texas Commission on Environmental Quality (TCEQ) and schools that have not yet opened.

During the review Moody's will consider the credit implications of any economic and revenue loss from the hurricane as well as operating and capital costs associated with recovery. Additionally, Moody's will assess issuers' damage estimates, access to financial resources, including potential for and timing of financial assistance from federal and state sources, private property damage insurance coverage, and business disruption insurance.

The rating agency expects to complete the reviews over the next 60 to 90 days. Moody's will continue to review additional rated entities that were impacted by this unprecedented weather event as information becomes available.

List of issuers by sector:

Municipal Utility Districts:

Issuer Name Rating/Outlook County Debt outstanding as of 8/29/2017

Corinthian Point Municipal Utility Dist 2 Baa3/STA Montgomery County \$1.39M

Cypress-Klein Utility District A1/NOO Harris County \$355,000

Fort Bend Co. MUD 25 A2/NOO Fort Bend County \$100.39M

Fort Bend County M.U.D. 117 A2/NOO Fort Bend County \$16.13M

Fort Bend County MUD No. 128 A2/NOO Fort Bend County \$67.47M

Harris County Municipal Utility District 132 A1/NOO Harris County \$385,000

Harris County Municipal Utility District 153 A1/NOO Harris County \$23.02M

Kleinwood Municipal Utility A2/NOO Harris County \$11.83M

Montgomery County MUD 94 A3/NOO Montgomery County \$33.16M

Montgomery County MUD 95 Baa2/STA Montgomery County \$20.93M

Montgomery County Municipal Utility District 46 Aa3/NOO Montgomery County \$82.91M

Montgomery County Municipal Utility District 9 A1/NOO Montgomery County \$12.11M

Montgomery County Water Control Improvement District 1 A3/NOO Montgomery County \$13.49M

Montgomery MUD 90 Baa2/STA Montgomery County \$8.09M

New Caney Municipal Utility District A3/NOO Montgomery County \$25.17M

Northampton Municipal Utility District A2/NOO Harris County \$28.90M

Northeast Harris Co. M.U.D. 1 Baa3/STA Harris County \$8.51M

Oakmont PUD A2/NOO Harris County \$30.05M

Pecan Grove Municipal Utility District A1/NOO Fort Bend County \$53.34M

Southern Montgomery County Municipal Utility District Aa3/NOO Montgomery County \$7.56M

Spring Creek Utility District A2/NOO Montgomery County \$52.12M

Timber Lane Utility District A2/NOO Harris County \$49.48M

Varner Creek Utility District Baa1/NOO Brazoria County \$7.46M

Cnp Utility District A1/NOO Harris County \$15.94M

Fort Bend Co MUD 144 Baa2/STA Fort Bend County \$15.40M

Fort Bend County M.U.D. 116 A2/NOO Fort Bend County \$26.34M

Fort Bend County Municipal Utility District 152 Baa3/STA Fort Bend County \$8.40M

Fulshear Municipal Utility District No. 1 Baa2/STA Fort Bend County \$13.29M

Galveston County MUD 14 A3/NOO Galveston County \$9.61M

Harris County MUD 109 A2/NOO Harris County \$28.39M

Harris County Water Ctrl. & Imp. Dist.132 Baa1/STA Harris County \$3.80M

Cities:

Issuer Name Rating/Outlook County Debt outstanding as of 8/29/2017

Port Arthur (City of) A1/NOO Jefferson County \$48.62M

Robstown (City of) Ba2/NEG Nueces County \$16.13M

School Districts:

Issuer Name Rating/Outlook County Debt outstanding as of 8/29/2017

Ingleside Independent School District Aa3/NOO San Patricio County \$45.03M

Orangefield Independent School District A2/NOO Orange County \$9.36M

Sheldon Independent School District Aa3/NOO Harris County \$280.15M

Taft Independent School District A2/NEG San Patricio County \$28.45M

Methodology

The principal methodology used in the ratings was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moody.com for a copy of the methodology.

Regulatory Disclosures

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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[How Olympia Financed an Arena in a Bankrupt City.](#)

The Ilitch family's dream for a new home for their Detroit Red Wings was 25 years in the making.

The ambition finally becomes reality on Sept. 12, when Little Caesars Arena opens with a series of Kid Rock concerts. The \$863 million project — a 20,000-seat state-of-the-art arena anchoring 12 acres of mixed-use buildings and a parking garage — is the centerpiece of The District Detroit, the family's wider \$2 billion, 50-city-block development plan.

How the arena came to fruition amid an especially turbulent era in the city's history is a study in the marriage of timing, politics, money, influence and home team-inspired civic pride. It survived the political turmoil of ex-Mayor Kwame Kilpatrick, the global recession and Detroit's municipal bankruptcy. The legislation needed to authorize public financing for its construction sailed though

Lansing in 2012 with no effective opposition. Local approvals followed with few roadblocks. A brief legal challenge earlier this year didn't delay anything.

How did they pull it off amid the chaos?

The chaos was key.

The tumult in many ways helped smooth the way for the sweeping downtown development plans by the Ilitch family (and fellow Detroit billionaire Dan Gilbert).

"It's not surprising they were able to do what's necessary, to acquire property under the radar in a period of turbulence," said Robin Boyle, professor and chairman of Wayne State University's department of Urban Studies and Planning, who has closely watched the arena project over the years. "The focus of government in Detroit was to keep the lights on, to overcome the chaos we were going through. (Ilitch and Gilbert) were able to do it without a great deal of interference. These two companies benefited from the chaos that existed (at) the time."

With one mayor in prison followed by a succession of three more in office and then an emergency manager appointed by the governor, Detroit city government wasn't able to scrutinize wealthy businessmen's plans too closely. Politicians saw new investment as a tonic for a city under scrutiny after decades of problems and decline.

"It wasn't able to impose what in other cities would be a much more stringent regulatory process. They got their approvals without much conversation," Boyle said, adding that the city hadn't updated how it handled development projects in decades.

The sheer size of the arena project, and the promise of massive investment and new jobs, was hard to resist in a city of crumbling infrastructure, poverty, bad schools and joblessness.

Political prowess

The Ilitches, who declined to make anyone available to talk for this story, also employed the right players to navigate the project through potential minefields, Boyle said.

Developer Eric Larson played an especially crucial role. Larson was hired as non-executive president of Olympia Development in 2011 to oversee the Ilitch real estate holdings. He assembled the political support in Lansing to get the public financial enabling legislation passed in December 2012.

Larson, who left Olympia in 2013, is CEO of Bloomfield Hills-based Larson Realty Group and also CEO of the Downtown Detroit Partnership. Larson said the talks to get the arena bill through Lansing began in earnest about six months before the vote.

Also hired to shepherd the legislation were Lansing-based lobbying firm Muchmore Harrington Smalley & Associates and Detroit law firm Miller, Canfield, Paddock and Stone PLC.

These allies helped make the case to politicians and the public for giving a billionaire public money to build a hockey arena — and also to anticipate and tamp down public outcry.

Such pushback had become common in the decade before as taxpayers questioned the need to help pay for sports stadiums that ultra-wealthy owners wanted.

But even the Ilitch family had previously encountered difficulties in stadium financing.

In 1996, Mike Ilitch got Wayne County voters to OK a 2 percent rental car tax and 1 percent hotel room tax to finance construction of Comerica Park for his Detroit Tigers, but banks balked at his portion of private financing.

He was forced to assemble a consortium of lenders, including financiers in Japan and Europe, to get the cash.

Ilitch's pizza business wasn't as healthy then as it is today, and bankers were concerned about financing his stadium.

Now, with Little Caesars churning out billions in sales, the family's financial standing has improved to the point where lenders are happy to finance the arena.

The total up-front public cost of the arena, so far, is \$324.1 million, while Olympia is financing \$538.8 million.

Political decision-makers have come to view public financing as a practical matter — a benefit in exchange for a subsidy. And developers of large projects know that's how business is done.

Quite simply, politicians are willing to hand the money over.

To make sure that happened, Olympia had a strategy to offset potential opposition: Avoid using any general fund dollars from the cash-strapped city.

The public subsidy for the arena's construction comes in the form of tax-exempt municipal bonds sold by the Detroit Downtown Development Authority, the city's economic development agency that has its own budget and taxing authority.

That's what the legislation authorized — changing the law that allows the DDA to use an expanded tax capture in downtown Detroit to pay off the \$250 million in construction bonds it eventually issued to help pay for the arena.

Those dollars are legally obligated for new economic development projects and cannot be diverted to pay for things like city services or schools.

Most of the taxes captured come from large downtown corporations such as General Motors and Dan Gilbert's Bedrock, which owns more than 90 downtown buildings.

Broader vision

The other Ilitch strategy to gain support was to make the project much more than just an arena.

Instead, they unveiled a bold pitch that was no less than the creation of an entire neighborhood.

Shortly before the arena bill vote in December 2012, Olympia unveiled its plan for a \$650 million project that included not only the arena bowl but also surrounding development of residential, retail, office and green spaces. The Ilitches had begun quietly gathering the land in the early 1990s with the intent of using the plots for an arena. They eventually decided to make it a much broader effort.

The strategy of a wider project helped Olympia burnish the playbook employed by arena and stadium developers everywhere: Sell the project with the promise of new jobs and increased economic activity that fills tax coffers and pocketbooks. With the Olympia project, it would be on an even larger scale in a city starved for new development. And they promised jobs and contracts would

go to city residents and locally based companies, pledges they say they have stuck to with some exceptions. Job training and internships are part of the construction effort, too.

In July 2014, the Ilitches made public their far wider District Detroit plan of 50 city blocks remade with new investment. They paid University of Michigan professor Mark Rosentraub for a report that estimated the mammoth arena project would create 8,300 construction jobs and 1,100 permanent jobs, along with \$1.8 billion in economic impact for the city, region and state.

Decades of academic study nationally, however, cast doubt on the economic sense of public subsidies for sports stadiums.

Such caution didn't affect the political will to give Olympia the money it sought. The promise of developing a blighted section of the city was irresistible.

"Over the years (the Ilitches) were able to assemble enough land to think about where significant infill developments could occur," Larson said. "Little Caesars Arena is filling a void that was going to take a very long time, tens of years, to infill with traditional development. There was this void and nothing was going to link (downtown and Midtown) as impactfully and quickly as the arena."

Stitching together two parts of the central business district with a sprawling mixed-use project helped sell political and civic leaders on the project, Larson said.

"The return on investment, I think, ultimately, is much more significant and will be realized much faster than if it were just a standalone sport facility," Larson said.

The family's business reputation also helped their quest for public subsidies. The Ilitches have been long praised for relocating their Little Caesars pizza chain headquarters downtown in 1989 while other businesses were leaving the city.

The reality is mixed: They put a lot of money into downtown investments, but also garnered criticism for their stewardship of some blighted properties. Plans for some new developments fell through, too, fueling boos from some.

But overall, they've been heralded for their accomplishments, which include renovation of the Fox Theatre and construction of Comerica Park and MotorCity Casino and Hotel. They're currently building a \$150 million new headquarters for Little Caesars next to the Fox.

The Ilitches also were able to rely on the Red Wings' history for support. Mike Ilitch bought the club for \$8 million in 1982. It would go on to win four Stanley Cups during a playoff streak that lasted 25 years. Winning fuels goodwill.

The arena strategy has worked so well for the Ilitches that they successfully got city approval for another \$34.5 million worth of DDA bonds to pay for retrofitting the arena to accommodate the Detroit Pistons, who announced in November they'd relocate to Little Caesars Arena to be a tenant alongside the Red Wings.

The Ilitches haven't faced the sort of resistance Dan Gilbert is facing in Cleveland, where he's seeking \$70 million in local aid for a \$140-million upgrade to Quicken Loans Arena, where his Cleveland Cavaliers play home games.

Public and political opposition to Gilbert's plan reached the Ohio Supreme Court, which ruled last month that the issue must go to a public referendum.

“Community-based push back has been really muted here. It hasn’t had the same resonance you’d find in other places,” Boyle said.

Crain’s Chicago Business

By Bill Shea

September 10, 2017 12:01 a.m.

Puerto Rico Bonds Gain After Judge Rules Against Highway Debt.

- Price on general obligations with 8% coupon highest since July
- Ruled toll revenue can be used to repair roads, not repay debt

Some Puerto Rico general-obligations gained in value after a court ruled that the commonwealth’s transportation agency would retain toll revenue to cover operations instead of paying bondholders.

Puerto Rico general obligations with an 8 percent coupon traded Tuesday at an average 59.3 cents on the dollar, the highest level since July 20 and up from 57.8 cents the day before, according to data compiled by Bloomberg.

U.S. District Court Judge Laura Taylor Swain last week ruled that the island’s Highways and Transportation Authority will continue using toll revenue to maintain its system rather than pay bondholders as the agency works its way through bankruptcy.

Some investors may interpret that ruling as an indication that sales-tax revenue may ultimately be used for commonwealth expenses, which would be a positive for its general-obligation bonds, said Daniel Solender, head of municipals at Lord Abbett & Co., which manages \$20 billion of state and local securities, including Puerto Rico debt.

“Maybe there’s some kind of positive move toward G.O.s getting access to some of that revenue,” Solender said.

Bloomberg Markets

By Michelle Kaske

September 12, 2017, 9:38 AM PDT

— With assistance by Steven Church

Hartford Says It Needs Debt Relief as Credit is Downgraded.

Matt Fabian of Municipal Market Analytics considers Hartford’s bonds impaired since the city has indicated it can’t handle all its debts.

The city of Hartford in Connecticut is still paying interest on its debt, but it notified bondholders this week that it won’t be able to do so forever — even if it gets the state aid its waiting for.

It has hired bankruptcy attorneys who plan to meet with creditors later this month to discuss restructuring.

Matt Fabian of Municipal Market Analytics says Hartford's bonds are already impaired. He wrote to clients Friday afternoon:

With a notice to bondholders that the city requires relief from its bonded indebtedness regardless of whether or not the state provides incremental aid, the city of Hartford CT has been added to the MMA database of defaulted and impaired municipal bonds. Hartford is in the Other category, which is for issuers still paying debt service in the normal way but where covenant violations, technical defaults, or other threats to repayment have arisen.

Credit rating agencies lowered the city's ratings multiple notches in the past week. Moody's lowered it to the triple-C level — to Caa1 on its ratings scale from B2. S&P lowered it to B-minus from double-B.

S&P credit analyst Victor Medeiros comments:

The downgrade to 'B-' reflects our opinion that Hartford has capacity to pay on its obligations, but due to the current local and Connecticut political, economic, and financial environment, the city is more vulnerable to payment interruptions.

Barron's

By Amey Stone

Sept. 15, 2017 5:17 p.m. ET

[Detroit: The Tipping Point.](#)

Detroit's struggles have been well chronicled, but new investments are contributing to an economic resurgence.

Timothy Thorland drives past the northwest corner of Porter and Hubbard most days on his way to work. Although most who see the abandoned row houses there as urban blight, Thorland envisions attractive residential units that could meet a public need, breathe new life into Detroit's Mexicantown neighborhood, and prove to traditional lenders that it's a viable real estate market worthy of long-term investment.

Like nearly all Detroit neighborhoods, Mexicantown began declining in the latter half of the 20th century and fell off a cliff when the housing bubble burst in 2008. But it sits adjacent to Downtown Detroit, which has experienced significant revitalization in recent years. The hope is that this positive growth will spread into surrounding neighborhoods.

But simply waiting for the downtown boom to spread won't save Detroit's neighborhoods. It takes financial creativity, long-term vision, and risk-taking from organizations like Thorland's Southwest

Housing Solutions to push tipping-point neighborhoods like Mexicantown in the right direction.

[Continue reading.](#)

The Urban Institute

by Brett Theodos, Jay Dev, Sierra Latham

September 12, 2017

[KBRA Affirms Rating on DFW International Airport's Joint Revenue Improvement Bonds.](#)

Kroll Bond Rating Agency (KBRA) has affirmed the long-term rating of AA- with a Stable outlook on the Dallas/Fort Worth International Airport (DFW) Joint Revenue Improvement Bonds.

This affirmation is based on KBRA's [U.S. General Airport Revenue Bond Methodology](#).

Please click on the link below to access the full report:

[Dallas/Fort Worth International Airport's Joint Revenue Improvement Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Rates Pennsylvania Turnpike Commission Turnpike Revenue Bonds.](#)

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of AA- with a Stable outlook to the Pennsylvania Turnpike Commission Turnpike Revenue Bonds, Series A-1 of 2017 and Turnpike Revenue Refunding Bonds, Series A-2 of 2017. After issuance, PTC will have approximately \$4.9 billion senior lien Turnpike Revenue Bonds outstanding, with final maturity in 2051.

At the same time, KBRA has assigned a long-term rating of AA- and Stable Outlook to all the Pennsylvania Turnpike Commission's outstanding senior lien Turnpike Revenue Bonds on a parity basis. KBRA's long-term rating excludes bonds backed by a letter of credit or liquidity facility, unless otherwise noted.

The turnpike revenue bonds are secured by net revenue of the turnpike system, consisting primarily of all tolls received by or on behalf of the Commission from the Pennsylvania Turnpike system.

To access the full report, please click on the link below:

[Pennsylvania Turnpike Commission Turnpike Revenue Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Assigns Ratings to the Industrial Development Authority of the County of La Paz, Arizona.](#)

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of BBB- with a Stable outlook to the Imperial Regional Detention Facility Project Senior Lien Refunding Project Revenue Bonds (Federally Taxable) Series 2014 issued by the Industrial Development Authority of the County of La Paz, Arizona.

This rating is based on KBRA's [General Revenue Bond Methodology](#). KBRA's rating evaluation focuses on the following key rating determinants.

- Management
- Service Area
- Operations
- Financials
- Debt and Capital
- Security Provisions

To access the full report, please click on the link below:

[Industrial Development Authority of the County of La Paz, Arizona](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[KBRA Releases Surveillance Report: MTA Transportation Revenue Bonds.](#)

Kroll Bond Rating Agency (KBRA) affirms the long-term rating of AA+ with a Stable Outlook on MTA's Transportation Revenue Bonds, except for bonds backed by a letter of credit or liquidity facility. KBRA also affirms the K1+ rating on the Series 2015B-2e (Taxable), Series 2015B-2f (Taxable), Series 2017A-2 and Series 2017B BANs. The affirmation takes into account additional disclosure since our June 15, 2017 report.

On June 15, 2017, Kroll Bond Rating Agency (KBRA) assigned a long-term rating of AA+ with a Stable Outlook on the Metropolitan Transportation Authority's (MTA) Transportation Revenue Refunding Green Bonds, Series 2017B ("the 2017B Bonds"). On that date, KBRA affirmed the long-term rating of AA+ with a Stable Outlook on all outstanding MTA transportation revenue bonds, except for bonds backed by a letter of credit or liquidity facility. KBRA also affirmed the short-term rating of K1+ on the Series 2015B-2e (Taxable), Series 2015B-2f (Taxable), Series 201A-2 and Series 2017B Bond Anticipation Notes (BANs. For additional information on the MTA's long-term credit, please see our [report](#) dated June 15, 2017.

Since our June report, MTA has disclosed further information including the appointment of a new Chairman and other management changes, and submitted the June 2017 Financial Plan to the MTA Board. As a result of the additional disclosure, KBRA is issuing an update to the June 2017 report.

To access the full report, please click on the link below:

[Metropolitan Transportation Authority Transportation Revenue Bonds](#)

If you have any difficulties accessing the report, please contact info@kbra.com or visit www.kbra.com.

[City of Aurora - A Metro Growth Magnet Builds Its Water Future through Strategic Investment, Innovation and Hard Work.](#)

The City of Aurora (CO) joins with Denver and Lakewood to form one of 381 Metropolitan Regions in the United States. Aurora's is a major contributor to the metro economy. The US economy added 2.3 million jobs in 2016; and Metro areas generated over 2 million, accounting for more than 95% of all US gains. The Denver-Aurora-Lakewood Metro area ranked 18 out of 381 Metro areas in annual employment growth. (1) Growth in employment is expected to follow rapid population growth. Projections indicate Aurora's population will double from 359,407 in 2017 to three quarters of a million people by 2070. These growth trends require more public services and modern infrastructure to deliver them. In a high prairie desert city any mayor and council will address water supply and demand, now and in the future. Steve Hogan, Mayor of the City of Aurora says, "We don't sit around and wait. We take action." Mayor Hogan and city leaders are making decisions based on local priorities - survival and quality of life - as they identify, commit funding, and sequence major capital investments and operations logistics to keep the water flowing.

An early May 2017 interview with Mayor Steve Hogan and Marshall Brown, Director of Aurora Water, in the impressively modern and expansive Aurora Civic Center, revealed a legacy of forward thinking about water needs. Aurora now employs an ever-evolving mix of advanced water management planning tools to achieve an adequate supply at constant demand regardless of population growth. The diversification of water supply is necessary but nonetheless logistically challenging. This review describes how a 20th Century legacy articulated by elected leaders became the cornerstone for advanced water supply planning by today's leaders; and what they are doing now to secure their water future.

[Continue reading.](#)

[Chicago Schools Get Lifeline From State to Cover Pension Costs.](#)

- **Move extends rally in the school district's bond prices**
- **State to provide \$1.1 billion more over next five years alone**

A school bus drives by a school in Chicago, Illinois. Photographer: Scott Olson/Getty Images
Chicago's cash-strapped school district is set to receive an additional \$1.1 billion from Illinois over the next five years alone to pay for its teachers' pensions, providing significant relief from the escalating costs that have reduced its bond rating to junk.

The changes to how aid is distributed, ushered in by legislation Republican Governor Bruce Rauner signed Thursday, triggered a rally in Chicago school bonds, pushing the price of some securities to a more than two-year high. The amount to be provided by the state marks an 18-fold increase from the \$62 million it had previously been set to pay into the teachers fund, according to pension documents.

“It’s a big dose of good news for a change,” said Richard Ciccarone, the Chicago-based president of Merritt Research Services, which analyzes municipal finances. The law “provides a meaningful mitigation of the burdens that they have at the school district.”

Rising pension liabilities, triggered by years of shortchanging the retirement plan, have ravaged the finances of Chicago’s school system, the nation’s third-largest, with about 400,000 students. It’s been borrowing at punishing interest rates and raiding reserves to stay afloat.

Chicago has been receiving far less help than other school systems with its pension costs because it’s the only one in the state with its own teachers fund. The rest participate in the Illinois Teachers’ Retirement System. Last year, the state made a \$4 billion contribution to that fund, which breaks down to about \$2,447 per student, while Chicago got only \$12 million, or \$32 per student, according to figures from the Chicago district.

Officials from Forrest Claypool, the schools’ chief executive officer, to Mayor Rahm Emanuel have blamed what they viewed as an inequitable state funding system for the district’s distress. The school board unsuccessfully sued Illinois this year, trying to wrest more cash from the state. The judge rejected the board’s assertion that the system discriminated against the heavily minority-student district.

“In terms of us being able to make plans and plan with greater certainty, I think we’re in a better place today than we were,” Charles A. Burbidge, executive director of the Chicago Teachers’ Pension Fund, said in a telephone interview.

The aid increase comes as Illinois contends with a \$14.8 billion backlog of unpaid bills after going two years without a budget. The spending plan enacted in July over Rauner’s objections included an income-tax hike that’s expected to generate about \$5 billion and gave Illinois authority to issue debt to pay down some of the unpaid bills.

Bondholders applauded the school funding revamp. The price of the school system’s bonds that mature in 2042 traded for an average of 97.3 cents on Thursday, the highest since April 2015, for a yield of 5.2 percent, according to data compiled by Bloomberg. That price is up from 76 cents at the end of June.

Beyond the state help, the funding bill allows the city’s board of education to raise property taxes to generate revenue for pensions.

“This is above expectations for even the people who are bullish on the city of Chicago public schools,” said Paul Mansour, head of municipal research at Conning, which oversees about \$9 billion of state and local debt, including some Chicago school securities. “With these new sources of revenue in play, this should reduce their future borrowing costs. And give them access to the mainstream municipal market in the future.”

Bloomberg Politics

By Elizabeth Campbell

September 1, 2017, 2:00 AM PDT

In Kentucky's Drastic Pension Reforms, No One Would Be Spared.

Previous attempts to address the state's pension crisis haven't gone far enough. This time around, past, present and future employees could take a hit.

It was a busy week for many Kentuckians. With the state facing yet another public pension crisis, Gov. Matt Bevin spent five hours answering questions on Facebook Live, while retirees were lawyering up and legislators packing their bags for a special session.

This is the third time in a decade that Kentucky has tried to address its woefully underfunded pension systems. Each time, the solutions have become more drastic as the financial health of its pensions have continued to decline. Now, a consulting group is recommending the state's lawmakers cut retirees' pension checks by as much as 25 percent. Between its plans for workers, police officers, firefighters and teachers, the state owes roughly \$33 billion in pension debt.

[Continue reading.](#)

GOVERNING.COM

BY LIZ FARMER | AUGUST 31, 2017

Sewerage and Water Board of New Orleans Debt Ratings Not Immediately Affected By Rain Impact, Leadership Turnover.

DALLAS (S&P Global Ratings) Aug. 31, 2017-S&P Global Ratings said today that the operational struggles related to extraordinary rainfalls in July and August, including from the remnants of Hurricane Harvey, are not likely to impair the credit quality of the Sewerage and Water Board of New Orleans (SWBNO)'s waterworks or sanitary sewer system revenue bonds or its special ad valorem tax drainage system...

[Continue Reading](#)

S&P: Refinancing Some Of Its Unpaid Bills Could Partially Preserve A Crucial Cash Management Tool For Illinois.

SAN FRANCISCO (S&P Global Ratings) Aug. 22, 2017-Enactment of a fiscal 2018 budget in Illinois did not bring an end to the ongoing political stalemate that caused its two-year budget impasse. The governor and General Assembly remain at odds over funding policy for the state's school districts.

[Continue Reading](#)

Appellate Division Clarifies NJ State University's Qualified Immunity From Local Land Use Regulation.

The Appellate Division recently reaffirmed and clarified the concept of a public university's qualified immunity from local land use regulations initially espoused in the New Jersey Supreme Court's seminal decision in *Rutgers University v. Piluso*, 60 N.J. 142 (1972). In this recent opinion, *Montclair State University v. County of Passaic*, Docket No. A-3318-15T3 (August 23, 2017), the court reviewed the nature and extent of local and county review with regard to a connector road proposed by Montclair State University (MSU) from its campus to Passaic County Route 621 (Valley Road) in Clifton. MSU spent approximately six years consulting with defendants Passaic County and the City of Clifton regarding the proposed road and working through objections and concerns raised by both the county and the city.

Ultimately, MSU believed it had satisfied defendants' concerns and in 2014 submitted an application to the county for approvals relating to the proposed intersection with County Route 621. The county failed to respond, and MSU filed a complaint for declaratory judgment with the Law Division seeking a determination that the county's refusal to issue the permit was inconsistent with settled law which granted MSU qualified immunity. The trial judge ordered MSU to provide updated traffic studies, and to appear before both the city and county planning boards in connection with the road project. After MSU produced an updated traffic study, the county refused to issue a permit because it believed the roadway design did not meet the governing engineering standards, and because the city's approval was required for a traffic signal which would impact local roadways.

[Continue reading.](#)

Day Pitney Author(s) Katharine A. Coffey Christopher John Stracco Craig M. Gianetti

August 28, 2017

Day Pitney